

Statement on the integration of sustainability risk into remuneration policy

June 2024



Introduction

This statement is issued on the basis of Article 5 of Regulation (EU) 2019/2088 of the European Parliament and of the Council (the *SFDR-regulation*), which was implemented into Icelandic law with Act on Sustainability Disclosure Requirements in the Financial Sector and a Classification System for Sustainable Investments no. 25/2023.

According to Article 5 of the SFDR-regulation, the Bank must include in its remuneration policy information on how the policy is consistent with the integration of sustainability risk, and shall publish the information on the Bank's website.

The purpose of the provision is to promote greater transparency in remuneration policies of financial market participants and financial advisers, with respect to their investments and investment advice.

What is sustainability risk?

Sustainability risk is defined in Article 2(22) of the SFDR-regulation as environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Íslandsbanki's Remuneration Policy

The objective of the Bank's Remuneration Policy is to foster trust in the Bank's management and operations, with the Bank being a leader in the field of good corporate governance and sustainability. Furthermore, the Remuneration Policy shall support sound operations in the long term, conform and contribute to a reliable and efficient risk management, not encourage risk-taking beyond the Bank's risk appetite and include measures for the prevention of conflicts of interest.

According to Article 7 of the Bank's Remuneration Policy, the Bank shall not conclude or authorise agreements on salary incentives, that is not authorise agreements on terms defined by performance and do not form part of fixed remuneration, where the final amount or size is not exactly know beforehand.

Sustainability risk in Íslandsbanki's Remuneration Policy

Íslandsbanki's Remuneration Policy does not specifically take into account sustainability risk, as defined in Article 2(22) of the SFDR-regulation, as the Remuneration Policy stipulates that the Bank is not permitted to conclude remuneration agreements on terms defined by performance and do not form part of fixed remuneration. The Remuneration Policy also stipulates that when deciding remuneration, equal rights perspectives shall be take into account.

By emphasizing good governance, equal rights perspectives and fixed remuneration in the Remuneration Policy, the Bank believes that its arrangements do encourage excessive risk-taking.

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