



# PRB Reporting and Self-Assessment

## **Reporting on Íslandsbanki's progress towards implementing the Principles for Responsible Banking**

Íslandsbanki is one of the 270 banks that have become signatories of The Principles for Responsible Banking. The Principles for Responsible Banking (PRB) are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. The framework was established by the United Nations Environment Programme Finance Initiative (UNEP FI) - a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development.

## Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<b>1.1</b> <b>Business model</b>	<p>Íslandsbanki is a universal bank and a leader in financial services in Iceland. Íslandsbanki lends to companies and individuals and has a history of 145 years of servicing key industries. The Bank has a 25-40% market share across all domestic business segments.</p> <p>Íslandsbanki's objective is to be a force for good in the community, and its vision is to provide customers with the best banking service possible at all times.</p> <p>Sustainability has been a priority at Íslandsbanki since 2009. That is because of our strong conviction that it is the right thing to do, but in 2009 it was also an important part of rebuilding trust after the financial crises. In 2009, Íslandsbanki was one of the first Icelandic companies to become a signatory of the UN Global Compact Principles.</p>	<p><a href="#">Annual and Sustainability Report 2021</a> – Page 5 (This is Íslandsbanki) and Page 16-18 (Íslandsbanki's strategy)</p>
<b>1.2</b> <b>Business strategy alignment</b>	<p>The Bank's collective purpose was in 2019 defined as "moving Iceland forward by empowering our customers to succeed". This purpose statement reflects our commitment to being a force for good in society at the same time as running a solid business.</p> <p>Íslandsbanki is recognised as a sustainability leader in Iceland as is reflected in its ESG risk rating, customer surveys and external rewards. Íslandsbanki is committed to supporting Iceland's ambitious climate goals and the Paris Agreement. To that end, the Bank announced in April 2021 its commitment to become net zero on financed emissions by 2040 in addition to having net zero operations since 2019.</p> <p>Íslandsbanki emphasises integrating sustainability into its operations, alongside its profit objectives. In addition to being a model of environmental, social, and governance (ESG) criteria in its operations, the Bank is committed to initiating broader collaboration on responsible business practices that contribute to sustainable development in the Icelandic economy. By doing this, the Bank is a genuine catalyst and supports customers on their sustainability journey.</p>	<p><a href="#">Annual and Sustainability Report 2021</a> – Page 37 (Íslandsbanki as a model and a catalyst)</p> <p><a href="#">Sustainability Policy and goals</a></p>

## Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<b>2.1</b> <b>Impact Analysis</b>	<p>For signatories of the Principles of Responsible Banking the first step of implementing their commitment is to perform an impact analysis - identifying the most significant impacts of products and services on the societies, economies and environments that the bank operates in.</p> <p>In late 2021, Íslandsbanki used Portfolio Impact Analysis Tool for Banks (version 2 updated 16 June 2021) to assess positive and negative impacts from the Bank's activities, products and services. The analysis followed the Tool logic without using the Tool directly.</p> <p>In conclusion, combining Íslandsbanki's scale of activities and Iceland's key challenges, the top two priority impact areas have been identified as Climate change and Gender Equality. Those areas were already two of the four SDGs that were prioritised as a result of an analysis and broad stakeholder engagement in 2019.</p> <p>In addition, Biodiversity and ecosystems (in particular life below water given Íslandsbanki's exposure to the seafood industry) and Resource efficiency/security have been identified as secondary areas of interest. As more data and analysis for these topics in Iceland become available more focus might be shifted to the topics. All of those four impact areas mentioned are addressed as part of Íslandsbanki's Sustainable Financing Framework published in 2020.</p>	<p><u>Annual and Sustainability Report 2021</u> - Page 39-40 (Íslandsbanki's impact analysis)</p>

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

**Íslandsbanki has fulfilled the requirements regarding Impact Analysis. In late 2021, Íslandsbanki performed a holistic Impact Analysis using the Portfolio Impact Analysis Tool for Banks to assess positive and negative impacts from the Bank's activities, products and services.**

## Reporting and Self-Assessment Requirements

### High-level summary of bank's response

### Reference(s)

#### 2.2

#### Target Setting

The Bank's sustainability objectives through 2025 were approved by the Board of Directors based on ESG criteria. The objectives support the United Nations Sustainable Development Goals (SDGs) that Íslandsbanki has decided to prioritise, as well as supporting the Paris Agreement on the reduction of greenhouse gas emissions and Iceland's Climate Action Plan. The objectives take into account the Bank's obligations in connection with its participation in Nordic CEOs for a Sustainable Future and its compliance with the UN principles for responsible banking.

Slight changes were made to the goals in 2021 to reflect new ambition to become net zero by 2040 as well as increased focus on products and services that support equality and inclusion the 2025 objectives related to social factors have been reviewed.

Annual secondary objectives build on the work done in Íslandsbanki's departments and units as part of the Bank's annual five-year plan. They are published in the Annual and Sustainability Report, together with an overview of the progress made towards them.

Annual and Sustainability Report 2021  
– Page 54  
(Sustainability is a journey – objectives for the road ahead)

Sustainability Policy and goals  
(see sustainability goals and relation to SDGs at the bottom of the page)

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

**Íslandsbanki has fulfilled the requirements regarding Target Setting by setting clear sustainability objectives through 2025 approved by the Board of Directors based on ESG criteria. Furthermore, measurable and timed targets are set on an annual basis for each goal and published in the annual and sustainability report.**

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
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**2.3  
Plans for Target  
Implementation and  
Monitoring**

Íslandsbanki established a new Sustainability Committee in November 2020. The Sustainability Committee, whose members are appointed by the Bank's Chief Executive Officer, is one of Íslandsbanki's business committees. Among other things, it is the Bank's official forum for scrutiny and discussion of issues pertaining to sustainability risk (including ESG risk), sustainable purchasing, and business opportunities.

Each sustainability objective has a clear responsible owner internally and the Sustainability Committee oversees the progress on annual secondary goals.

[Annual and Sustainability Report 2021](#)

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

**Íslandsbanki has fulfilled the requirements regarding Target Implementation and Monitoring. Clear accountability and ownership of goals have been established and Head of Sustainability and the Sustainability Committee has a clear role to oversee the progress on annual secondary goals.**

**2.4  
Progress on  
Implementing  
Targets**

The progress on implementing targets is covered in the Bank's Annual and Sustainability report for 2021.

We are proud of the progress we have already made, but there is still a lot of work to be done.

[Annual and Sustainability Report 2021](#)  
Page 38

[Sustainability statement 2021](#)

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.

**Íslandsbanki has fulfilled the requirements regarding Progress on Implementing Targets and has established key performance indicators to track implementation for internal purposes as well as ensuring systematic and transparent reporting to key stakeholders.**

## Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<b>3.1</b> <b>Policies and practices to promote responsible customer relationships</b>	<p>Íslandsbanki's Sustainability Policy includes a section on responsible lending and responsible investments.</p> <p>Through its lending activity, the Bank is committed to supporting companies and households in their efforts to adopt more sustainable practices. The principles in the sustainability policy aim to align the Bank and its business model with society's goals as expressed in the SDGs and the Paris Climate Agreement.</p>	<p><a href="#">Sustainability Policy and goals</a></p> <p><a href="#">Sustainable Financing Framework</a></p>
<b>3.2</b> <b>Work with clients and customers to encourage sustainable practices</b>	<p>Íslandsbanki has successfully translated sustainability strategy and Sustainable Financing Framework into an innovative product offering. This includes green car financing (Íslandsbanki is Tesla's local financing partner), sustainable financing for companies, green mortgages and a Green Bonds Fund introduced as a savings option for Íslandsbanki's customers in 2018 by the Bank's subsidiary Iceland Funds.</p> <p>Íslandsbanki's Sustainable Financing Framework provides the basis for sustainable lending, investments and funding.</p> <p>Part of our vision of being number #1 for service is providing accessible information and education to encourage financial health of our customers. Since 2015, some 35,000 guests have attended Íslandsbanki's educational meetings and lectures in person.</p>	<p><a href="#">Green mortgages</a></p> <p><a href="#">Green Bonds Fund</a></p> <p><a href="#">Annual and Sustainability Report 2021 - Page 48</a></p>

## Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p><b>4.1 Stakeholders consultation, engagements, collaboration and partnerships</b></p>	<p>Collaboration with international and local partners is the key to success. Over the years, Íslandsbanki has participated in international commitments and supported domestic cooperative efforts in the area of sustainability. Being a part of international collaborations such as the UN PRB, the Nordic CEOs for a Sustainable Future and most recently being a founding member of the Net-Zero Banking Alliance is particularly valuable and informative for a relatively small bank. On the other hand, being one of the largest companies in Iceland means that we can contribute significantly towards domestic partnerships such as at Festa - Center for Sustainability, IcelandSif and the Green Building Council Iceland to name a few.</p> <p>Sustainability has been a priority at Íslandsbanki since 2009 and through the years, Íslandsbanki has considered it important to participate in international commitments and support domestic efforts related to sustainability.</p> <p>Íslandsbanki supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption.</p> <p>The Bank endorses UNEP FI's new Principles for Responsible Banking and is committed to several sustainability networks including the Nordic CEOs for a Sustainable Future, UN Global Compact, TCFD, PCAF as well as the domestic alliances, Festa, Center for Corporate Social Responsibility and Iceland SIF.</p>	<p><a href="#">Annual and Sustainability Report 2021 - Page 37</a></p> <p><a href="#">Cooperation on sustainability</a></p>

## Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<b>5.1 Governance structures, policies and procedures</b>	The sustainability policy and 5-year sustainability objectives are approved by the Board of Directors. According to the Sustainability Policy the CEO and management of the bank are responsible for implementation of the Policy. To further support the implementation Íslandsbanki established a new Sustainability Committee in November 2020. The Sustainability Committee, whose members are appointed by the Bank's Chief Executive Officer, is one of Íslandsbanki's business committees. Among other things, it is the Bank's official forum for scrutiny and discussion of issues pertaining to sustainability risk (including ESG risk), sustainable purchasing, and business opportunities.	<a href="#">Sustainability Policy and goals</a>
<b>5.2 Initiatives and measures to foster a culture of responsible banking among employees</b>	Employee participation is key to achieving the Bank's sustainability objectives and creating a corporate culture that supports the process. Our business model has evolved to fully integrate sustainability at its core making sustainability a driver of strategy and value creation. The Bank's sustainability calendar is reflected in events, educational efforts, and opportunities to give a Helping Hand, with the aim of boosting awareness of the UN SDGs, fostering a sustainability culture, and giving all of our employees the opportunity to be a force for good.	<a href="#">Annual and Sustainability Report 2021</a> – Page 52 (The UN SDGs and employee participation)
<b>5.3 Governance Structure for Implementation of the Principles</b>	Each sustainability objective has a clear responsible owner internally and the Sustainability Committee oversees the progress on annual secondary goals. Annual secondary objectives build on the work done in Íslandsbanki's departments and units as part of the Bank's annual five-year plan. They are published in the Annual and Sustainability Report, together with an overview of the progress made towards them.	<a href="#">Annual and Sustainability Report 2021</a> – Page 54

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

**Íslandsbanki has fulfilled the requirements regarding Governance Structure for Implementation of the Principles and will continue to emphasise fully integrate sustainability at a core making sustainability a driver of strategy and value creation. Furthermore, we will continue to strengthen the culture of sustainability and participation of all employees.**



## Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<b>6.1 Progress on Implementing the Principles for Responsible Banking</b>	<p>One of the Bank's seven sustainability objectives is to assess and disclose sustainability risks and build a robust sustainability governance framework. This focus can be seen in the Bank's unaudited Pillar 3 Report for 2021, which contains a separate chapter on sustainability and climate risk based on international Task Force on Climate related Financial Disclosures (TCFD) recommendations.</p> <p>Íslandsbanki was the first company in Iceland to sign up to become a supporter of the TCFD in December 2020.</p> <p>Íslandsbanki has published its initial estimates of the financed emissions for 2020 and 2019 according to the PCAF methodology. The results confirm that the biggest opportunity to be a force for good is through our products and services – empowering and encouraging our customers on their sustainability journey.</p>	<p><a href="#">Annual and Sustainability Report 2021</a> (chapter 6)</p> <p><a href="#">Pillar 3 Report 2021</a> (see chapter 8 on Sustainability Risk and TCFD disclosures)</p> <p><a href="#">Financed Emissions 2019 and 2020</a></p>

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

**Íslandsbanki has partially fulfilled the requirements regarding Transparently reporting on the Progress on Implementing the Principles for Responsible Banking. We have increased transparency and accountability systematically and auditing firm Ernst & Young was engaged to review and confirm the Bank's environmental information disclosure for 2021 for the first time.**

