

Positive force in society

Suppliers Code of Conduct

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1. Introduction

This Code of Conduct for suppliers has been formulated by the Executive Committee of Íslandsbanki, based on the Sustainability Policy approved by Íslandsbanki's Board of Directors. The Sustainability Policy states that the Bank has decided to focus in particular on supporting four of the UN Sustainable Development Goals:

- #4 – Quality Education
- #5 – Gender Equality
- #9 – Industry, innovation, and Infrastructure
- #13 – Climate Action

The Bank intends to conduct its purchasing in line with its Sustainability Policy, in part by doing the following:

- ensuring compliance with regulatory instruments where the Bank conducts its activities;
- providing leadership in the areas of good governance practices, business ethics, and sustainability;
- providing stakeholders with information on the Bank's objectives; and enhancing suppliers' awareness of environmental, social, and governance (ESG) criteria based on the ESG Reporting Guide.¹

Purchases of goods and services shall be based on efficiency, non-discrimination, and transparency. The rules require that the goods and services the Bank purchases satisfy quality requirements and meet the Bank's needs at any given time. Furthermore, specific requirements are made of individual suppliers. For larger purchases, the Bank attempts to conduct price surveys or seeks bids. Larger purchases are individual purchases of goods and services in amounts over ISK 50m (including VAT) or an equivalent commitment of the term of a contractual agreement.

Bids shall be evaluated based on the Bank's sustainability priorities, as well as financial considerations, service factors, and safety and security factors, if applicable. Provisions on purchasing as presented in the aforementioned Sustainability Policy apply to all of the Bank's purchases. The Purchasing department oversees consulting and services related to purchasing unless otherwise provided for explicitly in individual contracts.

The points below apply to all of the Bank's contractual purchases exceeding ISK 50m (including VAT) on an annual basis and if the supplier has an average of more than 50 annual full-time position equivalents. On the other hand, the Bank wishes to encourage all suppliers and partners to familiarise themselves with and adopt this Code of Conduct in their activities, and to disclose information to this effect in a public forum, such as through annual sustainability reporting.

If a price survey is carried out before goods or services are purchased, survey participants shall be notified in advance how much weight is assigned to the factors under consideration; i.e., price, quality, service, security, and ESG criteria. The Bank may grant exemptions from requirements made of suppliers if circumstances warrant it. The rationale for such exemptions shall be explained specifically.

The objective of the Code of Conduct for suppliers is to ensure that Íslandsbanki and its suppliers can jointly act as a positive force in society. The Bank intends to engage in broad

¹ https://samfelagsabyrgd.is/assets/2020/02/esg-guide-icelandic-translation_cs-lokautgafa.pdf

collaboration and consultation on the implementation of the Code of Conduct over the next 2-3 years.

2. Environmental criteria

1. Carbon footprint
 - Suppliers measure their carbon footprint and state which methods they intend to use to reduce and offset their carbon footprint.
2. Sorting of waste and recycling
 - Suppliers deliver waste to recycling centres, after sorting it in accordance with the guidelines and rules set by the recycling centre at any given time.

3. Social criteria

1. Suppliers emphasise compliance with regulatory requirements and international human rights agreements.
 - The Bank refuses to conduct business with entities that violate human rights – i.e., through slavery or forced labour; child labour; discrimination on the basis of gender, religion, or race; or violation of wage agreements. The Bank refuses to conduct business associated with any type of bribery or corruption.
 - The Bank requests that its suppliers confirm that they adhere to these objectives and that the goods the Bank purchases from them satisfy the same objectives.
2. If legislation on equal pay certification applies to a given supplier, that supplier is required to satisfy that statutory requirement.
 - Suppliers that are not subject to the statutory requirement are encouraged to adopt an equal pay policy and set objectives in this regard.
3. If legislation on gender ratios on the board of directors applies to a given supplier, that supplier is required to satisfy that statutory requirement.
 - Suppliers that are not subject to the statutory requirement are encouraged to equalise the gender ratio in their board of directors.
4. The Bank encourages suppliers to aim for a 40-60 gender ratio at the management level.

4. Corporate governance

1. Suppliers shall adopt a code of conduct and make it public.
2. Suppliers shall adopt a sustainability policy and make it public.
3. Suppliers shall publicise information on the above points and disclose their progress in these areas in an annual sustainability report.