Statement on principal adverse impacts of investment decisions on sustainability factors

June 2026

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Financial market participant: Íslandsbanki hf., 549300PZMFIQR79Q0T97

Summary

Íslandsbanki hf. (549300PZMFIQR79Q0T97) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Íslandsbanki hf. which has delegated the portfolio management of discretionary portfolios and investment management to its subsidiary, Íslandssjóðir hf., and collectively referred to as "we", "us" or "our". This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2025 to 31 December 2025.

At this time, the specific sustainability factors covered by the principle adverse impact (PAI) are considered to a limited extent in investment decisions, principally as a result of gaps in data availability and data quality. The data underlying this statement has been sourced from third-party data providers and, in certain cases, directly from investees. Íslandsbanki will continue to work towards enhancing data coverage and calculation capabilities as to enable broader monitoring of the relevant sustainability factors.

This statement also includes a description of actions taken, actions planned, and targets set to seek to reduce and mitigate the principal adverse impact of our investments. Íslandsbanki's aims to reach an adequate level of data availability and quality of data to be able to calibrate targets and consider principle adverse impacts in its investment decision-making process.

Íslandsbanki assesses its investee companies based on sustainability factors, not principle adverse impacts, to assess sustainability risk, in line with its commitment to responsible investing. Islandsbanki's responsible investment practices include impact investing, negative screening, proxy voting and active ownership.

Indicators applicable to investee companies			
Adverse Sustainability Indicator		**Metric**	**Impact 2025**
GHG emissions	*GHG emissions (1.1)*	Scope 1 GHG emissions	4,096 tCO_2e
		Scope 2 GHG emissions	871 tCO_2e
		Scope 3 GHG emissions	38,121 tCO_2e
		Total GHG emissions	43,088 tCO_2e
	Carbon footprint (1.2)	Carbon footprint	49 tCO_2e /mEUR
	GHG intensity of investee companies (1.3)	GHG intensity of investee companies	476 tCO_2e /*mEUR
	Share of investments in companies active in the fossil fuel sector (1.4)	Share of investments in companies active in the fossil fuel sector	2%
	Share of non-renewable energy consumption and production (1.5)	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Consumption: 26%
	Energy consumption intensity per high impact climate sector (1.6)	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	N/A

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	Investments in companies without carbon emission reduction initiatives (2.4)	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	N/A
Biodiversity	*Activities negatively affecting biodiversitysensitive areas (1.7)*	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A
Water	*Emissions to water (1.8)*	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	N/A
Waste	*Hazardous waste and radioactive waste ratio (1.9)*	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	N/A
Social and employee matters	*Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (1.10)*	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (1.11)	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A
	Unadjusted gender pay gap (1.12)	Average unadjusted gender pay gap of investee companies	N/A
	Board gender diversity (1.13)	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	41 %
	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons) (1.14)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0,1%
	Insufficient whistleblower protection (3.6)	Share of investments in entities without policies on the protection of whistleblowers	N/A
	Lack of a human rights policy (3.9)	Share of investments in entities without a human rights policy	N/A
Indicators applicable to investments in sovereigns and supranational			
Environmental	*GHG intensity (1.15)*	GHG intensity of investee countries	500
Social	*Investee countries subject to social violations (1.16)*	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0%

Description of the principal adverse impacts on sustainability factors

The mandatory and voluntary principal adverse impact indicators required by the EU Delegated Regulation 2022/1288 are set out in tables below. We report on 20 adverse impact indicators, of which 18 are mandatory and 2 are voluntary, for the reference period from 1 January to 31 December 2025. For these indicators, we have included information to describe the actions that we have taken and actions that we plan to take/targets set to avoid or reduce the identified principal adverse impact. The following information is subject to data availability and quality.

Indicators applicable to investments in investee companies								
Adverse sustainability indicator		**Metric**	**Impact 2025**	**Impact 2024**	**Impact 2023**[1]	**Explanation**	**Actions taken, actions planned and targets set for the next reference period**
Climate and other environment-related indicators							
Greenhouse gas emissions	1. GHG emissions [tCO_2e]	Scope 1 GHG emissions	4,096 Data coverage 93%	4,331	8,499		Íslandssjóðir have published the carbon footprint of their funds for retail investors, including Íslandsbanki's asset management, for 2020-2024. No specific quantitative target has been established for this indicator for the next reference period. The Bank will continue to monitor the indicator and consider relevant actions through its investment and stewardship processes.
		Scope 2 GHG emissions	871 Data coverage 93%	606	603		
		Scope 3 GHG emissions	38,121 Data coverage 93%	23,167	27,227		
		Total GHG emissions	43,088 Data coverage 93%	28,103	36,329		
	2. Carbon footprint [tCO_2e/mEUR invested]	Carbon footprint	49 Data coverage 93%	48	50	Carbon footprint is calculated based on total emissions (Scope 1, 2 and 3) expressed as a ratio for the value of all investments.	
	3. GHG intensity of investee companies	GHG intensity of investee companies	476 Data coverage 93%	253	244		

[1] 2023 impacts are based on data from June-December 2023 only, as the Regulation became applicable on 1 June 2023. The 2023 calculations also reflect a revised asset scope, including only assets under direct management.

	(tCO2e/mEUR revenue]						
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	2% Data coverage 99%	1%	1%	The domestic market exposure is obtained by assessing if investee's are categorized into NACE code Rev 2. For foreign investee's data is obtained through external data providers.	Oil extracted from oil sands (tar sands) are on our observation list. If assets on the observation list are over 5% in weight the relevant funds are specifically assessed and are sold if deemed unlikely to change.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Consumption: 26% Data coverage 96%	Consumption: 21%	Consumption: 20%	The increase is partly explained by changes in the reporting basis of certain investee companies from location-based to market-based energy consumption reporting, which affects the comparability of the indicator across periods. We invest significantly in the domestic Icelandic market, which has a high share of renewable energy consumption[2].	No specific quantitative target has been established for this indicator for the next reference period. The Bank will continue to monitor the indicator and consider relevant actions through its investment and stewardship processes.

[2] Based on location-based emissions.

	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	N/A	N/A	N/A	Data for this indicator is not readily available for 2023-2025.	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A	N/A	N/A	Data for this indicator is not readily available for 2023-2025.	No specific quantitative target has been established for this indicator for the next reference period. The Bank will continue to monitor the indicator and consider relevant actions through its investment and stewardship processes.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	N/A	Data for this indicator is not readily available for 2023-2025.	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	N/A	Data for this indicator is not readily available for 2023-2025.	
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters							
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	N/A	Data for this indicator is not readily available for 2024-2025. In 2023 Íslandsbanki assessed 35 domestic companies specifically in terms of violations. Non	No specific quantitative target has been established for this indicator for the next reference period. The Bank will continue to monitor the indicator and consider relevant actions through its investment and stewardship processes.

						aroused suspicion of a violation.	
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprise	N/A	N/A	N/A	Data for this indicator is not readily available for 2023-2025. In 2023 Íslandsbanki assessed 35 domestic companies specifically in terms of violations. Non aroused suspicion of a violation.	No specific quantitative target has been established for this indicator for the next reference period. The Bank will continue to monitor the indicator and consider relevant actions through its investment and stewardship processes.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	N/A	N/A	Data for this indicator is not readily available for 2023-2025.	No specific quantitative target has been established for this indicator for the next reference period. The Bank will continue to monitor the indicator and consider relevant actions through its investment and stewardship processes.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	41% Data coverage 98%	40%	43%		No specific quantitative target has been established for this indicator for the next reference period. The Bank will continue to monitor the indicator and consider relevant actions through its investment and stewardship processes.
	14. Exposure to controversial weapons (anti-personnel	Share of investments in investee companies involved in the manufacture or selling	0,1%	0,1%	<0,5%	The exposure is minimal and is only through holdings in	Controversial weapons are on our observation list. If assets on the observation list

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		mines, cluster munitions, chemical weapons and biological weapons)	of controversial weapons	Data coverage 100%			global funds, and is monitored.	are over 5% in weight the relevant funds are specifically assessed and are sold if deemed unlikely to change.
Indicators applicable to investments in sovereigns and supranationals								
Adverse sustainability indicator			**Metric**	**Impact 2025**	**Impact 2024**	**Impact 2023[3]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Environmental	15.	GHG intensity	GHG intensity of investee countries (tCO_2e/mEUR GDP of investee countries)	500 Data coverage 100%	418	203		No specific quantitative target has been established for this indicator for the next reference period. The Bank will continue to monitor the indicator and consider relevant actions through its investment and stewardship processes.
Social	16.	Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0% Data coverage 100%	0%	0%	Data available for the calculations is based on direct investments in sovereigns.	The basis of our investments in foreign markets is that the relevant investments are compliant to international law and international agreements.
Indicators applicable to investments in real estate								
Fossil fuels	17.	Exposure to fossil fuels	Share of investments in real estate assets	N/A	N/A	N/A	N/A	Íslandsbanki does not manage investment in real

[3] [3] Áhrif frá 2023 er byggt á ársfjórðungsgögnum frá júní 2023 til desember 2023, en inniheldur ekki gögn frá janúar 2023 til maí 2023 þar sem reglugerðinn var innleidd 1. júní 2023. Útreikningar fyrir áhrif 2023 voru byggir á endurnýjuðu umfangi af eignum og innihalda nú einungis eignir í beinni eignarstýringu.

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	through real estate assets	involved in the extraction, storage, transport or manufacture of fossil fuel					estate assets for our customers.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A	N/A	Íslandsbanki does not manage investment in real estate assets for our customers.
Additional Indicators							
Adverse sustainability indicator		**Metric**	**Impact 2025**	**Impact 2024**	**Impact 2023**	**Explanation**	**Action taken, and actions planned and targets set for the next reference period**
Emissions	Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement.	N/A	N/A	N/A	Data availability for Additional PAI indicators is currently limited.	No specific quantitative target has been established for this indicator for the next reference period. We will work to identify reliable sources and improve data integration.
Social	Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour).	N/A	N/A	N/A		

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Íslandsbanki has implemented safeguards to help ensure that investments meet minimum ESG standards in line with its responsible investment objectives. Where applicable, these safeguards include the application of exclusion and observation lists, as well as norm-based screening. By applying screening criteria prior to investment, the Bank seeks to limit exposure to companies with significant adverse impacts on sustainability factors.

At this time, principal adverse impact ("PAI") indicators are not systematically integrated into investment decision-making processes due to limitations in data availability, coverage and quality. However, the Bank monitors relevant sustainability-related information and continues to develop its capabilities for the identification, assessment and monitoring of principal adverse impacts on sustainability factors.

Selection of indicators

Íslandsbanki's Sustainability Policy provides a framework for the Bank's activities in the area of sustainability, including responsible investments. The policy identifies two core areas of interest: climate action and diversity and inclusion.

Based on these priorities, the Bank has selected one additional indicator from Table 1 and one additional indicator from Table 2 of Annex I to the SFDR RTS. While the Bank reports mandatory and selected additional PAI indicators in accordance with applicable disclosure requirements, these indicators are currently not used as a formal criterion in investment decision-making due to limitations in data availability, coverage and quality. The Bank will continue to enhance data coverage and calculation capabilities with the aim of strengthening its assessment and monitoring of principal adverse impacts over time.

Identification and assessment of PAI

Principal adverse impact indicators are not yet systematically incorporated into the Bank's active ownership and engagement policies and processes. While the Bank engages with investee companies on sustainability-related matters and applies various responsible investment safeguards, the assessment of individual PAI indicators is currently limited by data availability and quality.

The Bank aims to further develop its processes and methodologies and to integrate PAI considerations more comprehensively as data availability, accessibility and quality improve.

Selection of additional adverse impact indicators

The additional adverse impact indicators were selected based on their relevance to the Bank's sustainability priorities and their potential external impacts. The Bank considers that the priorities set out in its Sustainability Policy reflect an assessment of the potential severity, scale and likelihood of adverse sustainability impacts. The selected additional indicators were therefore chosen based on their alignment with these priorities.

Following this assessment, Investments in companies without carbon emission reduction initiatives and Lack of supplier code of conduct were considered the most relevant indicators and were therefore selected as Íslandsbanki's additional adverse impact indicators.

Governance in relation to policies

The Sustainability Policy, updated and approved by the Board of Directors in June 2026, establishes the Bank's overall sustainability framework, including responsible investment principles. The CEO is the owner of the policy and the Executive Committee is responsible for its implementation. Executive Directors are responsible for ensuring that the relevant procedures and activities within their respective business areas are aligned with the policy.

Day-to-day responsibility for ensuring compliance with responsible investment objectives rests with the relevant investment functions, including the asset management team. Oversight of the Bank's PAI statement and related disclosures forms part of the Bank's sustainability governance framework, with ultimate oversight exercised through senior management and the Board-approved Sustainability Policy.

Data sources and Margin of error

The Bank obtains sustainability data from investee companies, external data providers and publicly available information sources. Sustainability data for domestic investee companies is primarily sourced through a domestic third-party data provider, while data relating to foreign investee companies is primarily obtained through international third-party data providers.

Due to limitations in market-wide sustainability data availability, coverage and reporting practices, certain indicators may be subject to data gaps, estimates and methodological limitations. Where reported data is unavailable, third-party estimates may be used where considered sufficiently reliable.

The Bank continuously seeks to improve data quality, coverage and calculation methodologies in order to strengthen the assessment and monitoring of principal adverse impacts on sustainability factors and to increase the reliability of reported information.

Engagement policies

The Bank seeks to contribute positively to environmental and social outcomes while creating long-term financial value.

Engagement activities currently focus on sustainability-related matters more broadly and are not yet systematically linked to specific PAI indicators due to limitations in data availability and quality. The Bank intends to further develop its engagement methodologies and integrate PAI considerations more formally as relevant data becomes increasingly available and reliable.

The Bank takes its stewardship responsibilities seriously and believes that active ownership can contribute to long-term improvements in investee companies. In the domestic market, active ownership is primarily exercised through voting at shareholder meetings and ongoing dialogue with company management regarding sustainability-related matters.

The extent to which active ownership is applied depends on several factors, including the size of the investment, the characteristics of the investee company and the Bank's assessment of its ability to influence outcomes. If investee companies do not respond adequately to repeated engagement efforts, exclusion may be considered.

Where actively managed funds invest in companies included on Íslandssjóðir' observation list, those investments are subject to additional review. Fund managers are requested to provide regular explanations regarding such holdings, including ESG-related considerations and engagement activities undertaken. Where responses are deemed unsatisfactory, exclusion may be considered. If companies on the observation list represent more than 5% of a fund's holdings, the position is subject to enhanced scrutiny and may be divested if no reasonable prospect of improvement is identified.

Key areas of focus within the Íslandssjóðir's negative screening processes are linked to PAI indicator 10 (Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises) and PAI indicator 14 (Exposure to controversial weapons).

References to international standards

The Bank seeks to invest in companies that operate in accordance with internationally recognised standards, conventions and norms.

These include the Principles for Responsible Investment ("PRI") and the Principles for Responsible Banking ("PRB"). In addition, Íslandsbanki and Íslandssjóðir annually publish financed emissions calculations based on the Partnership for Carbon Accounting Financials ("PCAF") methodology. These frameworks support the Bank's monitoring of climate-related sustainability risks and impacts that are relevant to, among others, mandatory PAI indicators concerning greenhouse gas emissions. The Bank has also been a signatory to the UN Global Compact since 2009 and annually reports on its progress in implementing its principles. This commitment is relevant to the monitoring of sustainability matters relating, among others, to PAI indicators concerning violations of UN Global Compact principles and OECD Guidelines. Environmental impacts are assessed as part of the Bank's broader sustainability risk framework for investment decisions.

At entity level, Íslandsbanki does not currently incorporate PAI indicators as a formal element of investment decision-making. However, with respect to funds managed by Íslandssjóðir hf. that promote environmental or social characteristics or that have sustainable investment as their objective, principal adverse impacts may be considered to the extent described in the relevant fund prospectus and associated SFDR disclosures.

Íslandsbanki does not apply a forward-looking climate scenario to assess portfolio alignment with the objectives of the Paris Agreement during the current reporting period. The Bank considers that the underlying data required for such analysis—including Scope 3 greenhouse gas emissions, sector-specific transition pathway data and issuer-level science-based emission reduction targets—is not currently available to a sufficient extent within the Icelandic issuer universe to support robust scenario modelling.

This assessment is reviewed annually, and the Bank intends to incorporate an appropriate forward-looking climate scenario once data availability and quality are deemed sufficient. In the meantime, the Bank continues to monitor developments in climate-related data and methodologies.

Historical comparison

A historical comparison of the period reported on with the previous reported period is included in the section 'Description of principal adverse impacts on sustainability factors' in the table above.

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