



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

Reykjavik, 1 December, 2021

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).

Yours sincerely,

Mr. Benedikt Gíslason
CEO of Arion Bank



Report on non-financial information at Arion Bank in 2020

The data and information published in this report are valid for 2020 and apply to Arion Bank's core activities.



Responsible banking

At Arion Bank we provide services to homes, companies and investors and strive to meet the needs of customers requiring a broad spectrum of financial services. Arion Bank occupies a strong position on its markets owing to its efficiency and diversity of products and services. The Bank's core strategy is to excel by offering smart and reliable financial solutions which create future value for our customers, shareholders and society as a whole. Arion Bank's sustainability policy bears the title *Together we make good things happen* and signifies that the Bank wants to act as a role model in responsible and profitable business practices, taking into account the environment and society.



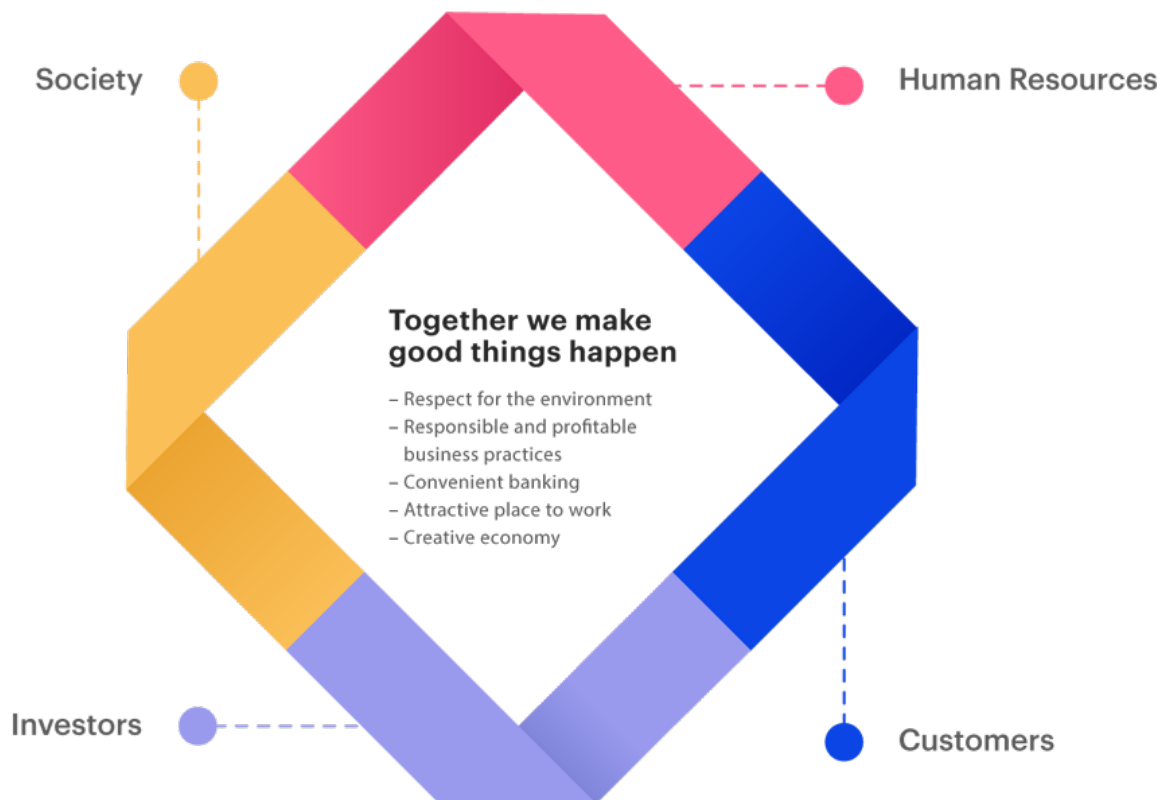
We refer to Arion Bank's values as cornerstones and they are designed to provide guidance when making decisions and in everything the employees do. The [cornerstones](#) address our role, mentality and conduct and they are: We find solutions, we make a difference, we get things done, and we say what we mean. [The Bank's code of conduct](#) has been approved by the Board of Directors and is designed to support responsible decision making.

Sustainability policy

We want 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. 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.

The diagram below shows our main focuses in sustainability.



Arion Bank's environment and climate policy

We aim to be a role model on environmental and climate issues and to minimize greenhouse gas emissions and the negative environmental impact of our activities. Man-made global warming is one of the greatest threats facing us today and we want to contribute to efforts to ensure that Iceland can meet its obligations under the Paris Climate Agreement and other local and international environmental and climate agreements, which includes limiting global warming to well under 2°C, preferably 1.5°C.

Banks perform a vital role in providing funding for progress and Arion Bank wants to be a force for good. Our focus is on financing projects on sustainable development and green infrastructure and we will evaluate our loan portfolio according to green criteria and set ourselves ambitious targets in this respect.

We also require our suppliers to take into account the environmental and climate impact of their activities. When comparing similar offers from suppliers, environmental and climate considerations will be decisive in our decision. The Bank's goal is to reduce emissions of carbon dioxide and other greenhouse gases from our activities by at least 40% by 2030 and to carbon offset all these emissions.

We are setting ambitious targets and will publish the results of our progress in areas where we have the greatest impact, such as buying, our own activities and the services we provide to our customers. We endeavour to improve our employees' knowledge and understanding of environmental issues and to support our customers' journey towards a green future in accordance with the UN Sustainable Development Goals.

Arion Bank's ESG rating and commitment to sustainability



Arion Bank achieved outstanding score in Reitun's ESG rating

In 2020 Arion Bank achieved an outstanding score in Reitun's ESG rating, scoring 86 out of 100 possible points and placing it in category A3. Approximately 30 Icelandic issuers have been rated by Reitun and the average score is 60 points.

The rating takes into account the fact that the integration of ESG factors into a bank's investment and lending activities is a major risk factor and that Arion Bank has shown an innovative approach in this area by developing a methodology to evaluate investment options, primarily listed companies, with respect to ESG and has thus used its influential position to positive effect. Reitun also took into consideration the fact that Arion Bank offers better lending rates for investments in eco-friendly vehicles and was the first bank in Iceland to offer a green deposit account. The rating also notes that information security is a major risk factor in financial services and Arion Bank manages these risks effectively. Human resources at the Bank are also well managed and environmental issues within the Bank are handled responsibly.

Further information on the results of the ESG rating can be found [here](#).



UNEP FI and Principles for Responsible Banking - PRB

In July 2019 Arion Bank became a signatory to UNEP FI, United Nations Environment Programme Finance Initiative which is a partnership between United Nations Environment

and more than 250 financial institutions across the world working to understand today's environmental, social and governance challenges.

In September 2019 Arion Bank became a signatory to the Principles for Responsible Banking (PRI) which were devised by UNEP FI and 30 international banks. Further information on Arion Bank's involvement with PRB can be found [here](#).

An overview of the progress made by the Bank in implementing the principles at Arion Bank can be seen [here](#).



Forum for climate issues and green solutions – Green by Iceland

In September 2019 Arion Bank became one of the founding members of a joint business and government forum on climate issues and green solutions called Green by Iceland. The role of Green by Iceland is to strengthen the partnership between the business sector and the government in order to reduce greenhouse gas emissions and to bring about carbon neutrality by 2040. The forum will also work with Icelandic companies to market green solutions internationally and to underpin Iceland's reputation as a global sustainability leader.

At the beginning of 2020 the Bank signed up for the challenge Hreinn, 2 og 3! organized by Green by Iceland, where companies are encouraged to make the transition to 100% renewable energy for their vehicles. Under this initiative, the use of new corporate cars powered by fossil fuels will be discontinued by 2023. This will make Iceland a global leader in the use of environmentally friendly fuels. This is in line with our new environment and climate policy which states that no new vehicles will be bought from 2023 unless they run on 100% renewable energy.



United Nations Principles for Responsible Investment – UN PRI

In late 2017 Arion Bank became a signatory to the United Nations Principles for Responsible Investment (UN PRI). The principles are designed to help investors understand the effect of environmental, social and governance (ESG) issues on investment and thereby encourage signatories to the principles to take non-financial factors into account when making investment decisions. The Bank's Asset Management division has published a progress report on responsible investment since 2019. More information on responsible investments can be found in the [Markets](#) section.



UN Global Compact – the UN's initiative 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.



IcelandSIF - Iceland Sustainable Investment Forum

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



Excellence in corporate governance

Arion Bank has been recognized as a company which had achieved excellence in corporate governance following a formal assessment based on guidelines on corporate governance issued by the Icelandic Chamber of Commerce, the Confederation of Icelandic Employers, and Nasdaq Iceland. Arion Bank was first recognized for excellence in corporate governance in 2016. This recognition is given following a comprehensive audit by an independent party of corporate governance at the Bank, such as governance by the Board of Directors, sub-committees and management. It applies for three years. For further information see the sections on [Corporate Governance](#) and on [Non-financial Information](#).

Festa – sustainability centre

Arion Bank has been an active partner of Festa, a sustainability centre, for several years. Festa's role is to add to the expertise on sustainability at companies, institutions and organizations so that they can adopt sustainable business practices.

City of Reykjavík and Festa's Declaration on Climate Change

In November 2015 Arion Bank became 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 operations and to systematically reduce the negative effects. We have published the Bank's environmental accounts annually since 2016. Further information on environment and climate issues at Arion Bank can be found [here](#) and the section on [Non-financial Information](#).

Declaration of intent on investment for a sustainable recovery

On 25 September 2020 Arion Bank signed a [declaration of intent on investment for a sustainable recovery](#). The Prime Minister's Office, Festa – Center for Sustainability, the Icelandic Financial Services Association (SFF) and the National Association of Pension Funds (LL) devised the declaration in close cooperation with representatives of the main participants in the financial market. The declaration of intent conforms to Arion Bank's policy and goals on greater sustainability. For further information on Arion Bank's involvement in the declaration see [here](#).



Ministry of Welfare's equal pay symbol

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 first Icelandic bank to gain this recognition. The Bank first gained equal pay certification in 2015 and has since undergone a pay assessment annually. For further information on equal opportunities see the section on [Human Resources](#) and on [Non-financial information](#).



UN Women and UN Global Compact

The Bank has supported the UN Women/UN Global Compact Empowerment Principles since 2014. These are international declarations and treaties under the auspices of the United Nations which companies and institutions can use as guidelines when implementing responsible working practices, irrespective of geographic location or sector and primarily concern advancing gender equality. For further information see the sections on [equal opportunities](#) at Arion Bank and on [Non-financial information](#).



FKA Equality Balance

In 2020 CEO Benedikt Gíslason signed a [declaration of intent on the Equality Balance](#), stating that over the next few years Arion Bank intends make a focused effort to balance out the gender ratio at senior management level. The Equality Balance is an initiative created by the Association of Icelandic Businesswomen (FKA).

The Bank is also recognized by the Equality Balance for achieving an even gender ratio at the top level of management during the year. See [here](#) for further information.



Kolviður – Iceland Carbon Fund

Arion Bank and the Iceland Carbon Fund (ICF) have reached a continuing partnership agreement on offsetting the carbon emissions produced by the Bank's activities and this agreement was renewed to address emissions in 2020. The ICF will fix the carbon in plants and soil through soil reclamation and forestry to offset the carbon emissions resulting from the Bank's activities during the year. The ICF is expected to plant up to 4,700 trees for the operating year 2020. This refers to emissions produced, for example, by vehicles used in the Bank's operations, its business premises, waste, business flights and journeys to work.

GRI – Global Reporting Initiative

Global Reporting Initiative has developed a standard which helps companies and institutions report their progress in environmental, social and economic issues in such a way that it enables a direct comparison of data between companies. For the third time the Bank is presenting information on corporate social responsibility and sustainability in the Bank's operations in accordance with the GRI Core standard. See Arion Bank's GRI Index [here](#).



Nasdaq ESG reporting guide

The ESG Reporting Guide for the Nasdaq Nordic exchanges provides guidance on data disclosure and the environmental, social and governance impact of listed companies. Since 2016 Arion Bank has taken these criteria into account when reporting on sustainability. The criteria formally came into effect in 2017 and a second edition of the reporting guide came out in 2019. For further information see the section on [Non-financial Information](#).

UN Sustainable Development Goals

At the beginning of 2020 the executive committee of Arion Bank approved six Sustainable Development Goals which the Bank intends to focus on. These goals are number 5 on gender equality; number 7 on affordable and clean energy; number 8 on decent work and economic growth; number 9 on industry, innovation and infrastructure; number 12 on responsible consumption and production; and number 13 on climate action.

The Bank's operations, including action on gender equality, our policy and targets on environment and climate issues, support for innovation and the business sector as a whole, state-of-the-art digital services and active participation on the development of the economy closely align with these sustainable development goals.



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. For the third time information on sustainability has been prepared in accordance with the Global Reporting Initiative standard, GRI Core, which helps companies and institutions share information on sustainability in a transparent and comparable way. When sharing information on non-financial factors of the business the ESG reporting guide for the Nasdaq Nordic and the 10 Principles of the UN Global Compact are also used as a reference. The UN Sustainable Development Goals are also referred to. For the first time we report on the progress made in implementing the UN Principles for Responsible Banking to which Arion Bank became a signatory in September 2019.

Deloitte has provided an opinion with limited assurance on non-financial reporting by Arion Bank in 2020 which is presented in accordance with the Global Reporting Initiative (GRI) and the Nasdaq ESG Reporting Guide.

[Opinion from Deloitte with limited assurance](#)

GRI Index

Arion Bank's 2020 Annual and Sustainability Report has been prepared in accordance with the Global Reporting Initiative, GRI Core and the Nasdaq ESG reporting guide. We also take into account the UN Sustainable Development Goals and the 10 Principles of the UN Global Compact. Arion Bank is a signatory to the United Nations Principles for Responsible Banking (UN PRB) and has been working on implementing the goals since signing in September 2019. Information on the progress made can be seen [here](#).

The information presented in the GRI Index is valid for 2020 and refers to the main operations of Arion Bank. The focus is on meeting disclosure requirements on the Bank's operations, their social impact, human resources, environmental impact, corporate governance and economic factors.

Deloitte has provided an [opinion](#) with limited assurance on non-financial reporting by Arion Bank in 2020 which is presented in accordance with the Global Reporting Initiative (GRI) and the Nasdaq ESG Reporting Guide

Data on the Bank's environmental impact is prepared in partnership with the Icelandic innovation company Klappir Green Solutions. Data is in most cases streamed directly from the services providers to Klappir Core. Wherever data streaming was not available, accounting data was used. The data is then reviewed by Klappir Green Solutions.

Data on human resources is obtained from the Bank's human resources system and data on corporate governance is based on the Bank's corporate governance statement. Financial information has been audited and affirmed by Deloitte.

We listen to our stakeholders and take into account their views when selecting material for this report.





Organizational profile

GRI: 102-1	Name of the organization	Arion Bank
GRI: 102-2	Activities, brands, products, and services	About Arion Bank
GRI: 102-3	Location of headquarters	Borgartún 19, 105 Reykjavík
GRI: 102-4	Location of operations	Branches
GRI: 102-5	Ownership and legal form	Shares and shareholders Shareholders' list - updated daily
GRI: 102-6	Markets served	About Arion Bank Non-financial information: Social
GRI: 102-7	Scale of the organization	Human resources Financial statements 2020
GRI: 102-8	Information on employees and other workers	Non-financial information: Social Human resources
GRI: 102-9	Supply chain	Suppliers
GRI: 102-10	Significant changes to the organization and its supply chain	Highlights of the year
GRI: 102-11	Precautionary Principle or approach	Pillar 3 Risk Disclosures
GRI: 102-12	External initiatives	Responsible banking: Commitments and certifications Responsible banking: Commitments and certifications
GRI: 102-13	Membership of associations	The Bank is also a member of SA Confederation of Icelandic Enterprise, the Icelandic Financial Services Association, and the Iceland Chamber of Commerce.

Strategy

GRI: 102-14 Statement from senior decision-maker

Chairman's address and CEO's address

Ethics and integrity

GRI: 102-16 Values, principles, standards, and norms of behavior

[Strategy and vision](#)

[Code of ethics](#)

Governance

GRI: 102-18 Governance structure

[Governance: Board of Directors and committees](#)

[Responsible banking: Steering committee](#)

GRI: 102-19 Delegating authority

The board of directors has approved the Bank's environment and climate policy and targets but does not directly monitor or control climate-related risk.

[Non-financial information: Environment](#)

GRI: 102-20 Executive-level responsibility for economic, environmental, and social topics

[Responsible banking: Steering committee](#)

GRI: 102-22 Composition of the highest governance body and its committees

[Governance: Board of Directors and committees](#)

GRI: 102-23 Chair of the highest governance body

The chairman is not a member of the executive management

GRI: 102-24 Nominating and selecting the highest governance body

[Rules of Procedures for the Nomination Committee](#)

Information on measures to prevent conflicts of interest can be found in the board's rules of procedure

GRI: 102-25 Conflicts of interest

A list of related parties exists at the Bank but has not been published.

[Information on the main shareholders can be seen here.](#)

GRI: 102-26 Role of highest governance body in setting purpose, values, and strategy

[Rules of Procedures for the Board of Directors](#)

GRI: 102-32 Highest governance body's role in sustainability reporting

CEO

GRI: 102-33 Communicating critical concerns

[Rules of Procedures for the Board of Directors](#)

Stakeholders and freedom of association

GRI: 102-40 List of stakeholder groups

[Our stakeholders](#)

GRI: 102-41 Collective bargaining agreements

100%

GRI: 102-42 Identifying and selecting stakeholders

[Our stakeholders](#)

GRI: 102-43 Approach to stakeholder engagement

[Our stakeholders](#)

GRI: 102-44 Key topics and concerns raised

[Our stakeholders](#)

Subject of report

GRI: 102-45 Entities included in the consolidated financial statements

[Financial Statements 2020](#)

GRI: 102-46 Defining report content and topic boundaries

[Management approach](#)

[Our stakeholders](#)

GRI: 102-47 List of material topics

[Management approach](#)

[Our stakeholders](#)

GRI: 102-48 Restatements of information

Data for the environmental accounts is recalculated according to the latest information. Consequently this leads to some discrepancies if the 2020 accounts are compared with previous environmental accounts.

[Respecting the environment](#)

GRI: 102-49	Changes in reporting	No fundamental changes have been made to the report from previous year.
GRI: 102-50	Reporting period	2020 unless otherwise specified
GRI: 102-51	Date of most recent report	20.02.2020
GRI: 102-52	Reporting cycle	Annually
GRI: 102-53	Contact point for questions regarding the report	Arion Bank - Corporate Communications, samskiptasvid@arionbanki.is
GRI: 102-54	Claims of reporting in accordance with the GRI Standards	<p>This report has been prepared in accordance with the GRI</p> <p>Standards: Core option</p>
GRI: 102-55	GRI content index	The reference table contains text and links to the applicable material.
GRI: 102-56	External assurance	<p>Deloitte has provided an opinion with limited assurance on non-financial reporting by Arion Bank in 2020 which is presented in accordance with the Global Reporting Initiative (GRI) and Nasdaq ESG Reporting Guide.</p> <p>Data on the Bank's environmental impact is prepared in partnership with the Icelandic innovation company Klappir Green Solutions. Data is in most cases streamed directly from the services providers to Klappir Core. Wherever data streaming was not available, accounting data was used. The data is then reviewed by Klappir Green Solutions.</p> <p>Data on human resources is obtained from the Bank's human resources system and data on corporate governance is based on the Bank's corporate governance statement. Financial information has been audited and affirmed by Deloitte.</p>

Management approach

GRI: 103-1 Explanation of the material topic and its boundary At the beginning of 2021 Arion Bank conducted a survey among stakeholders on sustainability in cooperation with the consultancy CIRCULAR Solutions which processes the results. The survey was sent to all employees and management as well as a sample of customers, suppliers, partners and shareholders. CIRCULAR also performed a materiality assessment for the Bank on the Bank's impact in terms of lending and investment.

When selecting the material topic and its boundary under the GRI Standards we took into account the results of the stakeholder survey and the materiality assessment. [See discussion here](#).

As in previous years we also look to the ESG reporting guide which Nasdaq Iceland and Nasdaq Nordic have published since 2017. These guidelines, updated in 2019, are designed to help stock market listed companies inform their stakeholders of the main issues relating to sustainability and to allow comparisons to be made.

Although the direct environmental impact of banking on the environment is not great compared with other sectors, we nevertheless believe it important to disclose information on this issue. Arion Bank wants to set an example in environmental and climate issues and every contribution, large or small, makes a difference. The Bank has set itself the goal of reducing emissions from its own activities by 30% by 2040 and it has been a signatory to City of Reykjavík and Festa's Declaration on Climate Change since 2015 and has pledged to publish the results. When selecting material topics in connection with GRI Standards we choose those factors relating to emissions of greenhouse gases from the Bank's activities we consider appropriate for publication.

We are nevertheless well aware that the Bank's impact on environmental and climate issues is greatest when it comes to the services we provide to our customers, not least lending and asset management. We are committed to helping our customers and society as a whole reduce greenhouse gas emissions, guided by the targets of the Paris Climate Agreement and the UN Sustainable Development Goals. As we get a better understanding of the impact of our loan portfolio and investments we will publish information on this impact. In this year's Annual and Sustainability Report we are disclosing the impact of green deposits and vehicle loans. [See here](#).

Responsible buying and how our suppliers perform in terms of environmental and climate issues are of central importance to us, and during the year we introduced a new ESG suppliers assessment. At the beginning of 2021 a new code of conduct for suppliers was approved. We consider it important to report on these measures and we are trying to gain a better overview of the statistics of buying supplies. Human resources, equal opportunities, education and training, health and safety of employees are all critical components of the Bank's operations and this is reflected in the Bank's policies such as the human resources policy, education and training policy, equal opportunities policy and health and safety policy.

At the beginning of 2020 the executive committee of Arion Bank approved six Sustainable Development Goals which the Bank intends to focus on. These goals are number 5 on gender equality; number 7 on affordable and clean energy; number 8 on decent work and economic growth; number 9 on industry, innovation and infrastructure; number 12 on responsible consumption and production; and number 13 on climate action. These six Sustainable Development Goals are also used as a guide when selecting material topics and their boundaries.

All material topics and their boundaries concern Arion Bank. The Bank's subsidiaries are not included in this report unless otherwise stated.

GRI: 103-2 The management approach and its components

The management of individual material topics in the GRI report undergoes the same process as other projects at the Bank, i.e. through the board of directors or senior manager and the appropriate divisions and control units. Arion Bank has a steering committee on sustainability. The sustainability project manager is an employee of the CEO's Office and manages the work carried out by the committee. The main tasks of the committee are strategic planning in the field of sustainability. The CEO is the person responsible for sustainability at Arion Bank.

Various strategies, policies and rules which address the topic of the report have been approved by the board of directors and executive committee of the Bank, including:

[Strategy of Arion Bank](#)

[Sustainability Policy](#)

[Environment and Climate Policy](#)

[Human Resources Policy](#)

[Equal Opportunities Policy](#)

[Health and Safety Policy](#)

[Code of Conduct](#)

[Code of Conduct for Suppliers](#)

[Rules on the Handling of Complaints](#)

[Data Protection Statement](#)

[Rules on Measures against Money Laundering and Terrorist Financing](#)

[Rules on Handling Conflicts of Interest](#)

Arion Bank is also signatory to various domestic and international treaties and commitments on responsible banking. For further information [see here](#).

Please refer to the GRI Index for information on our measures concerning individual material topics.

GRI: 103-3 Evaluation of the management approach

Deloitte has provided an [opinion](#) with limited assurance on non-financial reporting by Arion Bank in 2020 which is presented in accordance with the Global Reporting Initiative (GRI) and the Nasdaq ESG Reporting Guide.

The Bank's Internal Audit department audited the publication of non-financial information for 2019 and made five recommendations which have been dealt with for the 2020 Annual and Sustainability report. Arion Bank achieved outstanding results in its ESG rating, scoring 86 out of 100 possible points and placing it in category A3. The assessment is based on the Bank's performance in environmental, social and governance issues in its operations. Approximately 30 Icelandic issuers have been rated by Reitun and the average score is 60 points. [See here](#).

Economic

Economic performance

GRI: 201-1 Direct economic value generated and distributed

[Financial statements 2020](#)

GRI: 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 5.5% of an employee's total salary into a private pension fund for the first three years of employment and 7% after that. Where an employee makes a supplementary contribution into a private fund, the financial institution makes a contribution, up to 2% against the employee's 2% contribution.

GRI: 201-4 Financial aid received from government

Arion Bank received no financial aid from the authorities in 2020

Indirect economic impacts

[Creative economy and innovation](#)

GRI: 203-1 Infrastructure investments and services supported

[Corporate and Investment Banking](#)

[Retail Banking](#)

[Creative economy and innovation](#)

GRI: 203-2 Significant indirect economic impacts

[Corporate and Investment Banking](#)

[Retail Banking](#)

Procurement practices

GRI: 204-1 Proportion of spending on local suppliers

[Suppliers](#)

Environment

Energy

GRI: 302-1 Energy consumption within the organization

[Non-financial information:
Environment](#)

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

[Respecting the environment](#)

GRI: 302-3 Energy intensity

[Non-financial information:
Environment](#)

Water and effluents

GRI: 303-5 Water consumption

Emissions

[Non-financial information:
Environment](#)

GRI: 305-1 Direct (Scope 1) GHG emissions

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

[Respecting the environment](#)

[Non-financial information:
Environment](#)

GRI: 305-2 Energy indirect (Scope 2) GHG emissions

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

[Respecting the environment](#)

[Non-financial information:
Environment](#)

GRI: 305-3 Other indirect (Scope 3) GHG emissions

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

[Respecting the environment](#)

GRI: 305-4 GHG emissions intensity

[Non-financial information:
Environment](#)

GRI: 305-5 Reduction of GHG emissions

[Non-financial information:
Environment](#)

Effluents and waste

GRI: 306-2 Waste by type and disposal method

[Non-financial information:
Environment](#)

Environmental compliance

GRI: 307-1 Non-compliance with environmental laws and regulations

No violations or fines

Society

Employment

GRI: 401-1 New employee hires and employee turnover

[Non-financial information: Social](#)

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

GRI: 401-3 Parental leave

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

GRI: 403-3	Occupational health services	Human resources
		Health and safety policy
GRI: 403-6	Promotion of worker health	Human resources
		Health and safety policy

Training and education

GRI: 404-1	Average hours of training per year per employee	Non-financial information: Social
		Human resources
GRI: 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. Human resources
GRI: 404-3	Percentage of employees receiving regular performance and career development reviews	All employees of Arion Bank receive regular feedback.
		Human resources Our stakeholders

Diversity and equal opportunity

GRI: 405-1	Diversity of governance bodies and employees	Non-financial information: Social
		Human resources
GRI: 405-2	Ratio of basic salary and remuneration of women to men	Non-financial information: Social

Non-discrimination

GRI: 406-1 Incidents of discrimination and corrective actions taken

[Non-financial information: Social](#)

Public policy

GRI: 415-1 Political contributions

No contributions were made to political activities in 2020

Marketing and labeling

GRI: 417-2 Incidents of non-compliance concerning product and service information and labeling

[Compliance and Data Protection](#)

GRI: 417-3 Incidents of non-compliance concerning marketing communications Compliance and Data Protection

Customer privacy

GRI: 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

Compliance and Data Protection

Socioeconomic compliance

GRI: 419-1 Non-compliance with laws and regulations in the social

[Compliance and Data Protection](#)

Non-financial information

Information published in the section on non-financial information is valid for 2020 and relates to the main operations of Arion Bank. The subsidiaries are not included. Data from 2015-2019 is included for comparison. Deloitte has provided an [opinion](#) with limited assurance on non-financial reporting by Arion Bank in 2020 which is presented in accordance with the Global Reporting Initiative (GRI) and the Nasdaq ESG Reporting Guide.



Environmental

Direct and Indirect GHG Emissions (E1 UNGC-P7 GRI: 305-1, GRI: 305-2, GRI: 305-3)		Unit	2015	2016	2017	2018	2019	2020
Scope 1	tCO2e		86.3	87.5	85.1	78.3	65	38.5
Scope 2 (location-based)	tCO2e		94.6	103.9	86.3	91.7	86.5	79.7
Scope 2 (market-based)	tCO2e		-	-	-	-	-	-
Scope 3	tCO2e		263.38	186.97	173.22	303.87	320.54	349.15
Total Emissions Scope 1, 2 (location-based) and 3	tCO2e		444.3	378.4	344.6	473.9	472	467.3
Total emissions offset	tCO2e		0	0	19	0	476	470
Total Emissions Scope 1, 2 (location-based) & 3	tCO2e		444.3	378.4	325.6	473.9	-4	-2.7
Scope 1 and 2 (location-based) Emissions								
Total Emissions Scope 1 & 2 (location-based)	tCO2e		181	191.5	171.3	170	151.5	118.2
Total emissions neutralised by carbon offset projects	tCO2e		-	-	19	-	476	470
Net operational carbon emissions Scope 1 and 2	tCO2e		181	191.5	152.3	170	-324.5	-351.8
Emissions Intensity Scope 1 and 2 (location-based) (U2 UNGC-P7, P8 GRI: 305-4 SDG 13)		Unit	2015	2016	2017	2018	2019	2020
Emission Intensity	kgCO2e/MWst		17.3	16.13	16.97	16.19	15.71	13.38
Emission Intensity per total assets	tCO2e/ISK bn.		0.18	0.18	0.15	0.15	0.14	0.1
Emission intensity per employee	tCO2e/no.		-	-	-	0.2	0.21	0.17
Emissions Intensity Scope 1, 2 (location-based) & 3 (E2 UNGC-P7, P8 GRI: 305-4 SDG 13)		Unit	2015	2016	2017	2018	2019	2020
Emission Intensity	kgCO2e/MWst		42.5	31.9	34.1	45.1	49	52.9
Emission Intensity per total assets	tCO2e/ISK bn.		0.44	0.37	0.3	0.41	0.44	0.4
Emission intensity per employee	tCO2e/no.		-	-	-	0.55	0.64	0.67

Direct & Indirect Energy Consumption (E3 UNGC-P7 GRI: 302-1 SDG 12)	Unit	2015	2016	2017	2018	2019	2020
Total energy consumption	kWst	10,458,849	11,867,715	10,098,854	10,500,943	9,641,604	8,833,949
Of which energy from fossil fuel	kWst	335,087	339,013	329,458	303,504	251,333	150,995
Of which energy from electricity	kWst	4,032,727	4,206,952	3,736,673	4,255,984	3,575,403	2,956,243
Of which energy from hot water	kWst	6,091,035	7,321,750	6,032,723	5,941,455	5,814,868	5,726,711

Energy Intensity (E4 UNGC-P7, P8 GRI: 302-3 SDG 12)	Unit	2015	2016	2017	2018	2019	2020
Energy per full-time equivalent (FTEe) employee	kWst/FTEs	-	-	-	12,126	13,118	12,656
Energy intensity per total asset	kWst/ISK bn.	10,345	11,455	8,797	9,019	8,911	7,531

Energy Mix (E5 UNGC-P7 GRI: 302-1 SDG 7)	Unit	2015	2016	2017	2018	2019	2020
Fossil Fuel	%	8.2%	17.6%	3.5%	2.9%	2.6%	1.7%
Renewable Energy	%	85.4%	73.6%	94.2%	97%	97.4%	98.3%
Nuclear Energy	%	3.5%	5%	0.1%	-	-	-

Water Management (E6 UNGC-P7 GRI: 303-5.a SDG 6)	Unit	2015	2016	2017	2018	2019	2020
Total water consumption	m³	168,687	197,826	179,956	168,411	165,794	142,125
Cold water	m³	63,670	71,589	75,943	65,972	65,538	43,388
Hot water	m³	105,018	126,237	104,012	102,439	100,256	98,736

Environmental Operations (E7 GRI: 103-2)	Unit	2015	2016	2017	2018	2019	2020
Environmental Policy approved by the board	Yes/no	-	-	-	-	Yes	Yes
Company follows specific waste, water, energy, and/or recycling policies	Yes/no	-	-	-	-	Yes	Yes
Company uses a recognised energy management system	Yes/no	-	-	-	-	No	No

Climate Oversight / Board (E8 GRI: 102-19)	Unit	2015	2016	2017	2018	2019	2020
Does your Board of Directors oversee and/or manage climate-related risk?	Yes/no	-	-	-	-	-	No

Climate Oversight / Management (E9 GRI: 102-20)	Unit	2015	2016	2017	2018	2019	2020
Does your Senior Management Team oversee and/or manage climate-related risks?	Yes/no	-	-	-	-	Yes	Yes

Climate Risk Mitigation (E10)	Unit	2015	2016	2017	2018	2019	2020
Total annual investment in climate-related infrastructure, resilience, and product development	ISK bn.	-	-	-	-	-	-

Paper Management	Unit	2015	2016	2017	2018	2019	2020
Total amount of printed paper	pages	2,394,280	2,354,928	2,133,768	1,584,072	1,036,835	637,858
of which color print	pages	913,333	830,148	708,720	719,856	460,949	390,730
of which black/white print	pages	2,315,060	2,343,432	2,209,692	1,522,908	992,722	487,088
Duplex	pages	1,668,220	1,637,316	1,569,300	1,317,384	833,672	479,920

Waste Management (GRI: 306-2)	Unit	2015	2016	2017	2018	2019	2020
Total waste generated	kg	119,992	120,728	125,519	164,803	135,235.5	223,982.6
Of which sorted waste	kg	51,588	60,958	59,342	102,119	93,318.5	103,675.6
Of which unsorted waste	kg	68,404	59,770	66,177	62,684	41,917	120,307
Recycled/recovery	kg	-	-	-	97,419	64,664.5	99,632.6
Landfill/disposal	kg	1,440	3,790	27,130	67,384	70,571	124,350
Percentage of sorted waste	%	43%	50.5%	47.3%	62%	69%	46.3%
Percentage of recycled waste	%	0%	0%	0%	59.1%	47.8%	44.5%

Emission in Scope 3 (GRI: 305-3)	Unit	2015	2016	2017	2018	2019	2020
Emissions from business trips	tCO2e	238.6	162.8	151.2	269.7	293.5	90.1
Flights	tCO2e	238.6	162.8	151.2	258.5	284.6	87.2
Taxi	tCO2e	-	-	-	11.3	8.9	2.9
Emissions from waste	tCO2e	28	25	23	34	26	55.3
Emissions from employee commuting	tCO2e	-	-	-	-	-	198

Carbon Offset (GRI: 305-5)	Unit	2015	2016	2017	2018	2019	2020
Total emissions offset	tCO2e	0	0	19	0	476	470
Emissions offset by forestry	tCO2e	0	0	19	0	476	470
Does a third party verify carbon offset projects?	Yes/no	-	-	No	-	No	No

Carbon Taxes	Unit	2015	2016	2017	2018	2019	2020
Carbon tax, gas- and diesel oil	ISK/litre	5.84	6	6.3	9.45	10.4	11.45
Carbon tax, gasoline	ISK/litre	5.1	5.25	5.5	8.25	9.1	10
Carbon tax, fuel oil	ISK/kg	7.23	7.4	7.75	11.65	12.8	14.1
Carbon tax, crude oil, etc	ISK/kg	6.44	6.6	6.9	10.35	11.4	12.55
Total Carbon Tax (ESR)	ISK	193,231	201,186	205,262	283,491	258,671	169,657

Total Fuel Consumption (UNGC-P7 GRI: 302-1)	Unit	2015	2016	2017	2018	2019	2020
Total fuel consumption in litres	liters	33,457	33,694	32,754	30,216	24,939	15,339
Petrol	liters	2,916	1,304	1,360	1,708	534	4,120
Diesel oil	liters	30,541	32,390	31,394	28,508	24,405	11,219

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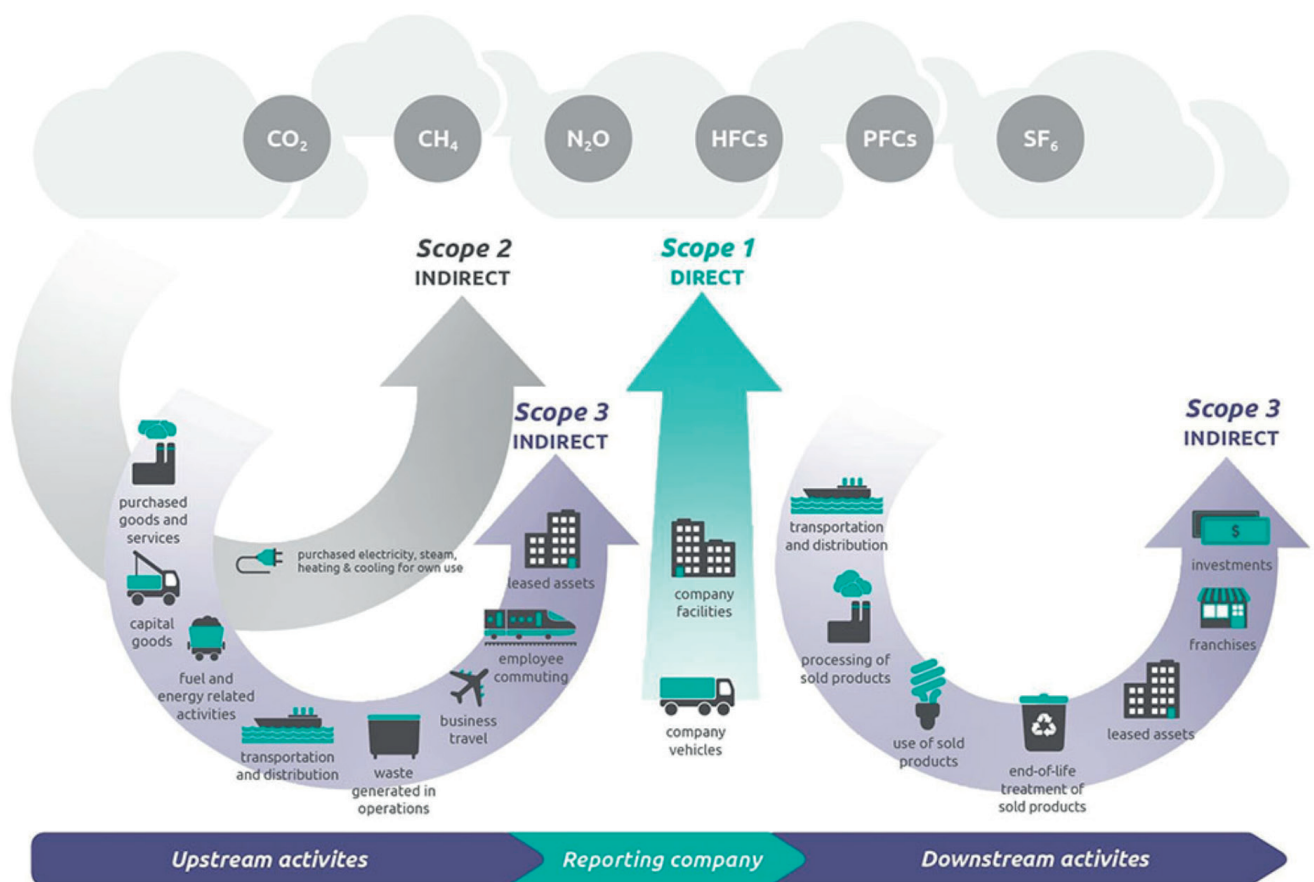
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Methodology for financial accounting

When calculating Arion Bank's environmental accounts, we use The Greenhouse Gas Protocol which is a standardized methodology which has been implemented at a number of companies with good results. Arion Bank has underlined the importance of implementing its climate project within the framework of Icelandic and international legislation and regulations on the environment.

The diagram below describes the methodology according to which greenhouse gas emissions are divided into three categories, Scopes 1, 2 and 3. Broadly speaking emissions originate from the transportation of supplies to the company, from the company's operations and from the transportation of goods and services from the company. Scopes 1, 2 and 3 are divided into direct and indirect greenhouse gases.



Social

CEO Pay Ratio (S1 GRI: 102-38 UNGC-P6)	Unit	2015	2016	2017	2018	2019	2020
CEO Salary & Bonus (X) to median FTE Salary	X:1	-	-	-	-	6.2	5.61
Does your company report this metric in regulatory filings?	Yes/no	-	-	-	-	-	No

Gender Pay Ratio (S2 UNGC-P6 GRI: 405-2)	Unit	2015	2016	2017	2018	2019	2020
Median total compensation for men (X) to median total compensation for women	X:1	-	-	-	-	-	1.51
Outcome of equal pay certification	%	4.8%	3.7%	2.9%	2.4%	2.1%	1.02%

Employee Turnover (S3.1, S3.2 GRI: 401-1.b UNGC-P6)	Unit	2015	2016	2017	2018	2019	2020
Employee Turnover	%	10.8	13.8	11.8	13.9	23	10.5
Left voluntarily	%	7.7	5.4	7.7	8.3	6.8	6.5
Left due to dismissal	%	2.2	7.8	2.2	4.4	13.9	3.9
Retired	%	0.9	0.7	0.9	1.2	2.2	0.1
Employee Turnover by gender							
Women	%	-	-	-	71	59	68
Men	%	-	-	-	29	41	32
Employee Turnover by age							
Aged 20-29	%	-	-	-	23.4	14.1	28
Aged 30-39	%	-	-	-	17.7	21.6	32.5
Aged 40-49	%	-	-	-	22.6	31.9	21
Aged 50-59	%	-	-	-	22.6	19.5	13
Aged 60-69	%	-	-	-	13.7	13	5.5

Employee Turnover by region							
Greater Reykjavík Area	%	-	-	-	82.3	86	61.3
Outside Greater Reykjavík Area	%	-	-	-	17.7	14.1	39.7

Gender Diversity (S4.1 UNGC-P6 GRI: 102-8.a)	Unit	2015	2016	2017	2018	2019	2020
Total number of employees	no.	882	936	930	866	735	698
Women	%	66	65	65	64.9	65	63.8
Full-time	%	-	-	-	52	55.2	56.3
Part-time	%	-	-	-	12.9	10.2	7.5
Men	%	34	35	35	35.1	35	36.3
Full-time	%	-	-	-	33.1	33.1	34.5
Part-time	%	-	-	-	2	1.5	1.7

Equality (S4.2, S4.3 UNGC-P6 GRI: 401-3.a,b, GRI: 405-1)	Unit	2015	2016	2017	2018	2019	2020
Board of Directors							
Women	%	55	50	50	42.9	42.9	42.9
Men	%	45	50	50	57.1	57.1	57.1
Age of Board of Directors							
Aged 20-29	%	-	-	-	0	0	0
Aged 30-39	%	-	-	-	0	0	0
Aged 40-49	%	-	-	-	66.7	28.6	28.6
Aged 50-59	%	-	-	-	0	57.1	57.1
Aged 60-69	%	-	-	-	22.2	0	0
Aged 70-79	%	-	-	-	11.1	14.3	14.3

All Management							
Women	%	41	47	48	47	48	43
Men	%	53	53	52	53	52	57
Managing directors							
Women	%	33	44	50	50	33.3	42.9
Men	%	67	56	50	50	66.7	57.1
Heads of Departments							
Women	%	39	34	28	30	39.4	35.3
Men	%	61	66	72	70	60.6	64.7
Regional and Branch Managers							
Women	%	39	50	43	38.5	33.3	37.5
Men	%	61	50	57	61.5	66.7	62.5
Service Managers							
Women	%	-	93	73	82	85.7	-
Men	%	-	7	27	18	14.3	-
Supervisors and Team Leaders							
Women	%	50	44	67	60	50	42.9
Men	%	50	56	33	40	50	57.1
Account managers and service managers							
Women	%	-	-	-	-	-	61.1
Men	%	-	-	-	-	-	38.9
Managers							
Women	%	-	-	-	50	66.7	66.7
Men	%	-	-	-	50	33.3	33.3
Heads of Corporate Business / Account Managers							
Women	%	-	-	-	33	33	-
Men	%	-	-	-	67	67	-

Heads of Corporate Business / Account Managers								
Women	%	-	-	-	33	33	-	
Men	%	-	-	-	67	67	-	
Other Managers								
Women	%	-	-	-	25	50	-	
Men	%	-	-	-	75	50	-	
Age of Management								
Aged 20-29	%	-	-	-	0	0	0	
Aged 30-39	%	-	-	-	14.6	18.1	16.7	
Aged 40-49	%	-	-	-	55.2	59	60.3	
Aged 50-59	%	-	-	-	28.1	20.5	16.7	
Aged 60-69	%	-	-	-	2.1	2.4	6.4	
Age of Employees								
Aged 20-29	%	-	-	-	17	16.9	14	
Aged 30-39	%	-	-	-	25	25	24.1	
Aged 40-49	%	-	-	-	31	31.3	33.4	
Aged 50-59	%	-	-	-	21	21.2	22.1	
Aged 60-69	%	-	-	-	6	5.6	6.3	
Parental Leave								
Number of women entitled to maternity leave	no.	-	-	-	26	21	28	
Number of women who took maternity leave	no.	-	-	-	26	21	28	
Number of women that returned to work after maternity leave	no.	-	-	-	20	-	-	
Number of men entitled to paternity leave	no.	-	-	-	25	19	31	
Number of men who took paternity leave	no.	-	-	-	19	14	31	
Number of men that returned to work after paternity leave	no.	-	-	-	19	-	-	

Employment type (S5.1 UNGC-P6 GRI: 102-8.b,c, GRI: 401-1)	Unit	2015	2016	2017	2018	2019	2020
Percentage of People Employed on Permanent Basis		-	93	92	94.6	95.4	95
Women	%	-	-	-	61.2	62.4	60.7
Men	%	-	-	-	33.4	32.9	34.2
Percentage of People Employed on Temporary Basis	%	-	7	8	5.4	4.6	5
Women	%	-	-	-	3.7	3	3
Men	%	-	-	-	1.7	1.6	2
Employees by Residence							
Greater Reykjavík Area	%	-	-	-	83.7	82.4	84.8
Employees on a Permanent Basis	%	-	-	-	80	79.3	81.1
Employed on Temporary Basis	%	-	-	-	3.7	3.1	3.7
Outside Greater Reykjavík Area	%	-	-	-	16.3	17.6	15.2
Employees on a Permanent Basis	%	-	-	-	14.5	16.1	13.9
Employed on Temporary Basis	%	-	-	-	1.7	1.5	1.3
Number of New Employees	no.	-	-	-	73	51	31
Percentage of new employees	%	-	-	-	8.2	6.9	4.4
Gender of new employees							
Women	%	-	-	-	56	47	42
Men	%	-	-	-	44	53	58
Age of new employees							
Aged 20-29	%	-	-	-	38	45.1	29
Aged 30-39	%	-	-	-	26	31.4	38.7
Aged 40-49	%	-	-	-	30	21.6	32.3
Aged 50-59	%	-	-	-	4	2	0
Aged 60-69	%	-	-	-	1	0	0

New employees by residence							
Greater Reykjavík Area	%	-	-	-	87.7	90.2	80.6
Outside Greater Reykjavík Area	%	-	-	-	12.3	9.8	19.4

Training for Employees (GRI: 404-1)	Unit	2015	2016	2017	2018	2019	2020
Avg. hours of training in total	hours	-	-	-	7	20	6.4
Women	hours	-	-	-	8	22	8
Men	hours	-	-	-	6	17	3.7
Management	hours	-	-	-	12	36	13.6
Employees	hours	-	-	-	6	16	5.5

Non-Discrimination Policy (S6 UNGC-P6 GRI: 406-1.a)	Unit	2015	2016	2017	2018	2019	2020
Policy to ensure equal opportunities and terms for all genders	Yes/no	-	Yes	Yes	Yes	Yes	Yes
Policy against bullying, sexual harassment, gender based harassment and violence	Yes/no	-	-	-	Yes	Yes	Yes
Bullying, sexual harassment, gender-based harassment and violence	no.	-	-	-	3	2	2

Health and safety of employees (S7, S8 SDG 3 GRI: 403-1)	Unit	2015	2016	2017	2018	2019	2020
Accidents in workplace and to and from work	no.	5	5	0	2	7	6
Health indicators	%	-	95.8%	96.3%	96.3%	96%	96.8%

Child & Forced Labor (F9 GRI: 103-2 SDG: 8 UNGC: P7)	Unit	2015	2016	2017	2018	2019	2020
Child and/or forced labor policy?	Yes/no	-	-	-	-	-	No

Human Rights (S10 UNGC-P1, P2 SDG 4, 10, 16)	Unit	2015	2016	2017	2018	2019	2020
Human rights as part of equal-rights policy	Yes/no	-	-	-	Yes	Yes	Yes

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Governance

Board - Separation of Powers (G1 GRI: 102-22.v SDG 10)	Unit	2015	2016	2017	2018	2019	2020
Total number of board members	no.	7	8	8	7	7	7
Women	no.	4	4	4	3	3	3
Men	no.	3	4	4	4	4	4
Gender ratio in the committees chaired by the board							
Women	%	-	-	-	-	50	20
Men	%	-	-	-	-	50	80

Board Independence (G2 GRI: 102-22.ii)	Unit	2015	2016	2017	2018	2019	2020
Does the company prohibit CEO from serving as board chair?	Yes/no	-	-	-	-	-	Yes
The CEO is a board member	Yes/no	No	No	No	No	No	No
The CEO manages committees on behalf of the Board	Yes/no	No	No	No	No	No	No
The CEO is the Chairman of the Board	Yes/no	No	No	No	No	No	No
Total board seats occupied by independents?	%	85.7	87.5	87.5	85.7	100	100

Incentivized Pay (G3 GRI: 102-35.b)	Unit	2015	2016	2017	2018	2019	2020
Are company executives formally incentivised to act on ESG	Yes/no	Yes	Yes	Yes	Yes	Yes	No
In regards to finance and corporate governance	Yes/no	yes	yes	yes	yes	yes	no

Collective Bargaining (G4 UNGC-P3 GRI 102-41 SDG 8)	Unit	2015	2016	2017	2018	2019	2020
Employees in labour unions	%	-	99.8%	99.8%	99.8%	99.6%	99.4%
Employees outside labour unions	%	-	0.2%	0.2%	0.2%	0.4%	0.6%
Percentage of people working in accordance with labour market laws	%	-	-	-	100%	100%	100%

Suppliers (G5 UNGC-P3, P4, P5, P6, P7, P8, P9 SDG 12)	Unit	2015	2016	2017	2018	2019	2020
Supplier Code of Conduct	Yes/no	-	-	-	-	-	Yes
Environmental factors when evaluating suppliers	Yes/no	-	-	-	-	-	Yes
Equality factors when evaluating suppliers	Yes/no	-	-	-	-	-	Yes
Labor rights when evaluating suppliers	Yes/no	-	-	-	-	-	Yes
Ethics & Anti-Corruption (G6 GRI: 102-16 UNGC-P10 SDG 16)	Unit	2015	2016	2017	2018	2019	2020
Does the company publish and follow an EC?	Yes/no	Yes	Yes	Yes	Yes	Yes	Yes
EC has been approved by the board of directors	Yes/no	Yes	Yes	Yes	Yes	Yes	Yes
Anti-corruption and bribery policy	Yes/no	-	-	-	Yes	Yes	Yes
Data Privacy (G7 GRI: 418-1)	Unit	2015	2016	2017	2018	2019	2020
Data privacy policy?	Yes/no	-	-	-	Yes	Yes	Yes
Implementation of the EU Privacy Regulation (GDPR)	Yes/no	-	-	-	Yes	Yes	Yes
Sustainability Report (G8.1)	Unit	2015	2016	2017	2018	2019	2020
Does the company publish a sustainability report?	Yes/no	-	Yes	Yes	Yes	Yes	Yes

Disclosure Practices (G9.1, G9.2)	Unit	2015	2016	2017	2018	2019	2020
Sustainability data to sustainability reporting frameworks	Yes/no	-	-	-	Yes	Yes	Yes
Focus on specific UN Sustainable Development Goals (SDGs)	Yes/no	-	-	-	Yes	Yes	Yes
Does your company set targets and report progress on the UN SDGs?	Yes/no	-	-	-	-	Yes	Yes

External Validation & Assurance (G10 GRI: 102-56 i,ii)	Unit	2015	2016	2017	2018	2019	2020
ESG disclosures assured or validated by a third party	Yes/no	-	-	-	-	-	Yes

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