



Mr. António Guterres  
Secretary-General  
United Nations  
New York, NY 10017  
USA

Reykjavik, 9 December, 2019

Dear Mr. Secretary-General,

**Subject: CEO statement of continued support for the UN Global Compact and its ten principles**

I am pleased to confirm that Arion Bank hf. will continue to support the ten principles of the Global Compact on human rights, labour, environment and anti-corruption. With this communication, we express our intent to implement those principles. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals. Arion Bank hf. will make a clear statement of this commitment to our stakeholders and the general public.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the ten principles and support any specialized UN Global Compact issue platform that our company may join at a later date. We support public accountability and transparency, and therefore commit to report on progress within one year of joining the Global Compact, and annually thereafter according to the Global Compact COP policy. This includes:

- A statement signed by the chief executive expressing continued support for the Global Compact and renewing our ongoing commitment to the initiative and its principles. This is separate from our initial letter of commitment to join the Global Compact.
- A description of practical actions (i.e. disclosure of any relevant policies, procedures, activities) that the company has taken (or plans to undertake) to implement the Global Compact principles in each of the four issue areas (human rights, labour, environment, anti-corruption).
- A measurement of outcomes (i.e. the degree to which targets/performance indicators were met, or other qualitative or quantitative measurements of results).

Sincerely yours,

Mr. Benedikt Gíslason  
CEO of Arion bank



# Report on non-financial information at Arion Bank in 2018

The data and information published in this report are valid for 2018  
and apply to Arion Bank's core activities.



# Responsible banking

Arion Bank is a strongly capitalized bank which provides universal banking services to companies and individuals with the aim of creating future value for the benefit of our customers, shareholders, partners and society as a whole. Arion Bank's sustainability policy bears the title Together we make good things happen and indicates that the Bank wants to act as a role model by promoting responsible and profitable business practices, which take into account the environment, the economy and the society in which we live and work.

Further information on sustainability at Arion Bank and the Bank's main focuses can be found [here](#).

## The journey

Ever since it was founded, Arion Bank has endeavored to provide responsible banking services. In 2016 the sustainability policy was updated and introduced to the Bank's employees. Since then a number of projects have been launched concerning social and environmental issues.

In November 2015 Arion Bank was one of 104 signatories to the City of Reykjavík and Festa's Declaration on Climate Change. One of the main tasks concerning climate change is to map the environmental impact of our operations and we have published an environmental accounting table every year since 2016. In order to reduce emissions we have taken measures including investing in electric cars and our employees have been encouraged to reduce waste.

In 2018 Arion Bank was recognized as a company which had achieved excellence in corporate governance. Arion Bank first received this accolade at the beginning of 2016 following a formal assessment conducted in 2015. The assessment is based on guidelines on corporate governance issued by the Icelandic Chamber of Commerce, the Confederation of Icelandic Employers, and Nasdaq Iceland. This is important confirmation that the Bank is practicing good corporate governance, which is a fundamental component of the Bank's strategy on sustainability.

Arion Bank has been a signatory to the UN Global Compact, the UN's initiative on sustainability, since the end of 2016 and we submit a progress report to the UN every year. The compact sets out 10 principles on human rights, the labour market, the environment and anti-corruption.

Arion Bank is an active participant in shaping and developing responsible investment in Iceland and has representatives in the board and working groups in IcelandSIF, Iceland Sustainable Investment Forum. Arion Bank was also one of the founder members of the organization in 2017.

In late 2017 the Bank became a signatory to the United Nations Principles on Responsible Investment (UN PRI). In 2018 Institutional Asset Management at Arion Bank set out to map and analyze all companies listed on the main market of Nasdaq Iceland with respect to their performance in terms of sustainability. Further information on the implementation of responsible investments is contained in the chapter Asset Management.

In the autumn of 2018 Arion Bank was awarded the Ministry of Welfare's equal pay symbol after having been certified by the standards agency BSI á Íslandi. The Bank originally achieved equal pay certification in 2015 and has undergone a pay analysis every year since. The Bank has achieved a great deal in equality issues in recent years and this is discussed in more detail in the section on Human Resources.

During the second half of 2018, the Bank introduced new credit rules which require sustainability to be taken into account as far as possible in the lending process. The Bank's credit committees received training on sustainability and all employees had the opportunity to attend a course on sustainability of the Bank during the year.

Arion Bank has a steering committee on sustainability. The committee is made up of the managing directors of Asset Management and Corporate Banking and the heads of Human Resources, Marketing and Corporate Communications. The project manager is from the CEO's Office and the CEO is responsible for the committee's activities.

The ideas produced at the teamwork sessions on the Arion Day 2016 provided the basis for the Bank's strategy on sustainability and the selection of focus areas and main stakeholders. The executive management also took part in workshops on sustainability and interviews were conducted with internal stakeholders and board members. We listen to our stakeholders and realize the importance of talking to and listening to these different groups and finding out what matters most to them. See section on [stakeholder engagement](#).

## Sustainability reporting

At Arion Bank we aim to ensure that sustainability is part of the Bank's day-to-day activities, its decision-making and processes. Instead of preparing a separate sustainability report, reporting on non-financial factors and the impact of operations is integrated into the Annual Report.

This year the first steps have been taken towards reporting in accordance with the Global Reporting Initiative standard, GRI Core, which helps companies and institutions report information on sustainability in a transparent manner. We also take into account the United Nations Sustainable Development Goals, 10 Principles of the UN Global Compact and the criteria specified by Nasdaq in the Nordic and Baltic region concerning the reporting of non-financial information and key performance indicators.

## Commitments and certifications

- Signatory to UN Women and UN Global Compact since 2014
- Signatory to Festa and City of Reykjavík's Declaration on Climate Change since 2015
- Awarded equal pay certification by the labour union VR in 2015, and awarded Ministry of Welfare's equal pay symbol in 2018, on both occasions first Icelandic bank to be recognized in this way
- Signatory to UN Global Compact, the UN's initiative to encourage businesses to adopt sustainable and socially responsible practices, since 2016
- Recognized as a company which has achieved excellence in corporate governance by the Center for Corporate Governance, since 2015
- Signatory to the United Nations' Principles for Responsible Investment, UN PRI, since 2017

## GRI Index

Organizational profile		
102-1	Name of the organization	Arion Bank
102-2	Activities, brands, products, and services	<a href="#">About Arion Bank</a>
102-3	Location of headquarters	Borgartún 19, 105 Reykjavík
102-4	Location of operations	<a href="#">Branches</a>
102-5	Ownership and legal form	<a href="#">Shares and shareholders</a>
102-6	Markets served	<a href="#">About Arion Bank</a>
102-7	Scale of the organization	

[Non-financial information: Society](#)

[Human resources](#)

[Financial statements](#)

102-8	Information on employees and other workers	<a href="#">Non-financial information: Society</a>
		<a href="#">Human resources</a>
102-9	Supply chain	<a href="#">Suppliers</a>
102-10	Significant changes to the organization and its supply chain	<a href="#">Highlights of the year</a>
102-11	Precautionary Principle or approach	<a href="#">Pillar 3 Risk Disclosures</a>
102-12	External initiatives	<a href="#">Responsible banking: Commitments and certifications</a>
102-13	Membership of associations	<a href="#">Responsible banking: Commitments and certifications</a>
		The Bank is also a member of SA Confederation of Icelandic Enterprise, the Icelandic Financial Services Association, and the Iceland Chamber of Commerce.

## Strategy

102-14	Statement from senior decision-maker	Chairman's address and CEO's address
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## Ethics and integrity

102-16	Values, principles, standards, and norms of behavior	<a href="#">Strategy and vision</a>
		<a href="#">Code of ethics</a>

## Strategy

102-18	Governance structure	<a href="#">Governance: Board of Directors and committees</a>
		<a href="#">The journey</a>
102-20	Executive-level responsibility for economic, environmental,	<a href="#">The journey</a>

and social topics

102-22	Composition of the highest governance body and its committees	<a href="#">Governance: Board of Directors and committees</a>
102-23	Chair of the highest governance body	The chairman is not a member of the executive management
102-24	Nominating and selecting the highest governance body	<a href="#">Rules of Procedures for the Nomination Committee</a>
102-25	Conflicts of interest	<a href="#">Information on measures to prevent conflicts of interest can be found in the board's rules of procedure.</a> A list of related parties exists at the Bank but has not been published.  <a href="#">Information on the main shareholders can be seen here.</a>
102-26	Role of highest governance body in setting purpose, values, and strategy	<a href="#">Rules of Procedures for the Board of Directors</a>
102-32	Highest governance body's role in sustainability reporting	CEO
102-33	Communicating critical concerns	<a href="#">Rules of Procedures for the Board of Directors</a>
<b>Stakeholders and freedom of association</b>		
102-40	List of stakeholder groups	<a href="#">Responsible banking: Sustainability policy</a>
102-41	Collective bargaining agreements	100%
102-42	Identifying and selecting stakeholders	<a href="#">The journey</a>
102-43	Approach to stakeholder engagement	<a href="#">Stakeholders</a>
102-44	Key topics and concerns raised	<a href="#">Stakeholders</a>

## Subject of report

102-45	Entities included in the consolidated financial statements	<a href="#">Annual Financial Statement</a>
102-46	Defining report content and topic boundaries	<a href="#">GRI Index</a>
102-47	List of material topics	<a href="#">GRI Index</a>
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	2018 unless otherwise specified
102-51	Date of most recent report	Not applicable
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	<a href="#">Arion Bank - Corporate Communications, samskiptasvid@arionbanki.is</a>
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI  Standards: Core option
102-55	GRI content index	The reference table contains text and links to the applicable material.
102-56	External assurance	Material on sustainability and non-financial information in the annual report has not been reviewed by a third party. A summary of non-financial information for 2018 was prepared in collaboration with the Icelandic innovation company Klappir Green Solutions. Such input from third parties enhances the reliability and quality of the material presented in the report. Financial information has been audited and affirmed by Deloitte.



Economic performance

201-1	Direct economic value generated and distributed	<a href="#">Financial statements</a>
201-3	Defined benefit plan obligations and other retirement plans	Under collective wage agreements, employees pay 4% of salaries into a co-insurance pension fund and Arion Bank pays an additional 6%. The Bank pays 2% of an employee's total salary into a private pension fund for the first three years of employment and 7% after that.
201-4	Financial aid received from government	Arion Bank received no financial aid from the authorities in 2018

Indirect economic impacts

203-1	Infrastructure investments and services supported	<a href="#">Creative economy</a> <a href="#">Corporate banking</a> <a href="#">Information technology</a>
203-2	Significant indirect economic impacts	<a href="#">Creative economy</a> <a href="#">Corporate banking</a> <a href="#">Information technology</a>

Procurement practices

204-1	Proportion of spending on local suppliers	<a href="#">Suppliers</a>
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**Environment**

Energy

302-1	Energy consumption within the organization	<a href="#">Non-financial information: Environment</a> <a href="#">Non-financial information: Methodology for environmental accounting</a>
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302-3 Energy intensity [Non-financial information: Environment](#)

### Emissions

305-1 Direct (Scope 1) GHG emissions [Non-financial information: Environment](#)

[Non-financial information: Methodology for environmental accounting](#)

305-2 Energy indirect (Scope 2) GHG emissions [Non-financial information: Environment](#)

[Non-financial information: Methodology for environmental accounting](#)

305-3 Other indirect (Scope 3) GHG emissions [Non-financial information: Environment](#)

[Non-financial information: Methodology for environmental accounting](#)

305-4 GHG emissions intensity [Non-financial information: Environment](#)

### Effluents and waste

306-2 Waste by type and disposal method [Non-financial information: Environment](#)

### Environmental compliance

307-1 Non-compliance with environmental laws and regulations No violations or fines

### Society

Employment

401-1 New employee hires and employee turnover [Non-financial information: Society](#)

401-3 Parental leave [Information on the total number of employees entitled to parental leave and who took leave, specified by gender, can be seen here.](#)

Information on the total number of people who returned to work and were still at the Bank 12 months later is not available.

### Occupational health and safety

403-3	Occupational health services	<a href="#">Human resources</a>
403-6	Promotion of worker health	<a href="#">Human resources</a>

### Training and education

404-1	Average hours of training per year per employee	<a href="#">Non-financial information: Society</a>  <a href="#">Human resources</a>
404-2	Programs for upgrading employee skills and transition assistance programs	Arion Bank seeks to ensure people leave the Bank on the best possible terms and the Bank's procedures aim to provide various levels of support to employees when they leave. <a href="#">Human resources</a>
404-3	Percentage of employees receiving regular performance and career development reviews	<a href="#">All employees of Arion Bank receive regular feedback. See section on stakeholders.</a>

### Diversity and equal opportunity

405-1	Diversity of governance bodies and employees	<a href="#">Non-financial information: Society</a>  <a href="#">Human resources</a>
405-2	Ratio of basic salary and remuneration of women to men	<a href="#">Information on equal pay certification of Arion Bank can be seen here.</a>  <a href="#">Human resources</a>

### Non-discrimination

406-1	Incidents of discrimination and corrective actions taken	Three cases were examined in 2018 relating to bullying, sexual harassment, gender-based harassment and violence. The relevant processes were used to resolve the issues.
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### Local community

413-2 Operations with significant actual and potential negative impacts on [Stakksberg](#)  
local communities

#### Public policy

415-1 Political contributions No contributions were made to political activities in 2018

#### Marketing and labeling

417-2 Incidents of non-compliance concerning product and service information and labeling There no incidents of public warnings or fines relating to goods or services.

417-3 Incidents of non-compliance concerning marketing communications There were no incidents of violations of the law or regulations on marketing of the Bank.

#### Customer privacy

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data [Data protection](#)

#### Socioeconomic compliance 2016 GRI

419-1 Non-compliance with laws and regulations in the social and economic area Arion Bank operates in compliance with the law and regulations and in 2018 the Bank was not in violation of the law or regulations.

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## Non-financial information

Information published in the summary of non-financial information is valid for 2018 and relates to the main operations of Arion Bank. The subsidiaries are not included. Data from 2015, 2016 and 2017 are included for comparison.

## Key to terms used

- The letters E, S and G refer to the environment, society and governance as set out in the ESG reporting guide for the Nasdaq Nordic and Baltic exchanges. See the [Nasdaq website](#) for more information.
- GRI stands for Global Reporting Initiative. GRI helps companies and institutions analyze, collect and publish information on the economic, environmental and social impact of their activities. See the [GRI website](#) for more information.
- UNGC stands for United Nations Global Compact. By participating in the Global Compact companies or institutions commit to working towards the UN's Ten Principles on sustainability. See the [United Nations Global Compact website](#) for further details.

## Environment

Operational Parameters		Fiscal Year			
KEY FIGURES	Unit	2015	2016	2017	2018
Total assets	ISK billion	1,011	1,036	1,148	1,164
Number of employees	E	930	936	882	-
Number of employees at the end of year	E	-	-	-	866
Total space for own operation	m3	119,189	114,146	108,075	108,075
Total Carbon Tax (ESR)	m.kr.	-	-	-	283,492
Share of renewable energy	%	85.9%	97.1%	96.8%	96.6%

  

Non-financial information 2018		Fiscal Year			
Environment (E)	Unit	2015	2016	2017	2018

Direct and Indirect GHG Emissions (E1   UNGC-P7   GRI 305-1, GRI 305-2, GRI 305-3)					
Scope 1	tCO2e	86.3	87.5	85.1	78.3
Scope 2 (market-based)	-	-	107	94	81.4
Scope 2 (location-based)	-	633.4	-	-	-
Scope 3	-	246	179.1	146.1	306.7
Total Emissions Scope 1, 2 and 3	tCO2e	966	374	325	466
Emissions neutralized by carbon offset projects	-	-	-	19	-
Net operational carbon emissions	tCO2e	966	374	306	466
Carbon Intensity (E2   UNGC-P7   GRI 305-4)					
Carbon Intensity per megawatt-hour consumed	kgCO2e/MWh	67.4	16.sep	17.júl	18
Carbon Intensity per employee	tCO2e/E	1	0.4	0.4	0.5
Carbon Intensity per total assets	tCO2e/ISK billion	1	0.4	0.3	0.4
Direct & Indirect Energy Consumption (E3   UNGC-P7   GRI 302-1)					
Total energy consumption	kWh	10,676,394	11,507,054	10,138,965	8,888,792
Of which energy from fossil fuel	-	335,087	339,013	329,458	303,504
Of which energy from electricity	-	4,034,329	4,163,091	3,691,789	2,692,146
Of which energy from hot water	-	6,306,978	7,004,950	6,117,718	5,893,142
Energy Intensity (E4   UNGC-P7   GRI 302-3)					
Energy Intensity per employee	kWh/E	11,48	12,294	11,495	10,264
Primary Energy Source (E5   UNGC-P7   GRI 302-1)					
Primary Energy Source	energy type	Hot water	Hot water	Hot water	Hot water
Renewable Energy Intensity (E6   UNGC-P7   GRI 302-1)					
Share of renewable energy	%	85.9%	97.1%	96.8%	96.6%
Share of renewable electrical energy	-	71%	100%	100%	100%
Water Management (E7   UNGC-P7   GRI 403-5)					
Total water consumption	m3	174,113	187,551	178,004	190,702
Cold water	-	65,372	66,776	73,971	89,894

Hot water	-	108,741	120,775	104,033	100,808
<b>Waste Management (E8   UNGC-P7   GRI 306-2)</b>					
Total amount of waste generated	kg	119,992	120,728	125,519	145,763
Sorted	-	51,588	60,958	58,492	97,529
Unsorted	-	68,404	59,77	54,157	48,234
Percentage of sorted waste	%	43.0%	50.5%	51.9%	66.9%
Recycled waste	kg	-	-	-	97,159
Landfilled waste	-	-	-	-	48,604
Percentage of recycled waste	%	-	-	-	66.7%
<b>Environmental Policy (E9   UNGC-P7, P8, P9)</b>					
Has the company implemented an environmental management system?	yes/no	No	Klappir Core	Klappir Core	Klappir Core
Does the company publish and follow an Environmental Policy?	-	Yes	Yes	Yes	Yes
<b>Environmental Impacts (E10   GRI 307-1)</b>					
Does the company bear any legal/regulatory responsibility for an environmental impact?	yes/no	No	No	No	No
<b>Paper Management (E11   UNGC-P7)</b>					
Total amount of printed paper	pages	2,394,285	2,354,926	2,133,773	1,584,069
Share of colour print	%	-	-	-	32%
Share of black/white print	-	-	-	-	68%
Duplex	-	-	-	-	58%
<b>Value Chain (E12   UNGC-P7)</b>					
Emissions from contractors	tCO2e	-	-	-	69
Emissions from transport of own goods/services	-	-	-	-	-

Notes		Fiscal Year			
BREAKDOWN OF KEY FIGURES	Unit	2015	2016	2017	2018
<b>Emission in Scope 3 (E12   UNGC-P7   GRI 305-3)</b>					
Emissions from waste	tCO2e	28	24	23	45
Emissions due to constructions**	-	-	-	2	-

Emissions from business travel (taxis and flight)	-	218	139	125	262
From which contractors	-				69
Carbon Offset					
Does a third party verify carbon offset projects?	yes/no	-	-	No	-
Carbon offset due to forestry	tCO2e	-	-	-	-
Total Fuel Consumption (E5   UNGC-P7   GRI 302-1)					
Total fuel consumption	liters	33,457	33,695	32,754	30,216
Car fuel consumption	-	33,457	33,695	32,754	30,216
Gasoline	-	2,916	1,304	1,36	1,708
Diesel	-	30,541	32,391	31,394	28,508
Renewable Energy (E6  UNGC-P7   GRI 302-1)					
Total electricity use	kWh	4,034,329	4,163,091	3,691,789	2,692,146
Total hot water use	m3	108,741	120,775	104,033	100,808



## Society

Non-financial information		Fiscal Year			
Society (S)	Unit	2015	2016	2017	2018
<b>Gender Pay Ratio (S2   UNGC-P6   GRI 405-2)</b>					
Outcome of equal pay certification	%	4.8%	3.7%	2.9%	2.4%
<b>Employee Turnover (S3   GRI 401-1)</b>					
Total annual turnover	%	10.8%	13.8%	11.8%	13.9%
Left voluntarily	-	7.7%	5.4%	7.7%	8.3%
Left due to dismissal	-	2.2%	7.8%	2.2%	4.4%
Retired	-	0.9%	0.7%	0.9%	1.2%
<b>Employee Turnover by gender</b>					
Women	%	-	-	-	71%
Men	%	-	-	-	29%
<b>Employee Turnover by age</b>					
Aged 20-29	%	-	-	-	23.4%
Aged 30-39	-	-	-	-	17.7%
Aged 40-49	-	-	-	-	22.6%
Aged 50-59	-	-	-	-	22.6%
Aged 60-69	-	-	-	-	13.7%
<b>Employee Turnover by region</b>					
Greater Reykjavík Area					82.3%
Outside Greater Reykjavík Area					17.7%
<b>Gender Diversity (S4   UNGC-P6   GRI 102-8)</b>					
Total number of employees*	no.	882	936	930	866
Women	%	66%	65%	65%	64.9%
Full-time	-	-	-	-	52%
Part-time	-	-	-	-	12.9%
Men	-	34%	35%	35%	35.1%
Full-time	-	-	-	-	33.1%
Part-time	-	-	-	-	2%
<b>Equality (S4   UNGC-P6   GRI 401-3, GRI 405-1)</b>					
<b>Board of Directors</b>					
Women	%	55%	50%	50%	44%
Men	%	45%	50%	50%	56%
<b>Age of board directors</b>					
Aged 20-29	%	-	-	-	0%
Aged 30-39	-	-	-	-	0%
Aged 40-49	-	-	-	-	66.7%

Aged 50-59	-	-	-	-	0%
Aged 60-69	-	-	-	-	22.2%
Aged 70-79	-	-	-	-	11.1%
<b>All management</b>					
Women	%	41%	47%	48%	47%
Men	%	59%	53%	52%	53%
<b>Managing directors</b>					
Women	%	33%	44%	50%	50%
Men	%	67%	56%	50%	50%
<b>Heads of department</b>					
Women	%	39%	34%	28%	30%
Men	%	61%	66%	72%	70%
<b>Regional and branch managers</b>					
Women	%	39%	50%	43%	38.5%
Men	%	61%	50%	57%	61.5%
<b>Service managers</b>					
Women	%		93%	73%	82%
Men	%		7%	27%	18%
<b>Supervisors and team leaders</b>					
Women	%	50%	44%	67%	60%
Men	%	50%	56%	33%	40%
<b>Managers</b>					
Women	%	-	-	-	50%
Men	%	-	-	-	50%
<b>Heads of corporate business/account managers</b>					
Women	%	-	-	-	33%
Men	%	-	-	-	67%
<b>Other managers</b>					
Women	%	-	-	-	25%
Men	%	-	-	-	75%
<b>Age of management</b>					
Aged 20-29	%	-	-	-	0%
Aged 30-39	-	-	-	-	14.6%
Aged 40-49	-	-	-	-	55.2%
Aged 50-59	-	-	-	-	28.1%
Aged 60-69	-	-	-	-	2.1%
<b>Age of employees**</b>					
Aged 20-29	%	-	-	-	17%
Aged 30-39	-	-	-	-	25%
Aged 40-49	-	-	-	-	31%
Aged 50-59	-	-	-	-	21%
Aged 60-69	-	-	-	-	6%

<b>Parental leave</b>					
Number of women entitled to maternity leave	no.	-	-	-	26
Number of women who took maternity leave	-	-	-	-	26
Number of men entitled to paternity leave	-	-	-	-	25
Number of men who took paternity leave	-	-	-	-	19
<b>Employment type (S5   UNGC-P6   GRI 102-8, GRI 401-1)</b>					
<b>Percentage of people employed on permanent basis</b>	%	95%	93%	92%	94.6%
Women	-	-	-	-	61.2%
Men	-	-	-	-	33.4%
<b>Percentage of people employed on temporary basis</b>	%	5%	7%	8%	5.4%
Women	-	-	-	-	3.7%
Men	-	-	-	-	1.7%
<b>Employees by residence</b>					
Greater Reykjavík Area	%	-	-	-	83.7%
Employed on permanent basis	-	-	-	-	80.0%
Employed on temporary basis	-	-	-	-	3.7%
Outside Greater Reykjavík Area	%	-	-	-	16.3%
Employed on permanent basis	-	-	-	-	14.5%
Employed on temporary basis	-	-	-	-	1.7%
<b>Number of new employees</b>	no.	-	-	-	73
Percentage of new employees	%	-	-	-	8.2%
<b>Gender of new employees</b>					
Women	%	-	-	-	56%
Men	-	-	-	-	44%
<b>Age of new employees</b>					
Aged 20-29	%	-	-	-	38%
Aged 30-39	-	-	-	-	26%
Aged 40-49	-	-	-	-	30%
Aged 50-59	-	-	-	-	4%
Aged 60-69	-	-	-	-	1%
<b>New employees by residence</b>					
Greater Reykjavík Area	%	-	-	-	87.7%
Outside Greater Reykjavík Area	-	-	-	-	12.3%
<b>Training for employees (GRI 404-1)</b>					
Avg. hours of training in total	hours	-	-	-	6,8
Avg. hours of training - women	-	-	-	-	7,6
Avg. hours of training - men	-	-	-	-	5,5
Avg. hours of training - management	-	-	-	-	11,9

Avg. hours of training - employees	-	-	-	-	6,2
<b>Non-Discrimination Policy (S6)</b>					
Policy to ensure equal opportunities and terms for all genders	yes/no	Yes	Yes	Yes	Yes
<b>Health and safety of employees (S7   GRI 416)</b>					
Accidents in workplace and to and from work	no.	5	5	0	2
Health indicators	%		95.8%	96.3%	96.3%
<b>Human Rights Violations (S11   UNGC-P1, P2   GRI 412-1)</b>					
Total number of reported violations	no.	0	0	0	0
<b>Board - Diversity (S12   GRI 102-22)</b>					
Number of board members	no.	7	8	8	7
Women	-	4	4	4	3
Men	-	3	4	4	4
Independent	-	6	7	7	6

\*Total number of employees and percentages for 2018 based on total number of employees on 31.12.2018.

Figures for 2015-2017 are based on average number of employees during year.

\*\* Information on age distribution for 2015-2017 is available in 2017 Annual Report. In 2018 GRI definitions are used.

## Governance

Non-financial information 2018		Fiscal Year			
Governance (G)	Unit	2015	2016	2017	2018
<b>Board - Separation of Powers (G1   GRI 102-23)</b>					
Does the CEO act as chairman of the board?	Yes/no	No	No	No	No
Does the CEO lead committees?	-	No	No	No	No
Does the CEO sit on the board?	-	No	No	No	No
<b>Board - Transparent Practices (G2)</b>					
Are board outcomes made public?	Yes/no	No	No	No	No
To the CEO?	-	Yes	Yes	Yes	Yes
To verifiers?	-	Yes	Yes	Yes	Yes
Is voting by each member of the board made public?	Yes/no	No	No	No	No
To the CEO?	-	Yes	Yes	Yes	Yes
To verifiers?	-	Yes	Yes	Yes	Yes
<b>Incentivized Pay (G3   GRI 102-35)</b>					
Are company executives formally incentivized to act on ESG	Yes/no	Yes	Yes	Yes	Yes
Regarding Corporate Governance	-	Yes	Yes	Yes	Yes
<b>Fair Labour Practices (G4   UNGC-P3   GRI 102-41)</b>					

Employees in labour unions	%	-	99.8%	99.8%	99.8%
Employees outside labour unions	-	-	0.2%	0.2%	0.2%
Percentage of people working in accordance with labour market laws	-	-	-	-	100.0%
<b>Supplier Code of Conduct (G5   UNCG-P6, P8, P9,   GRI 308, GRI 414)</b>					
In regards to the environment	Yes/no	-	-	Yes	Yes
In regards to equal rights	-	-	-	Yes	Yes
<b>Ethics - Code of Conduct (G6  GRI 102-16)</b>					
Does the company publish and follow an EC?	Yes/no	Yes	Yes	Yes	Yes
That has been approved by the board of directors?	-	Yes	Yes	Yes	Yes
That has been introduced to employees?	-	Yes	Yes	Yes	Yes
<b>Anti-Bribery / Anti-Corruption (G7   UNCG-P10)</b>					
Does the company publish and follow a BAC?	Yes/no	-	-	-	Yes
<b>Tax Transparency (G8)</b>					
Does the company have full tax transparency?	Yes/no	Yes	Yes	Yes	Yes
<b>Sustainability Report (G9)</b>					
Does the company publish a sustainability report?	Yes/no	Yes	Yes	Yes	Yes
<b>Other Framework Disclosures (G10)</b>					

The sustainability report is made with the help of the recent ESG guidelines introduced by Nasdaq for listed companies. The objective of these guidelines is to fulfil certain requirements of the Global Reporting Initiative, an international standard which helps companies and institutions to report information on sustainability in a transparent manner. Information on environmental factors is taken from Arion Bank's environmental management system, Klappir Core. Information on social factors and corporate governance is taken from the Bank's information systems.

#### **External Validation & Assurance (G11)**

<b>Are the company's ESG disclosures assured or validated by a third party?</b>	Yes/no	The environmental report and the summary of non-financial information for 2018 were prepared in collaboration with Klappir.
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