



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

Reykjavik, 21 November, 2022

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 communications, 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

Responsible banking

Arion Bank places great importance on environmental and social issues and good corporate governance (ESG) in its operations. How banks manage their financial resources can have a decisive impact on the progress of sustainable development in individual countries and globally, because a bank's greatest impact is in the loans and investments it makes on behalf of its customers.

Arion 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. At Arion Bank we aim to ensure that social responsibility and sustainability are part of the Bank's day-to-day activities, its decision-making and processes.

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 make a difference, we get things done, we say what we mean, and we find solutions. **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.



Reporting on sustainability and non-financial information

Information in the annual and sustainability report has been prepared and published 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 exchange and the 10 Principles of the UN Global Compact are also used as a reference. We also consult the UN Sustainable Development Goals. For the second time we are reporting 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 in Arion Bank's 2021 Annual and Sustainability Report which is presented in accordance with the Global Reporting Initiative (GRI Core) and the Nasdaq ESG Reporting Guide.

 [Opinion from Deloitte with limited assurance](#)



Arion Bank achieved outstanding score in Reitun's ESG rating

In 2021 Arion Bank achieved an outstanding score for the second time in Reitun's ESG rating, scoring 90 out of 100 possible points and placing it in category A3. Arion Bank ranks well above the average in all categories compared with those domestic issuers rated by Reitun (approximately 34 in total). The market average is currently 67 points, category B3. One other organization received the same number of points at the Bank, with 90 points being the highest ESG score ever awarded by Reitun. The Bank is placed in category A3 with two other organizations.

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

UN Sustainable Development Goals

Arion Bank has selected six UN 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 actions on environment and climate issues, support for innovation and the business sector as a whole, state-of-the-art digital services and active participation in the development of the economy closely align with these sustainable development goals.



Governance, sustainability and risk management

In 2021 a sustainability committee was set up and the management of sustainability risk in connection with ESG factors was defined as part of the Bank's risk management system. The new committee replaced a sustainability steering committee which had been functioning at the Bank for many years. The CEO is the chairman of the sustainability committee, whose role is to monitor the Bank's performance in connection with its policy and commitment on sustainability and to ensure that ESG factors are considered in decisions and plans made by the Bank. A green financing committee and equality committee are sub-committees of this committee.

In addition to the CEO, the sustainability committee includes the managing directors of Retail Banking, Corporate & Investment Banking, Markets, Customer Experience and Finance. The Chief Risk Officer and Sustainability Officer attend meetings but do not have the right to vote. The Bank's new risk policy on sustainability was approved by the board of directors during the year and will be reviewed annually. According to the policy the Bank seeks to ensure that its operations and services do not have a negative impact on people or the environment. It also states that the Bank supports Iceland's climate action plan, whose goal is to meet the obligations of the Paris Climate Agreement and to achieve the ambitious goal of carbon neutrality by 2040.

At the beginning of 2022 a special risk assessment was performed in connection with ESG factors at the Bank. The main social risks relate to employee equality and diversity, disclosure and relations with stakeholders. The main environmental risks were insufficient action in environmental and climate issues in connection with goods and services, employees' compliance with the Bank's environment and climate policy, and the risk of greenwashing. The assessment also revealed that the main governance risks were anti-money laundering measures and know-your-customer, data protection and ESG reporting. The management of these risk at the Bank was rated as adequate or strong.

The Bank has introduced a policy on actions against financial crime, such as money laundering, terrorist financing, bribery and corruption or market abuse. On the basis of this policy the Bank places great importance on knowing all customers and understanding their business so that the Bank is able to identify any suspicious transactions. Further information on governance and risk management in relation to ESG and actions against financial crime can be found in the Bank's 2021 [Pillar 3 Risk Disclosures](#).

Responsible banking in the time of a pandemic

Arion Bank performed well overall during the year despite the continuing challenges presented by the Covid-19 pandemic. The Bank did its utmost to provide excellent services but at the same time behaved responsibly with respect to the applicable public health measures and sought to come up with solutions with its customers to tackle the financial impact of the pandemic.

The number of visits to our branches broadly reflected the Covid-19 restrictions, and customers and employees were quick to respond to the latest changes. Customers were encouraged to book appointments if they wanted to visit their local branch, which enabled us to abide by the rules without sacrificing the level of service to customers. Customers were also given the option of having video meetings with our employees.

Customers were encouraged to continue to use digital service channels. The creation and development of digital service channels in recent years has proven absolutely invaluable during the pandemic, as the diversity of available digital financial solutions has been one of the Bank's mainstays during this period. It's gratifying to see an ever-growing number of customers using online banking or the app to take care of their business needs.

Our employees tackled a wide range of tasks and complex challenges during the year, and we made a point of looking after our people, ensuring their safety and well-being. A new policy on working from home offers added flexibility, and a large number of employees worked from home for some part of the year. Video meetings were held to share necessary information and to ensure effective teamwork. Working from home has continued to bring our teams from inside and outside the Reykjavík area closer together as they are in more frequent contact via video meetings and other media. Events and training and education for employees and customers were mainly in digital format this year with great results.

At Arion Bank we look ahead full of optimism, and we intend to build on the experience gained during the pandemic to continue to provide first class service anywhere, anytime.

Responsible lending and investment

Arion Bank is a signatory to the United Nations Principles for Responsible Banking (PRB). The goal of these principles is to align banking with international goals and commitments such as the UN Sustainable Development Goals and the Paris Climate Agreement. In 2021 we continued to implement the principles into our business.

In order to better align ourselves with PRB and the goals of the Paris Climate Agreement we have adopted an ambitious new environment and climate policy and targets which are designed to support Arion Bank's commitment to being leading by example in environment and climate issues. The policy was updated slightly in 2021 and the targets updated to bring them in line with our plans for the next few years. More information on the Bank's environment and climate policy and targets can be seen [here](#).

The Bank's credit rules stipulate that environmental, social and governance factors must be considered when assessing loans. The Bank's credit policy also places special emphasis on sustainability and increasing the percentage of green loans, and quantifiable targets have been set. The Bank issued its first comprehensive green financing framework during the year and issued two green bonds on the basis of the framework. Green deposits continued to grow in 2021, and there was a substantial increase in loans to buy vehicles which run on 100% renewables.

— FURTHER INFORMATION ON GREEN FINANCE AT ARION BANK

Arion Bank and its subsidiary Stefnir had ISK 1,352 billion in assets under management at the end of 2021. With respect to asset management, Arion Bank has introduced rules of procedure on responsible investment which incorporate the three basic criteria of sustainability: environmental, social and governance (ESG). The Bank is a signatory to the United Nations Principles for Responsible Investment (PRI) and has published progress reports since 2019. This means that not only financial criteria, but also other relevant criteria, are taken into account when analyzing investments and developing clients' asset portfolios. See the section on [Responsible Investment](#) on the Bank's website and the section on [Markets](#) for more details.

Responsible buying

The Bank's strategy is to create future value for the benefit of its customers, shareholders and society as a whole, and in keeping with this the Bank seeks to source its supplies from local providers as far as possible, provided they meet the requirements on quality and price.

Nearly all of the Bank's key suppliers operate in Iceland. Although the supply chain does extend overseas, the first link is usually here on the domestic market. In fact there is only one international supplier in the top 10 main suppliers and only 9 in the top 50. The majority of the Bank's international suppliers are connected to the buying of software, advisory services and IT services. Hardware is almost entirely acquired from Icelandic suppliers.

The Bank's environment and climate policy requires our suppliers to take into account the environmental and climate impact of their activities. Furthermore, when comparing similar offers from suppliers, environmental and climate considerations will be decisive in our decision.

The new buying rules approved in the autumn of 2020 took this into account, and a new supplier assessment was introduced in which suppliers are appraised on their performance in terms of environmental and climate issues, as well as equality and labour laws. In 2020 all the Bank's main suppliers with whom the Bank has made outsourcing agreements underwent the suppliers' assessment. The suppliers' assessment is conducted on suppliers above a certain size and by the end of 2021, 23% of them had been assessed. During the year 70% of new suppliers who come under this definition and have an agreement with the Bank have undergone the assessment.

The Bank regularly assesses the performance of suppliers with which it has long-term business relationships, and all the largest suppliers with whom the Bank has made outsourcing agreements underwent the assessment in 2021.

A code of conduct for suppliers, which focuses on sustainability and social responsibility, was introduced in 2021. The code forms part of new buying agreements or is an appendix to existing agreements.

 [Code of conduct for suppliers](#)

Donations to political activities

In 2021 Arion Bank adopted a special policy on donations to political activities. The policy states that the Bank provides grants to political organizations which put up candidates nationally in general elections and submit an application for financial support from the Bank. To be eligible for a grant the organization must have a member of parliament.

— ARION BANK'S POLICY ON DONATIONS TO POLITICAL ACTIVITIES

Information on donations to political activities in 2021 can be found in [GRI index](#).

Responsible product management, product range and one-to-one marketing

In 2021 rules of procedure were introduced on responsible product management, where the emphasis is on protecting customers' interests when developing the Bank's products and ensuring that customers receive goods and services which are suitable for them. The procedure for responsible product management is clearly defined at Arion Bank and takes into account the European Banking Authority's Guidelines on product oversight and governance arrangements for retail banking products.

The Bank also adopted a policy on responsible product management, product range and one-to-one marketing during the year. The policy states that the Bank endeavours to offer goods and services which are beneficial to our customers, shareholders and society as a whole.

— ARION BANK'S POLICY ON RESPONSIBLE PRODUCT MANAGEMENT, PRODUCT RANGE AND ONE-TO-ONE MARKETING

Our commitment to sustainability



PRINCIPLES FOR
RESPONSIBLE
BANKING

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 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 (PRB) which were devised by UNEP FI and 30 international banks. For further information on Arion Bank's involvement with the principles see [here](#).

[Here](#) is an overview of the Bank's progress in implementing the principles.



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 the targets set out in our 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 2017 the 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. A progress report on responsible investment is published annually by the Bank's Asset Management division. For more information on responsible investments see 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 2016 and we submit a progress report to Global Compact 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 long been an active participant in the shaping and development of responsible investment in Iceland and was one of the founding members of [IcelandSIF](#), the Iceland Sustainable Investment Forum, in 2017. Over the years the Bank has had representatives in the board and working groups for the organization. The chairwoman of IcelandSIF is Kristbjörg M. Kristinsdóttir, CFO of Stefnir, a subsidiary of Arion Bank.



Excellence in corporate governance

Arion Bank has been recognized as a company which has 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 at Arion Bank](#) and on [Non-financial Information](#).



Festa – Center for Sustainability

Arion Bank has been an active partner of [Festa](#) – Center for Sustainability, for several years. Festa's role is to add to the expertise on social responsibility and sustainability at companies, institutions and organizations.

At the beginning of 2022 the Bank as one of the main sponsors of Festa's January conference. The theme of the conference was sustainability and future plans and included presentations by some of the leading academics and leaders globally in the field of sustainability and climate issues. The conference was held online and was open to anyone who wished to participate.

City of Reykjavík and Festa's Declaration on Climate Change

In 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.



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 [Equality](#) at Arion Bank and on [Non-financial Information](#).



FKA Equality Scale

In 2020 CEO Benedikt Gíslason signed a [declaration of intent](#) on the Equality Scale, stating that over the next few years Arion Bank intends to systematically work towards achieving an equal gender ratio at senior management level. The Equality Scale is an initiative created by the Association of Icelandic Businesswomen (FKA).

The Bank was first recognized by the Equality Scale for achieving an equal gender ratio at the top level of management in 2020 and achieved the distinction for the second time in 2021. See [here](#) for further information.



Kolviður – Iceland Carbon Fund

The Iceland Carbon Fund has been responsible for offsetting the carbon emissions produced by the Bank's activities since 2019. The Iceland Carbon Fund will continue to fix the carbon in plants and soil through soil reclamation and forestry to offset the carbon emissions resulting from the Bank's activities in 2021. The Iceland Carbon Fund is expected to plant up to 5,000 trees for the operating year 2021. 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. It does not involve verified carbon units.



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 used these criteria 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 more information on ESG reporting see the section on [Non-financial information](#).



PCAF – Partnership for Carbon Accounting Financials

In November 2021 Arion Bank became a signatory to the Partnership for Carbon Accounting Financials (PCAF). It is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments. Arion Bank will apply this methodology in 2022 to estimate the carbon footprint of its loan portfolio.

Further information on the Bank's involvement with PCAF can be found [here](#).



CDP

Since 2019 Arion Bank has disclosed its climate impact via CDP, a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. More than 13,000 companies published their environmental data via CDP in 2021. Further information on CDP can be found [here](#).



TCFD

In order to gain a better overview of the risk related to climate change the Bank has made use of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The section on sustainability risk in the Bank's 2021 Pillar 3 Risk Disclosures is partly based on these guidelines and it also contains an analysis of the Bank's loan portfolio from the point of view of climate risk. The Bank formally became a signatory to TCFD in February 2022. For more information refer to the [Pillar 3 Risk Disclosures for 2021](#).

Innovation and support for entrepreneurs

Innovation is integral to our business and improves the Bank's ability to compete in the long term. Continuous and focused scrutiny of whether the current methodology applied to goods, services and processes is optimal for success is one of the keys to our operations.

In recent years the Bank has collaborated on a wide range of exciting investment projects with our customers with the aim of strengthening the business sector in this country. This is particularly true of the intellectual property industry, a flourishing sector in Iceland and a vital source of future value creation. We are committed to supporting innovators and we nurture innovation and growth through partnerships with selected partners.



Arion Bank's commitment to innovation and active participation in the development of a creative economy supports two of the UN's sustainable development goals. These are goal number 8, decent work and economic growth, and goal number 9, industry, innovation and infrastructure.

Arion Bank has invested directly and indirectly in numerous start-ups and participated in events related to innovation. In 2021 Arion Bank was one of the partners of Iceland Innovation Week, which organized a hackathon, among other events.

Strategic partners



Enhanced service to people on the rental market through Leiguskjól

Leiguskjól is an excellent example of a partner selected by the Bank to support the services offered by the Bank. Leiguskjól participated in Startup Reykjavík in 2018, and the Bank invested in the company, acquiring a 6% interest. In 2019 the Bank entered into a partnership agreement with the company and increased its investment to 51%. The investment and partnership agreement with Leiguskjól clearly demonstrates the Bank's commitment to stepping up its collaboration with fintech companies, where the aim is to utilize the Bank's core strengths and to combine it with the focus and dynamism inherent in innovation.



Eyrir Sprotar – investing in startups

Arion Bank, in cooperation with Eyrir Invest, runs the venture capital fund Eyrir Sprotar slhf. Eyrir Invest and Arion Bank are the fund's largest shareholders. The fund is worth ISK 6 billion and has invested in 11 companies.



Advancing innovation on the financial market with the Fintech Custer

Arion Bank is a member of the Fintech Cluster, an organization designed to advance innovation in the financial sector. The Fintech Cluster also runs an innovation centre and organizes a range of events.



Supporting young entrepreneurs

The Bank is one of the main sponsors of Junior Achievement Iceland. The role of this organization is to prepare young people for the future and to improve their skills for the job market and by promoting education in innovation, entrepreneurship and business at secondary school level. In 2021 it organized a competition for secondary school students which gave students the chance to experience innovation first-hand in the classroom. A total of 126 companies were set up in the competition and 30 went through to the final. The company Hrauney, owned by six students from the Commercial College of Iceland, was named company of the year and represented Iceland at the JA Europe Company of the Year Competition held in Lithuania.



Supporting the community

Arion Bank organizes a wide range of informative lectures, conferences and events and is an active member of the community. Numerous people attended lectures, conferences and other events organized by the Bank in 2021. Arion Bank also participated in many conferences and exhibitions elsewhere. However, the restrictions on mass gatherings meant that the Bank hosted far fewer events during the year than normal.

Events held in 2021 included:

- Around 450 people watched the Bank present its economic forecast, which was also streamed live on the Bank's Facebook page.
- Many customers and other guests watched live streams of informative meetings on pensions savings.
- High school students visited the Bank and learned about investment. Arion Bank also visited senior high schools and held talks on financial literacy.
- Many events were streamed live from the Bank, including the IPOs of Play and Solid Clouds, and press conferences by the Icelandic Handball Association.

Giving back to the community

Arion Bank collaborates with numerous organizations and companies and supports a wide range of good causes in the community.

- Arion Bank was one of the main sponsors of the Arctic Circle conference held at Harpa Concert Hall in October. The aim of the conference was to promote discussion and collaboration on the future and development of the Arctic, a region whose importance is set to increase in the coming decades, not least because of climate change. The conference was attended by influential people from the worlds of politics, economics, academia and NGOs.
- Arion Bank is one of the main sponsors of the Icelandic Handball Association and has been providing backing for the sport in Iceland for many years.
- The Bank was one of the sponsors of the National Olympic and Sports Association in 2021 with the goal of promoting sport in Iceland and participation in international events by Icelandic competitors.
- Arion Bank is one of the main sponsors of the Icelandic Sports Association for the Disabled and is helping athletes prepare for competitions in 2022.
- Arion Bank supported the Association of Icelandic Businesswomen in 2021, for example hosting their event Visibility Day.
- Arion Bank sponsored the NKG Innovation Competition, a competition designed to boost innovation in primary and secondary schools.
- The Bank supported a number of charities including the Icelandic Cancer Society.
- Arion Bank supports the Icelandic Forestry Association, helping to fund an initiative to further advance public knowledge of forests, and to provide information and improve access to forests for recreational purposes. The Bank also provides funding for planting trees.
- Arion Bank is sponsoring the Dean's List at Reykjavík University and signed a partnership agreement with RU in November 2020. The Dean's List is reserved for students who achieve the best results in each semester. The aim of the list is to inspire students who gain outstanding academic results and to highlight their achievements. Students on the RU Dean's List have their tuition fees for the next semester waived.
- In addition the branches support diverse causes in their local areas.

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
GRI: 102-7	Scale of the organization	Non-financial information: Social Human resources Financial statements 2021
GRI: 102-8	Information on employees and other workers	Non-financial information: Social Human resources
GRI: 102-9	Supply chain	Responsible buying
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: Our commitment to sustainability
GRI: 102-13	Membership of associations	Responsible banking: Our commitment to sustainability 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
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Ethics and integrity

GRI: 102-16	Values, principles, standards, and norms of behavior	Strategy and vision Code of ethics
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Governance

GRI: 102-18	Governance structure	Corporate Governance Responsible banking: Governance, sustainability and risk management
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GRI: 102-19	Delegating authority	Responsible banking: Governance, sustainability and risk management Non-financial information: Environment
GRI: 102-20	Executive-level responsibility for economic, environmental, and social topics	Responsible banking: Governance, sustainability and risk management
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
GRI: 102-25	Conflicts of interest	Information on measures to prevent conflicts of interest can be found in the board's rules of procedure 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 2021
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 2021 accounts are compared with previous environmental accounts.

At the beginning of 2022 a survey was conducted among employees about their habits when travelling to and from work. Klappir Green Solutions conducted the survey and processed the results. The main results can be seen The sustainability team at EY performed the calculations of the environmental and climate impact of green lending in 2021 in the Impact and Allocation Report. A different organization performed such calculations in 2020 and therefore the methodology used might be different.

GRI: 102-49	Changes in reporting	No fundamental changes have been made to reporting from the previous year other than that a separate chapter on green finance has now been added to the report.
GRI: 102-50	Reporting period	2021 unless otherwise specified
GRI: 102-51	Date of most recent report	17.02.2021
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	This report has been prepared in accordance with the GRI Standards: Core option
GRI: 102-55	GRI content index	The reference table contains text and links to the applicable material.
GRI: 102-56	External assurance	Deloitte has provided an opinion with limited assurance on non-financial reporting by Arion Bank in 2021 which is presented in

Data on the Bank's environmental impact is prepared in partnership with the Icelandic innovation company Klappir

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.

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 55% 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. This year we are publishing an Impact and Allocation Report parallel to the Annual and Sustainability Report which covers the allocation of funds which have been raised through green bond issues and green deposits in 2021. Deloitte has provided limited assurance that Arion Bank's allocation of net proceeds from Green Financing Instruments are used to finance loans that meet the criteria of the Bank's Green financing framework for the year 2021.

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. A code of conduct for suppliers, which focuses on sustainability and social responsibility, was introduced in 2021.

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.

In 2021 a sustainability committee was set up and the management of sustainability risk in connection with ESG factors was defined as part of the Bank's risk management system. For further information see [here](#).

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 and vision](#)
[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](#)
[Conflicts of Interest](#)

Arion Bank is also signatory to various domestic and international treaties and commitments on responsible banking.

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 2021 which is presented in accordance with the Global Reporting Initiative (GRI) and the Nasdaq ESG Reporting Guide.

Arion Bank achieved outstanding results Reitun's ESG rating, scoring 90 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 67 points. See [here](#).

Economic

Economic performance

GRI: 201-1	Direct economic value generated and distributed	Financial statements 2021
GRI: 201-2	Financial implications and other risks and opportunities due to climate change	Pillar 3 Risk Disclosures
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 2021

Indirect economic impacts

GRI: 203-1	Infrastructure investments and services supported	Retail customers Corporate customers Responsible banking
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Procurement practices

GRI: 204-1	Proportion of spending on local suppliers	Responsible buying
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Anti-corruption

GRI: 205-1	Operations assessed for risk related to corruption	Pillar 3 Risk Disclosures
GRI: 205-2	Communication and training about anti-corruption policies and procedures	Pillar 3 Risk Disclosures
GRI: 205-3	Confirmed incidents of corruption and actions taken	Pillar 3 Risk Disclosures

Anti-competitive Behavior

GRI: 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No such incidents occurred in 2021
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Environment

Energy

GRI: 302-1	Energy consumption within the organization	Non-financial information: Environment Non-financial information: Methodology for environmental accounting Environmental and climate issues
GRI: 302-3	Energy intensity	Non-financial information: Environment

Water and effluents

GRI: 303-5	Water consumption	Non-financial information: Environment
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Emissions

GRI: 305-1	Direct (Scope 1) GHG emissions	Non-financial information: Environment Non-financial information: Methodology for environmental accounting Environmental and climate issues
GRI: 305-2	Energy indirect (Scope 2) GHG emissions	Non-financial information: Environment Non-financial information: Methodology for environmental accounting Environmental and climate issues
GRI: 305-3	Other indirect (Scope 3) GHG emissions	Non-financial information: Environment Non-financial information: Methodology for environmental accounting Environmental and climate issues
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
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Environmental compliance

GRI: 307-1	Non-compliance with environmental laws and regulations	No violations or fines
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Supplier environmental assessment

GRI: 308-1	New suppliers that were screened using environmental criteria	Responsible buying
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Society

Employment

GRI: 401-1	New employee hires and employee turnover	Non-financial information: Social
GRI: 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

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

Training and education

GRI: 404-1	Average hours of training per year per employee	Non-financial information: Social
GRI: 404-2	Programs for upgrading employee skills and transition assistance programs	Human resources 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.
GRI: 404-3	Percentage of employees receiving regular performance and career development reviews	Human resources 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
GRI: 405-2	Ratio of basic salary and remuneration of women to men	Human resources Non-financial information: Social

Non-discrimination

GRI: 406-1	Incidents of discrimination and corrective actions taken	Non-financial information: Social
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Local communities

GRI: 413-2	Operations with significant actual and potential negative impacts on local communities	CEO's address
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Supplier social assessment

GRI: 414-1	New suppliers that were screened using social criteria	Responsible buying
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Public policy

GRI: 415-1	Political contributions	Donations to political activities Three political parties applied and received a grant in 2021 in accordance with the Bank's policy on grants for political activities. Each party received ISK 550,000
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Marketing and labeling

GRI: 417-2	Incidents of non-compliance concerning product and information and labeling	No incidents in 2021
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GRI: 417-3	Incidents of non-compliance concerning marketing communications	No incidents in 2021
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Customer privacy

GRI: 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Pillar 3 Risk Disclosures
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Socioeconomic compliance

GRI: 419-1	Non-compliance with laws and regulations in the social	No incidents in 2021
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Environmental

Direct and Indirect GHG Emissions (E1 UNGC-P7 GRI: 305-1, GRI: 305-2, GRI: 305-3)	Unit	2015	2018	2019	2020	2021
Scope 1	tCO2e	86.3	78.3	65	37.5	30.4
Scope 2 (location-based)	tCO2e	94.7	92.4	91.3	100.5	82.6
Scope 3	tCO2e	271.85	303.87	320.55	350.63	251.56
Total emissions Scope 1, 2 (location-based) and 3	tCO2e	452.8	474.6	476.8	488.6	364.5
Total emissions offset	tCO2e	0	0	476	470	500
Total emissions Scope 1, 2 (location-based) & 3	tCO2e	452.8	474.6	0.8	18.6	-135.5
Scope 1 and 2 (location-based) Emissions						
Total emissions Scope 1 & 2 (location-based)	tCO2e	181	170.7	156.3	138	113
Total emissions neutralised by carbon offset projects	tCO2e	0	0	476	470	500
Net operational carbon emissions Scope 1 and 2	tCO2e	181	170.7	-319.7	-332	-387

Emissions intensity Scope 1 and 2 (location-based) (U2 UNGC-P7, P8 GRI: 305-4 SDG 13)	Unit	2015	2018	2019	2020	2021
Emission intensity	kgCO2e/MWst	17.3	16.15	15.35	12.65	12.5
Emission intensity per total assets	tCO2e/ISK bn.	0.18	0.15	0.14	0.12	0.09
Emission intensity per employee	tCO2e/no.	-	0.2	0.21	0.2	0.17

Emissions intensity Scope 1, 2 (location-based) & 3 (E2 UNGC-P7, P8 GRI: 305-4 SDG 13)	Unit	2015	2018	2019	2020	2021
Emission intensity	kgCO2e/MWst	43.3	44.9	46.9	44.8	40.3
Emission intensity per total assets	tCO2e/ISK bn.	0.45	0.41	0.44	0.42	0.28
Emission intensity per employee	tCO2e/no.	-	0.55	0.65	0.7	0.54

Direct & Indirect Energy Consumption (E3 UNGC-P7 GRI: 302-1 SDG 12)	Unit	2015	2018	2019	2020	2021
Total energy consumption	kWst	10,460,550	10,572,114	10,177,453	10,906,903	9,038,879
Of which energy from fossil fuel	kWst	335,087	303,504	251,333	150,995	124,408
Of which energy from electricity	kWst	4,032,727	4,312,377	3,640,703	3,213,556	2,243,572
Of which energy from hot water	kWst	6,092,736	5,956,233	6,285,417	7,542,351	6,668,899

Energy Intensity (E4 UNGC-P7, P8 GRI: 302-3 SDG 12)	Unit	2015	2018	2019	2020	2021
Energy per full-time equivalent (FTEs) employee	kWst/FTEs	-	12,208	13,847	15,626	13,270
Energy intensity per total asset	kWst/ISK bn.	10,347	9,083	9,406	9,298	6,877

Energy Mix (E5 UNGC-P7 GRI: 302-1 SDG 7)	Unit	2015	2018	2019	2020	2021
Fossil Fuel	%	8.2%	2.9%	2.5%	1.4%	1.4%
Renewable Energy	%	85.4%	97%	97.5%	98.6%	98.6%
Nuclear Energy	%	3.5%	0%	0%	0%	0%

Water Management (E6 UNGC-P7 GRI: 303-5.a SDG 6)	Unit	2015	2018	2019	2020	2021
Total water consumption	m³	168,717	168,666	173,907	177,904	170,214
Cold water	m³	63,670	65,972	65,538	47,863	55,233
Hot water	m³	105,047	102,694	108,369	130,041	114,981

Environmental Operations (E7 GRI: 103-2)	Unit	2015	2018	2019	2020	2021
Environmental Policy approved by the board	Yes/no	-	-	Yes	Yes	Yes

Company follows specific waste, water, energy, and/or recycling policies	Yes/no	-	-	Yes	Yes	Yes
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Company uses a recognised energy management system	Yes/no	-	-	No	No	No
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Climate Oversight / Board (E8 GRI: 102-19)	Unit	2015	2018	2019	2020	2021
Does your Board of Directors oversee and/or manage climate-related risk?	Yes/no	-	-	-	No	Yes

Climate Oversight / Management (E9 GRI: 102-20)	Unit	2015	2018	2019	2020	2021
Does your Senior Management Team oversee and/or manage climate-related risks?	Yes/no	-	-	Yes	Yes	Yes

Climate Risk Mitigation (E10)	Unit	2015	2018	2019	2020	2021
Total annual investment in climate-related infrastructure, resilience, and product development	ISK bn.	-	-	-	-	-

Paper Management	Unit	2015	2018	2019	2020	2021
Total amount of printed paper	pages	2,394,280	1,584,072	1,167,709	725,468	403,945
of which color print	pages	913,333	719,856	518,808	413,074	222,014
of which black/white print	pages	2,315,060	1,522,908	1,109,586	525,535	293,161
Duplex	pages	1,668,220	1,317,384	935,820	542,209	295,520

Waste Management (GRI: 306-2)	Unit	2015	2018	2019	2020	2021
Total waste generated	kg	119,992	164,803	135,236	225,048	132,654
Of which sorted waste	kg	51,588	102,119	93,318.5	104,701	72,679.8
Of which unsorted waste	kg	68,404	62,684	41,917	120,347	59,974.5
Recycled/recovery	kg	48,558	97,419	64,664.5	100,347	71,794.4
Landfill/disposal	kg	71,434	67,384	70,571	124,701	60,859.9
Percentage of sorted waste	%	43%	62%	69%	46.5%	54.8%
Percentage of recycled waste	%	40.5%	59.1%	47.8%	44.6%	54.1%
Operations waste						
Total operations waste	kg					86,790
Of which sorted waste	kg					67,026
Of which unsorted waste	kg					19,765
Percentage of sorted waste	%					77.2%
Percentage of recycled waste	%					76.5%
Construction waste						
Total construction waste	kg					45,864

Emission in Scope 3 (GRI: 305-3)	Unit	2015	2018	2019	2020	2021
Emissions from business trips	tCO2e	238.6	269.7	293.5	91.5	35.5
Flights	tCO2e	238.6	258.5	284.6	88.6	32.1
Taxi	tCO2e	-	11.3	8.9	2.9	3.4
Emissions from waste	tCO2e	28	34	26	55.3	28
Emissions from employee commuting	tCO2e	-	-	-	198	187.9

Carbon Offset (GRI: 305-5)	Unit	2015	2018	2019	2020	2021
Total emissions offset	tCO2e	0	0	476	470	500
Emissions offset by forestry	tCO2e	0	0	476	470	500
Does a third party verify carbon offset projects?	Yes/no	-	-	No	No	No

Carbon Taxes	Unit	2015	2018	2019	2020	2021
Carbon tax, gas- and diesel oil	ISK/litre	5.84	9.45	10.4	11.45	11.75

Carbon tax, gasoline	ISK/litre	5.1	8.25	9.1	10	10.25
Carbon tax, fuel oil	ISK/kg	7.23	11.65	12.8	14.1	14.45
Carbon tax, crude oil, etc	ISK/kg	6.44	10.35	11.4	12.55	12.85
Total Carbon Tax (ESR)	ISK	193,232	283,493	258,677	169,666	141,680

Total Fuel Consumption (UNGC-P7 GRI: 302-1)	Unit	2015	2018	2019	2020	2021
Total fuel consumption in litres	liters	33,457.2	30,216.2	24,939.6	15,339.8	13,048.8
Petrol	liters	2,916.1	1,708.4	534.1	4,120.5	7,762.6
Diesel oil	liters	30,541.1	28,507.8	24,405.5	11,219.3	5,286.2

Key to terms used

The letters **E**, **S** and **G** refer to factors relating to the Environment, Social and Governance as set out in the ESG reporting guide for the **Nasdaq** Nordic and Baltic exchanges.

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.

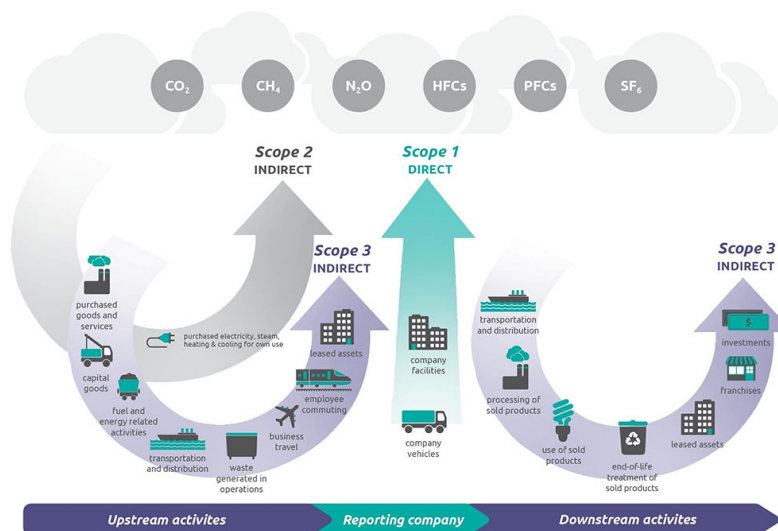
UNGC stands for **United Nations Global Compact**. By participating in the Global Compact companies or institutions commit to work towards the UN's Ten Principles on Sustainability.

SDG refers to the **UN Sustainable Development Goals**. The Sustainable Development Goals were adopted by all member states of the United Nations in September 2015. There are 17 Sustainable Development Goals and 169 targets. This table refers to the 17 goals.

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	2017	2018	2019	2020	2021
CEO Salary & Bonus (X) to median FTE Salary	X:1	-	-	6.2	5.61	5.7
Does your company report this metric in regulatory filings?	Yes/no	-	-	-	No	No

Gender Pay Ratio (S2 UNGC-P6 GRI: 405-2)	Unit	2017	2018	2019	2020	2021
Median total compensation for men (X) to median total compensation for women	X:1	-	-	-	1.51	1.43
Outcome of equal pay certification	%	2.90%	2.40%	2.10%	1.02%	0.10%

Employee Turnover (S3.1, S3.2 GRI: 401-1.b UNGC-P6)	Unit	2017	2018	2019	2020	2021
Employee Turnover	%	11.8	13.9	23	10.5	15.5
Left voluntarily	%	7.7	8.3	6.8	6.5	7.8
Left due to dismissal	%	2.2	4.4	13.9	3.9	6.8
Retired	%	0.9	1.2	2.2	0.1	0.9
Employee Turnover by gender						
Women	%	-	71	59	68	62.1
Men	%	-	29	41	32	37.9
Employee Turnover by age						
Aged 20-29	%	-	23.4	14.1	28	13.6
Aged 30-39	%	-	17.7	21.6	32.5	28.2
Aged 40-49	%	-	22.6	31.9	21	34
Aged 50-59	%	-	22.6	19.5	13	17.5
Aged 60-69	%	-	13.7	13	5.5	6.8
Employee Turnover by region						
Greater Reykjavik Area	%	-	82.3	86	61.3	80.6
Outside Greater Reykjavik Area	%	-	17.7	14.1	39.7	19.4

Gender Diversity (S4.1 UNGC-P6 GRI: 102-8.a)	Unit	2017	2018	2019	2020	2021
Total number of employees	no.	930	866	735	698	681
Women	%	65	64.9	65	63.8	59.5
Full-time	%	-	52	55.2	56.3	50.8
Part-time	%	-	12.9	10.2	7.5	8.7
Men	%	35	35.1	35	36.3	40.5
Full-time	%	-	33.1	33.1	34.5	37.3
Part-time	%	-	2	1.5	1.7	3.2

Equality (S4.2, S4.3 UNGC-P6 GRI: 401-3.a,b, GRI: 405-1)	Unit	2017	2018	2019	2020	2021
Board of Directors						
Women	%	50	42.9	42.9	42.9	40
Men	%	50	57.1	57.1	57.1	60
Age of Board of Directors						
Aged 20-29	%	-	0	0	0	0
Aged 30-39	%	-	0	0	0	0
Aged 40-49	%	-	66.7	28.6	28.6	20
Aged 50-59	%	-	0	57.1	57.1	60
Aged 60-69	%	-	22.2	0	0	0
Aged 70-79	%	-	11.1	14.3	14.3	20

Age group	%	2017	2018	2019	2020	2021
All Management						
Women	%	48	47	48	43	45.5
Men	%	52	53	52	57	54.5
Managing directors						
Women	%	50	50	33.3	42.9	44.4
Men	%	50	50	66.7	57.1	55.6
Heads of Departments						
Women	%	28	30	39.4	35.3	37.8
Men	%	72	70	60.6	64.7	62.2
Regional and Branch Managers						
Women	%	43	38.5	33.3	37.5	42.9
Men	%	57	61.5	66.7	62.5	57.1
Supervisors and Team Leaders						
Women	%	67	60	50	42.9	33.3
Men	%	33	40	50	57.1	66.7
Account managers and service managers						
Women	%	-	-	-	61.1	75
Men	%	-	-	-	38.9	25
Managers						
Women	%	-	50	66.7	66.7	66.7
Men	%	-	50	33.3	33.3	33.3
Age of Management						
Aged 20-29	%	-	0	0	0	0
Aged 30-39	%	-	14.6	18.1	16.7	13
Aged 40-49	%	-	55.2	59	60.3	63.6
Aged 50-59	%	-	28.1	20.5	16.7	15.6
Aged 60-69	%	-	2.1	2.4	6.4	7.8
Age of Employees						
Aged 18-19	%	-	-	-	-	0.3
Aged 20-29	%	-	17	16.9	14	17.3
Aged 30-39	%	-	25	25	24.1	21.7
Aged 40-49	%	-	31	31.3	33.4	32
Aged 50-59	%	-	21	21.2	22.1	22
Aged 60-69	%	-	6	5.6	6.3	6.6
Parental Leave						
Number of women entitled to maternity leave	no.	-	26	21	28	15
Number of women who took maternity leave	no.	-	26	21	28	24
Number of women that returned to work after maternity leave	no.	-	20	-	-	15
Number of men entitled to paternity leave	no.	-	25	19	31	13
Number of men who took paternity leave	no.	-	19	14	31	25
Number of men that returned to work after paternity leave	no.	-	19	-	-	25

* Entitlement to parental leave due to children born in 2021

** Taking of parental leave irrespective of child's year of birth

Employment type (S5.1 UNGC-P6 GRI: 102-8.b,c, GRI: 401-1)	Unit	2017	2018	2019	2020	2021
Percentage of People Employed on Permanent Basis		92	94.6	95.4	95	92.7
Women	%	-	61.2	62.4	60.7	55.8
Men	%	-	33.4	32.9	34.2	36.9
Percentage of People Employed on Temporary Basis	%	8	5.4	4.6	5	7.3

Basis						
Women	%	-	3.7	3	3	3.7
Men	%	-	1.7	1.6	2	3.7
Employees by Residence						
Greater Reykjavik Area	%	-	83.7	82.4	84.8	82.4
Employees on a Permanent Basis	%	-	80	79.3	81.1	77.1
Employed on Temporary Basis	%	-	3.7	3.1	3.7	5.3
Outside Greater Reykjavik Area	%	-	16.3	17.6	15.2	17.6
Employees on a Permanent Basis	%	-	14.5	16.1	13.9	15.6
Employed on Temporary Basis	%	-	1.7	1.5	1.3	2.1
Number of New Employees	no.	-	73	51	31	43
Percentage of new employees	%	-	8.2	6.9	4.4	6.3
Gender of new employees						
Women	%	-	56	47	42	27.9
Men	%	-	44	53	58	72.1
Age of new employees						
Aged 20-29	%	-	38	45.1	29	53.5
Aged 30-39	%	-	26	31.4	38.7	20.9
Aged 40-49	%	-	30	21.6	32.3	14
Aged 50-59	%	-	4	2	0	11.6
Aged 60-69	%	-	1	0	0	0
New employees by residence						
Greater Reykjavik Area	%	-	87.7	90.2	80.6	83.7
Outside Greater Reykjavik Area	%	-	12.3	9.8	19.4	16.3

Training for Employees (GRI: 404-1)	Unit	2017	2018	2019	2020	2021
Avg. hours of training in total	hours	-	7	20	6.4	7.1
Women	hours	-	8	22	8	8.4
Men	hours	-	6	17	3.7	5.2
Management	hours	-	12	36	13.6	13
Employees	hours	-	6	16	5.5	6.4

Non-Discrimination Policy (S6 UNGC-P6 GRI: 406-1.a)	Unit	2017	2018	2019	2020	2021
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	Yes
Bullying, sexual harassment, gender-based harassment and violence*	no.	-	3	2	2	1

* Number of cases examined and/or formal complaint made

Health and safety of employees (S7, S8 SDG 3 GRI: 403-1)	Unit	2017	2018	2019	2020	2021
Accidents in workplace and to and from work	no.	0	2	7	6	3
Health indicators	%	96.30%	96.30%	96%	96.80%	96.6%

Child & Forced Labor (F9 GRI: 103-2 SDG: 8 UNGC: P7)	Unit	2017	2018	2019	2020	2021
Child and/or forced labor policy?	Yes/no	-	-	-	No	No

Human Rights (S10 UNGC-P1, P2 SDG 4, 10, 16)	Unit	2017	2018	2019	2020	2021
Human rights as part of equal-rights policy	Yes/no	-	Yes	Yes	Yes	Yes

Key to terms used

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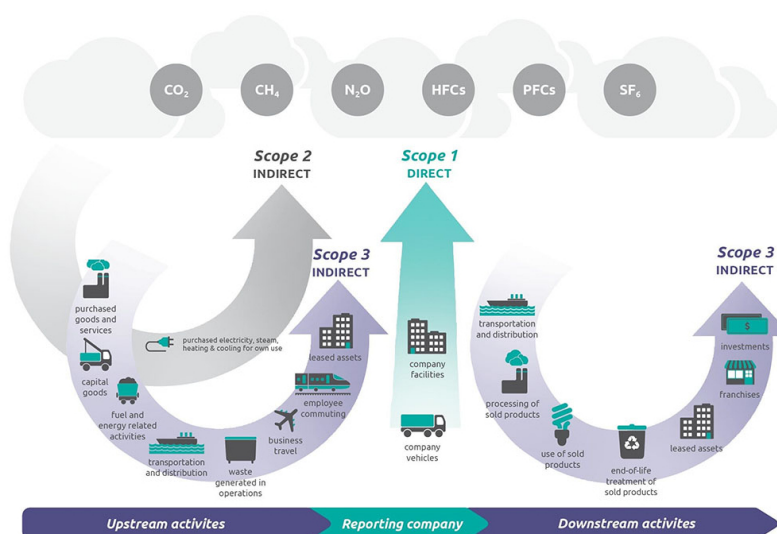
UNGC stands for **United Nations Global Compact**. By participating in the Global Compact companies or institutions commit to work towards the UN's Ten Principles on Sustainability.

SDG refers to the **UN Sustainable Development Goals**. The Sustainable Development Goals were adopted by all member states of the United Nations in September 2015. There are 17 Sustainable Development Goals and 169 targets. This table refers to the 17 goals.

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.



Governance

Board - Separation of Powers (G1 GRI: 102-22.v SDG 10)	Unit	2017	2018	2019	2020	2021
Total number of board members	no.	8	7	7	7	5
Women	no.	4	3	3	3	2
Men	no.	4	4	4	4	3
Gender ratio in the committees chaired by the board	%	-	-	-	-	-
Women	%	-	-	50	20	60
Men	%	-	-	50	80	40

Board Independence (G2 GRI: 102-22.ii)	Unit	2017	2018	2019	2020	2021
Does the company prohibit CEO from serving as board chair?	Yes/no	-	-	-	Yes	Yes
The CEO is a board member	Yes/no	No	No	No	No	No
The CEO manages committees on behalf of the Board	Yes/no	No	No	No	No	No
The CEO is the Chairman of the Board	Yes/no	No	No	No	No	No
Total board seats occupied by independents?	%	87.5	85.7	100	100	100

Incentivized Pay (G3 GRI: 102-35.b)	Unit	2017	2018	2019	2020	2021
Are company executives formally incentivised to act on ESG	Yes/no	Yes	Yes	Yes	No	No
In regards to finance and corporate governance	Yes/no	Yes	Yes	Yes	No	No

Collective Bargaining (G4 UNGC-P3 GRI 102-41 SDG 8)	Unit	2017	2018	2019	2020	2021
Employees in labour unions	%	99.80%	99.80%	99.60%	99.40%	98.68%
Employees outside labour unions	%	0.20%	0.20%	0.40%	0.60%	1.32%
Percentage of people working in accordance with labour market laws	%	-	100%	100%	100%	100%

Suppliers (G5 UNGC-P3, P4, P5, P6, P7, P8, P9 SDG 12)	Unit	2017	2018	2019	2020	2021
Supplier Code of Conduct	Yes/no	-	-	-	Yes	Yes
Environmental factors when evaluating suppliers	Yes/no	-	-	-	Yes	Yes
Equality factors when evaluating suppliers	Yes/no	-	-	-	Yes	Yes
Labor rights when evaluating suppliers	Yes/no	-	-	-	Yes	Yes

Ethics & Anti-Corruption (G6 GRI: 102-16 UNGC-P10 SDG 16)	Unit	2017	2018	2019	2020	2021
Does the company publish and follow an EC?	Yes/no	Yes	Yes	Yes	Yes	Yes
EC has been approved by the board of directors	Yes/no	Yes	Yes	Yes	Yes	Yes
Anti-corruption and bribery policy	Yes/no	-	Yes	Yes	Yes	Yes

Data Privacy (G7 GRI: 418-1)	Unit	2017	2018	2019	2020	2021
Data privacy policy?	Yes/no	-	Yes	Yes	Yes	Yes
Implementation of the EU Privacy Regulation (GDPR)	Yes/no	-	Yes	Yes	Yes	Yes

Sustainability Report (G8.1)	Unit	2017	2018	2019	2020	2021
Does the company publish a sustainability report?	Yes/no	Yes	Yes	Yes	Yes	Yes

Disclosure Practices (G9.1, G9.2)		Unit	2017	2018	2019	2020	2021
Sustainability data to sustainability reporting frameworks	Yes/no		-	Yes	Yes	Yes	Yes
Focus on specific UN Sustainable Development Goals (SDGs)	Yes/no		-	Yes	Yes	Yes	Yes
Does your company set targets and report progress on the UN SDGs?	Yes/no		-	-	Yes	Yes	Yes

External Validation & Assurance (G10 GRI: 102-56 i, ii)		Unit	2017	2018	2019	2020	2021
ESG disclosures assured or validated by a third party	Yes/no		-	-	-	Yes	Yes

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