



Environmental report 2016

ABOUT THE REPORT

The data and information published in this report are valid for 2016 and apply to Arion Bank's core activities. The subsidiaries are not included. Data from 2015 are included for comparison.

ENVIRONMENTAL ISSUES AT ARION BANK

Arion Bank respects the environment and seeks to minimize any negative effect operations may have on the natural world. Environmental awareness runs through the company from top to bottom. Arion Bank shows its commitment to sustainable banking by being an active participant in society and is dedicated to contributing to its development.

In 2016 a new policy of sustainability was devised at Arion Bank in which the main focuses and stakeholders are defined. The policy builds on the culture which has evolved at the Bank and the work undertaken in recent years, and the policy is entitled *Together we make good things happen*. The policy also incorporates the importance of environmental issues.

The new policy was approved by the Board of Directors in late 2016 and presented to the employees, while a number of other projects related to sustainability were launched during the year. At the end of 2016 Arion Bank became a signatory to the UN Global Compact initiative on corporate sustainability.

Together we make good things happen

We want to act as a role model in responsible and profitable business practices, taking into account the environment, the economy and the society in which we live and work. We try to see things from our customers' viewpoint and strive to do better today than we did yesterday.

We work in an attractive workplace where knowledge creates future value for the benefit of our customers, investors and society as a whole.

In 2016 the following areas of focus in sustainability at the Bank were

AN ENVIRONMENTALLY FRIENDLY BANK

**8.85%
reduction
in carbon
footprint
in 2016**

defined:

- Responsible and profitable business practices
- Better banking
- An attractive place to work
- Creative economy
- Respecting the environment

Objectives of Arion Bank

Arion Bank seeks to minimize the negative environmental impact of its activities. The Bank's environmental objectives are to:

- Optimize the sorting of waste produced by the Bank
- Use energy sparingly
- Use environmentally friendly solutions when printing by using new technology
- Encourage employees to adopt environmentally friendly practices at work and at home
- Choose environmentally friendly products and/or services wherever possible
- Increase the number of paperless transactions
- Reduce waste

Partnerships in environmental issues

Arion Bank signed the City of Reykjavík and Festa's Declaration on Climate Change on 16 November 2015. The declaration fits in well with the Bank's objectives concerning the environment. By signing the declaration Arion Bank committed itself to the following:

- Reduce emissions of greenhouse gases
- Reduce waste
- Measure results and regularly report on the above factors

In 2016 Arion Bank published its first environmental report, which covered 2015. The report set out the Bank's environmental targets and an action plan to reduce the environmental impact of activities which the Bank adhered to in 2016. The Bank succeeded in achieving its aims and in 2016 the Bank's total carbon footprint, from the factors covered by measurements, was 8.85% lower than the previous year.

Arion Bank's climate project

Arion Bank's climate project is based on both the work undertaken on environmental issues at the Bank and also on the declaration on climate change, a collaborative project between 104 companies launched in November 2015. It is an ambitious project which requires meticulous organization and management to guarantee success. Arion Bank's environment team is responsible for implementing the project in collaboration with advisers from Klappir.

Arion Bank has placed particular emphasis on item 3 of the climate change declaration, i.e. to set up an effective IT system to organize environmental issues at the Bank in order to ensure measurability, transparency and disclosure of information.

In 2016 the following tasks were undertaken:

- Implement processes and methods for acquiring and sharing data from different IT systems on vehicles, property and other areas of the Bank's

Environmental
issues
have been
of central
importance
at Arion

operations which cause pollution.

- Introduce methods and tools to measure the environmental impact of Arion Bank's activities.
- Introduce and use IT to create knowledge and to set annual targets.
- Use IT in day-to-day operations to raise environmental awareness and minimize pollution caused by our activities.
- Connect to important data sources and ensure constant data stream into environmental database.

OUR FOCUS ON ENVIRONMENTAL ISSUES

Environmental issues have been of central importance to us in recent years and our focus has been on gaining a clear overview of the environmental impact of our activities. The Bank has launched numerous projects designed to reduce our environmental impact. We have invested in electric cars for running errands around town during working hours, introduced a transport policy for employees, supported forestry, improved waste sorting, and cut down on printing. Our focus on digital services is critical in reducing our ecological footprint.

This section describes the Bank's measures to reduce emissions from our own activities and from acquired services. The project is a journey we will take over the next few years and the results we achieve will be published regularly.

Fuel consumption of our vehicles

By maintaining a record of each time one of our vehicles is refueled, information on fuel cards, car registration numbers and type of fuel is collated. This information is fed into Arion Bank's environmental software, where it is possible to monitor the fuel consumption of our vehicles and the emissions they produce in terms of CO₂ equivalents.

Electricity consumption

The Bank's electricity consumption has decreased by 0.74% since 2015, which is primarily a result of the reduction in the number of square metres used by the Bank's branch network. At the end of the year a project was launched to look into electricity consumption at the Bank's headquarters with the aim of reducing the amount of electricity we use. As a result we invested in 500 LED bulbs. Using LED lighting is designed to significantly reduce electricity consumption at the headquarters from 2017 onwards.

12% less
waste

Waste

In 2016 we launched a project to increase the sorting of waste and to reduce the total amount of waste at the Bank's headquarters and head branch. Waste sorting was improved significantly at both locations with the introduction of new waste bins for plastic, metal and hazardous materials. The project has yielded excellent results and the total amount of waste produced by the Bank dropped 12% between 2015 and 2016. The waste management company engaged by the Bank helped to organize the sorting and reviewed the waste removal schedule and also held a talk for the employees on recycling.

Reducing food waste



Less disposable plastic and fewer plastic bottles

In 2016 we launched a campaign to reduce food waste at the headquarters and main branch. The canteen staff at the headquarters began weighing all the food left on the employees' plates at the beginning of April and at the end of June the campaign was announced to employees. Measurements had been taking place for three months before the campaign was announced so as to allow a comparison of the situation before and after.

This targeted action highlights the importance of reducing food waste. The progress made in the campaign has been regularly reported on the Bank's intranet and the walls of canteens at the headquarters and main branch are decorated with pictures and information relating to the campaign. By encouraging the employees and making the results clearly visible the campaign has proven a resounding success and in the period from April, when measurements began, to December, there has been a sharp decrease in the amount of food wasted.

In October a survey was conducted among employees to look into the impact of the campaign. The results showed the 59% of employees at the headquarters put less on their plates after the campaign began, 9% said they ate more so that they finished what was on their plates and a third said that it had no impact on their behaviour.

Measures to reduce food waste are supported by the excellent work undertaken in the kitchen at the headquarters in recent years. Food at the canteen is purchased in such a way that excess inventory is minimized and resources are used to the fullest extent by using scraps. Ingredients which are not used immediately are labelled, frozen and used at a later date.

We will continue our efforts to reduce food waste and in 2017 there will be a special emphasis on reducing waste in the catering service for meetings and events.

Plastic

In 2016 we made a sustained effort to reduce the use of plastic at the Bank's headquarters. Unrecyclable coffee cups and containers were replaced by compostable alternatives and efforts were made to cut down on the use of disposable plastic in the canteen. We reached agreements with many of our suppliers to ensure that the food we bought came in multiuse plastic trays instead of being wrapped in disposable plastic.

We also commissioned environmentally friendly bags for customers and employees which were decorated by Icelandic artist Rán Flygenring. Useful information on protecting the environment is printed on the bags. The idea behind this initiative is to raise awareness of how important it is for everyone to make their own contribution to reducing pollution and making a better future.

At the end of the year a decision was made to invest in new water coolers at the Bank and this will be introduced in the first half of the year. This system is expected to make plastic bottles at meetings in the headquarters totally redundant and this will greatly reduce the use of plastic containers. In addition plastic bags, which have been used to contain gifts to customers and coins dispensed at our branches, will be swapped for paper bags.

We have ordered labelled pens for customers and employees which are made from recyclable plastic, making them more environmentally friendly. Plastic glasses and plates used at events will be swapped for glasses and plates which are compostable.

Use of paper

We have made a sustained effort to reduce the use of paper at the Bank in recent years. In 2012 we entered into an agreement with Nýherji on a print on demand solution which enables us to control access to all printers and photocopiers, where each employee confirms their print request using their access card at the printer. Since this change was made in 2012, there has been a significant saving in the amount of paper used.

We also decided not to print calendars this year. It could be said that this decision is a sign of the times, as increasing use of computers and smartphones means that people increasingly resort to technology to plan their time. The decision also reflects the Bank's policy of greater awareness and respect for the environment. Last year the Bank printed 69,000 calendars so this year's move represents a huge saving in paper.

In 2017 information on the amount of paper saved will be shared with employees using environmental software, quantifiable targets will be set and the results published regularly.

During the year Arion Bank stated its intention of becoming the leading digital bank in Iceland. We aim to expand the range of digital products and services available to our customers, and in the near future our service offering will be largely accessible online where customers will be able to serve themselves quickly and conveniently. The Bank's focus on digital services is ecofriendly as we are significantly reducing the use of paper by introducing these services and the customers can also reduce their trips to branches. Further information on digital services at Arion Bank can be found [here](#).

Swan Ecolabel

Cleaning

The companies ISS Ísland and Hreint ræsting provide cleaning services to Arion Bank throughout Iceland. Both companies have clear policies on environmental and quality issues and have been granted the Swan Ecolabel for their activities.

Sustainable purchasing policy

Purchasing policy and assessment of suppliers

In 2016 preparations begun for the introduction of a new assessment of suppliers for the Bank, and this is expected to be completed in 2017. This assessment will look at the suppliers' ability to demonstrate their own environmental credentials and their actions to minimize their environmental impact.

The canteen has already implemented a process which requires suppliers to state the origin of the supplies coming into the canteen. This underpins the Bank's focus on sustainable purchasing.

An average of 10% of employees use the transport allowance every month

Transport policy

Arion Bank does its utmost to improve the health of its employees and to reduce greenhouse gas emissions from vehicles through its transport policy. The objective of this policy is to encourage employees to use environmentally friendly and efficient means of transport more. Environmentally friendly transport refers to all modes of transport used to travel to and from work other than private cars, e.g. walking, cycling, getting a lift from others or using public transport. In order to make the policy effective Arion Bank places emphasis on the following:

- Arion Bank encourages its employees to use public transport to and from work. To this end Arion Bank has made an agreement with Strætó bs. on travel cards for those employees who travel to and from work on the bus.

- Arion Bank enters into transport agreements with employees who use environmentally friendly means of transport
- The transport allowance is paid out every month if an environmentally friendly means of transport is used at least four times a week
- Arion Bank strives to provide first-class facilities for those who want to use environmentally friendly means of transport
- Arion Bank pays for taxis in cases of emergency during working hours if the employee normally uses environmentally friendly means of transport
- When ordering taxis or hire cars, employees should order environmentally friendly cars
- Arion Bank encourages its employees to have more meetings by phone if possible

While no survey of employees' transportation habits has been conducted, the number of applications for a transport allowance does provide some clues. Transport allowances have been granted since 2012 and an average of 10% of employees use the allowance every month.

Environmentally friendly taxis

We have made an agreement with taxi companies to send environmentally friendly taxis whenever they are available. In 2017 we will seek to obtain more detailed information on the pollution resulting from this service.

46% decrease in the number of kilometres flown

Arion Bank is striving to obtain a complete overview of the carbon footprint relating to business trips in Iceland and abroad, including flights. In 2016 we made an effort to reduce the number of flights and to use the Bank's teleconferencing equipment instead. This initiative yielded excellent results and the number of kilometres flown during trips abroad decreased by 46% in 2016, compared with 2015. We aim to get an even clearer picture of the flights taken by employees in 2017.

Arion supports the Icelandic Forestry Association

Mitigation measures

Arion Bank and its predecessors have supported the Icelandic Forestry Association for many years, both in planting forests and supporting individual projects aimed at improving public access to forestry plantations, increasing education and making the environment more attractive. Every year the Icelandic Forestry Association, in partnership with Arion Bank, nominates a "Tree of the Year." The purpose of this is to raise public awareness of the excellent work being done across the country in forestry.

In 2017 the Bank is supporting an initiative organized by the Icelandic Forestry Association, whose role is to further increase public knowledge of forests, provide information and improve access to forests for recreational purposes. The Bank will provide funding to a forestry project at Úlfljótsvatn in southern Iceland managed by the Icelandic Forestry Association and the results of this project will be contained in the 2017 environmental report.

WE USE
RELIABLE
OPERATING
DATA

METHODOLOGY

In 2016 we began to use software which collects measurements from each operating unit and feeds them into a central environmental database. In the database the data are processed, the greenhouse gas emissions calculated and the company's carbon footprint is calculated.

The information is published in the software's user interface which is designed to provide a clear overview of environmental issues and different areas of the

business and this help the management achieve the desired results. The implementation of this scheme is going according to plan. Data from the Icelandic oil companies are being entered into the environmental database as is information on the amount and type of waste collected from Arion Bank's headquarters.

Data on electricity consumption are being received from all the branches and places of work and are being entered into the database and the plan is link data on data destruction, use of taxis and mailing services to the database. The data in this report apply to approximately 90% of the data on international flights and in 2017 we will try to obtain information from international airlines and information on domestic flights. Work has begun to stream data on heating buildings and water consumption into the environmental database and this work will be completed this year.

The calculations published here are based on the Greenhouse Gas Protocol which divides emissions into three scopes:

Scope 1 contains emissions which are considered to have a direct impact on a company's operations. Scope 1 is limited to fuel consumption by vehicles in Arion Bank's case, and this increased by 2.6% between 2015 and 2016. We have gained a clearer picture of the fuel consumption of vehicles as data links have been improved.

Scope 2 contains emissions relating to electricity consumption and heating. Emissions of this type are considered to have an indirect impact on operations. Emissions in scope 2 decreased by 0.74% from the previous year on account of lower electricity consumption in 2016. The 2015 calculations took into account the impact of sales of electricity with guarantees of origin and it was divided as follows: renewable energy 71%, fossil fuels 17% and nuclear energy 12%. Since guarantees of origin have not been issued for 2016, the same percentages are assumed as in 2015. Electricity consumption will be recalculated in June 2017.

Scope 3 contain indirect emissions from services provided to the Bank. There are several different factors involved, including emissions originating from contractors transporting goods on behalf the Bank, journeys in vehicles by employees to and from work and flights by employees. It also includes emissions from vehicles removing waste from the company's places of work. Business trips abroad were added to scope 3 in 2016 and data from work-related taxi trips will be included from spring 2017.

This report is publishing Arion Bank's carbon footprint for 2015 and 2016, its targets for 2016 and 2017 and a plan of action for 2017. It is important to continue the work which was begun in 2015, thus ensuring the maximum benefit to Arion Bank and the environment.

CARBON FOOTPRINT

The table shows the carbon footprint for scopes 1, 2 and 3 for 2015 and 2016

EMISSIONS INVENTORY

Greenhouse gas emissions in tons of CO₂ equivalent

Description	2016	2015
Scope1	90	88
Scope 2	693	692
Scope 3	154	248
Total carbon footprint (mt CO₂e)	937	1,028

Carbon fixation	-	-
Carbon offsetting	-	-
Carbon footprint (mt CO₂e)	937	1,028

The carbon footprint from scopes 1 and 2 increased slightly between years. The carbon footprint from scope 3 decreased sharply, however, primarily because far fewer flights were taken in 2016 than in 2015. No carbon fixation or carbon offsetting measures were taken in 2015 and 2016, but the 2017 environmental report is expected to include information on such measures. The Bank's carbon footprint is therefore made up of the three scopes, excluding mitigations measures, and has decreased by 8.85% between years.

CARBON INDEX

The table shows the Bank's carbon index, calculated as the tons of CO₂ equivalent per total assets, average number of employees and size of premises in cubic metres.

Carbon index

Description	2016	2015
Total assets in ISK billions	1,033	998
Average number of employees	936	929.5
Size of premises in cubic metres	114,146	119,189
Carbon index (mt of CO₂ equivalent/total assets (m))	0.91	1.03
Carbon index (mt of CO₂ equivalent/employees)	1.00	1.11
Carbon index (mt of CO₂ equivalent/m³ premises)	0.008	0.009

All three carbon indexes have decreased in 2016 compared with 2015. The number of employees fluctuates significantly as more staff are taken on during the summer. Therefore the number of employees at the Bank is calculated as an average number at the beginning and end of the year. For example, at the beginning of 2016 there were 927 employees in 876 full-time equivalent positions. At the end of 2016 there were 945 employees in 869 full-time equivalent positions. On average there 936 employees during the year.

FUEL

The table shows the annual consumption of fuel by the Bank's vehicles. As can be seen fuel consumption has increased between years.

SCOPE 1

Fuel consumption in litres

Description	2016	2015
Diesel	31,840	29,348
Biodiesel	332	283
Petrol (95 okt)	1,207	2,916
Total fuel consumption	33,379	32,547
Carbon footprint (mt CO₂ equivalent)	90	88

ELECTRICITY

The table shows the Bank's electricity consumption in 2015 and 2016 and the resulting carbon footprint.

SCOPE 2

Total electricity consumption in kWh

Description	2016	2015
Electricity consumption in kWh	4,021,015	4,050,812
Carbon footprint (mt CO₂ equivalent)	631	636

Electricity consumption fell by 0.74% in 2016 compared with 2015. This is expected to decrease further in 2017 with the installation of LED lighting at the Bank's headquarters.

Calculations of carbon footprint are expected to be based on the same types of energy as 2016 and 2015. The National Energy Authority will issue a statement on the origin of electricity in May and the carbon footprint will be recalculated on this basis.

HOT WATER FOR HEATING

The table shows hot water consumption at the Bank in cubic metres for the places for work served by OR.

Hot water consumption in cubic metres

Description	2016	2015
Hot water consumption in m ³	121,619	108,266
Carbon footprint (mt of CO₂ equivalent)	62	56

Hot water consumption has increased by 12.33% between years and the total can be expected to change when the sources of data increase.

INDIRECT EMISSIONS

The table shows the carbon footprint from flights, waste collection and landfill disposal which are included in scope 3 - indirect emissions.

SCOPE 3

Emissions in scope 3 in tons of CO₂ equivalent

Description	2016	2015
Carbon footprint from flights	135.3	222.3
Carbon footprint from waste collection and landfill disposal	18.7	25.7
Carbon footprint (mt of CO₂ equivalent)	154	248

The carbon footprint from scope 3 decreased substantially in 2016, compared with 2015. The carbon footprints from flights by Icelandair and Wow Air declined significantly, down 39%. These two airlines are responsible for approximately 90% of business trips abroad by Arion Bank's employees. In 2017 data from the remaining 10% of business trips are expected to be added.

The carbon footprint from collecting and disposing of waste in landfills has also declined sharply, down 27%. Data on waste collection are missing for the branches which share premises with other companies but these figures are expected to be included in the report for the first half of 2017.

Data on the use of taxis by the Bank will be added in 2017.

WASTE

The table shows the trend in the amount of waste produced by the Bank. The figures show the amount of waste collected by the two waste management companies Gámapjónustan and Íslenska Gámafélagið from the Bank throughout Iceland except where the Bank shares its premises with other companies.

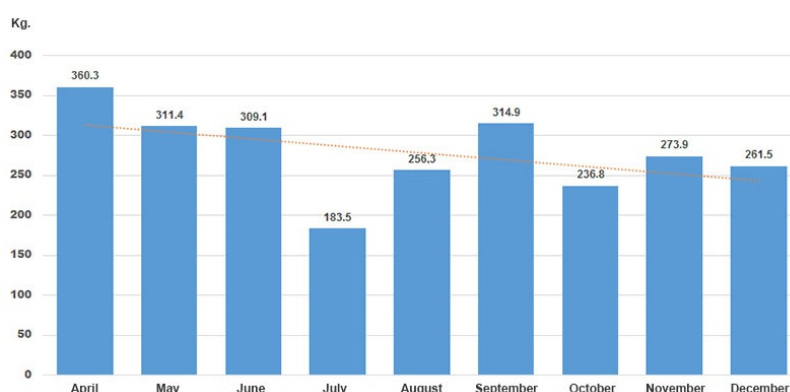
TOTAL AMOUNTS

Total amounts of waste in tons

Decription	2016	2015
Recycled/reused	44.2	53.7
Disposed of in landfill	64.6	69.8
Total waste	108.8	123.5
Carbon footprint (mt of CO₂ equivalent)	18.7	25.7
Categories for recycling/reuse:		
Waste for composting	33.4	38.2
Biodegradable waste (WC waste)	-	0.80
Recycling (open loop)	0.05	0.95
Recycling (closed loop)	10.8	13.7

FOOD WASTE

The diagram shows the results achieved in the campaign to reduce food waste at Arion Bank's headquarters.



The Bank began to measure how much food was being wasted in April and the project was announced at the end of June. Figures for July and August are probably insignificant owing to the summer holidays of employees.

The amount of food thrown away in the three months before the project was announced was 327 kg a month. During the last four months of the year the figure was down to an average of 272 kg a month, a drop of 17%.

PAPER CONSUMPTION

The table shows the number of printed pages in 2015 and 2016.

Paper consumption / number of printed pages

Description	2016	2015
Colour	830,151	913,333
Black and white	2,343,435	2,315,061
Duplex	1,637,320	1,668,218
Total number of pages	2,354,926	2,394,285
Paper index (pages/employee)	2,516	2,576

The number of printed pages decreased by 1.64% between years and the percentage of black and white pages increased, while the proportion of colour pages decreased.

COLD WATER

The table shows cold water consumption at the Bank in 2015 and 2016 in cubic metres. Water consumption has increased slightly between years, or by 2.3%.

Cold water consumption in cubic metres

Description	2016	2015
Cold water consumption in m ³	66.810	65.337
Cold water index (m³/employee)	69,6	72,7

ENERGY CONSUMPTION

The table shows the Bank's energy consumption in kWh in 2015 and 2016. Total energy consumption decreased by 0.96% owing to a decline in electricity consumption.

ENERGY CONSUMPTION

Energy consumption in kWh

Description	2016	2015
Fossil fuels consumption	344,960	333,381
Electricity consumption	4,020,015	4,088,455
Hot water consumption	121,619	108,266
Total energy consumption	4,486,594	4,530,102

ENVIRONMENTAL TARGET

The table shows annual targets and real figures for scopes 1, 2 and 3 presented as tons of CO₂ equivalent.

TARGETS

Target on greenhouse gas emissions in tons of CO₂ equivalent

Description	2017T	2016R	2016T	2015
Scope 1	88	90	86	88
Scope 2	679	693	678	692
Scope 3	150	154	243	248
Carbon footprint (tons of CO₂ equivalent)	917	937	1,007	1,028
Carbon fixation	-	0	0	0
Carbon offsetting	-	0	0	0
Total carbon footprint (tons of CO₂ equivalent)	917	937	1,007	1,028

The targets for 2016 are shown under 2016T and the real figures under 2016R. The target for 2017 is to achieve a 2% reduction in the carbon footprint from scopes 1 and 2 compared with 2016.

Scope 3 contains the carbon footprint from flights, waste collection and landfill disposal. The objective is to reduce the total amount of waste and percentage of landfill disposal and to keep the carbon footprint from flights unchanged.

The target for scope 3 – 2.6% reduction on emissions compared with 2016 - can be entirely attributed to the decrease in the total amount of waste and in the amount disposed in landfill.

WASTE TARGET

The table shows annual targets and real figures for waste presented as tons and tons of CO₂ equivalent.

Waste target

Description	2017T	2016R	2016T	2015R
Recycling/reused/composting (mt)	48.95	44.2	56.75	53.7
Landfill disposal (mt)	48.95	64.6	56.75	69.8
Total amount of waste (mt)	97.9	108.8	113.50	123.5
Total carbon footprint (mt of CO₂ equivalent)	14.8	18.7	-	25.7

The targets for 2016 and 2017 were presented in the environmental report for 2015. According to these targets the total amount of waste was supposed to decrease by 20 tons during the period or 10 tons per year. In 2016 the target was for the ratio of landfill waste to be equal to the amount of waste for recycling/reuse/composting. The target for 2017 was for the percentage of recycled/reused waste to be 60% and landfill waste to be 40%.

The Bank clearly reached and surpassed its target of reducing the total amount of rubbish by 10 tons. However, the percentages were not as good as we had hoped.

It was decided to review the targets for 2017. The target is a 10% reduction in the total amount of waste compared with 2016. Since the target for 2016 on the percentages of recycled/reused waste and landfill waste was not reached it was decided that these values of equal percentages would apply in 2017.

PROJECTS FOR 2017

PLAN OF ACTION

Project 1: Introduction of digital environmental software

Ensure the measurability of the environmental impact of all business units in the value chain by digitally collecting data and regular reporting to the management. Comprehensive environmental software has been linked to all the main data sources. Work has begun to link the digital data sources from airlines, taxi companies and printing solutions. Data from car rental agencies, domestic airlines and data destruction will be streamed into the environmental database during the year.

Project 2: Publication of environmental information

Arion Bank's carbon footprint will be published in the company's environmental report and annual report. Information on Arion Bank's climate change targets will also be made publicly available in accordance with the Declaration on Climate Change. Information on paper consumption will also be regularly shared with employees.

Project 3: Further fuel savings

We are planning to hold a course on fuel-efficient driving for employees. Eco-driving could result in fewer emissions of greenhouse gases and fuel savings. A course in eco-driving commonly results in 10-18% saving in litres of fuel consumed. We are also checking whether it is feasible to invest in electric bicycles which employees can use during working hours.

Project 4: Improved waste sorting

We will continue to work towards improving waste sorting at our places of work, with a special focus on our branches. We will also examine how the amount of waste can be measured at our branches where waste collection is shared with other companies. Efforts will be made to enter information on data destruction into a centralized system and to reduce the amount of paper sent for destruction from the headquarters of the Bank. Information on letters sent by post by the Bank will be recorded electronically and we will check whether this can be reduced. We plan to sell reusable cups in the café in the Bank's headquarters.

Project 5: Reduce electricity consumption at work

In 2016 a review of the lighting at the headquarters and branches was begun. Conventional light bulbs will be swapped for LED bulbs at the headquarters over the next few years. More than 500 conventional bulbs have already been swapped for LED bulbs. This project is expected to save a significant amount of energy.

Project 6: Flights on business trips by employees

Work has begun to stream information on business trips in Iceland and overseas into the environmental database. The information is added to scope 3 in the Bank's environmental report. We managed to reduce international flights in 2016 and we aim to keep this up.

Project 7: Reduce use of disposable plastic

A water dispenser system will be brought into use in early 2017 and this will replace plastic bottles in meetings at the Bank's headquarters. We will also look into acquiring biodegradable glasses. The Bank's stationery and supplies will also be examined. The aim is to replace all the disposable plastic used in the catering service for biodegradable packaging and containers.

Project 8: Review assessment of suppliers

Preparations for a new assessment of suppliers, which takes environmental factors into account, has begun and this project will be completed in 2017. Preparation is also underway for a new purchasing policy. When assessing suppliers in 2017 special account will be taken of their environmental policy, and we will try to ensure that Arion Bank's suppliers consider environmental issues in their operations.