



# Information on sustainability in asset management and asset advisory

Disclosures as per Articles 6 and 7 of SFDR

June 2025

## Introduction

This document contains information on sustainability in connection with asset management and asset advisory in accordance with Articles 6 and 7 SFDR<sup>1</sup> and Article 7 EU Taxonomy,<sup>2</sup> as per Act No. 25/2023 on sustainable finance disclosure and taxonomy for sustainable investment.

Arion Bank is required to provide its clients with information on how the Bank takes **sustainability risk** into consideration when investment decisions are made on behalf of clients or when investment advice is given. The term *sustainability risk* is defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment. Arion Bank is also required to provide information on the likely impact of sustainability risk on the returns on the investments made available by the Bank or on which it provides advice.

In addition, the Bank is required to inform clients about how the Bank takes into consideration the **principal adverse impacts** of the Bank's investment decisions on sustainability factors, including environmental, social and employee-related issues.

## Sustainability risk in asset management and asset advisory

Arion Bank analyses and assesses sustainability risk as part of the investment decision-making and asset advisory process. The analysis is carried out alongside the assessment of other financial risks and takes place before the Bank provides investment advice or makes investment decisions on behalf of clients. Arion Bank assesses sustainability risk by sector and considers 10 sustainability risk factors in this context. Where appropriate, the Bank may review more detailed information on individual issuers, usually obtained from external data providers.

The assessment of sustainability risk is part of a comprehensive evaluation of investment risk and takes into account, among other things, the client's investment objectives. The Bank may take various measures when the sustainability risk of an investment option is deemed unacceptable.

Further information on how Arion Bank addresses sustainability risk in investment advice can be found at [www.arionbanki.is/sfdr](http://www.arionbanki.is/sfdr).

## Likely impact of sustainability risk on investment returns

The materialization of a sustainability-related risk factor may have wide-reaching effects, but the likely effect in each case depends on the type of risk factor and the nature of the underlying assets. The value of specific assets may decrease significantly if sustainability risk materializes.

It can generally be assumed that risk sustainability-related risk factors have greater impact on shares than bonds. Consequently, the greater the weight of shares and/or equity funds in a client's portfolio, the more sensitive to sustainability risk clients' portfolios may be. Therefore, sustainability risk may have more adverse impact on investment returns where the investment strategy which assumes a higher level of investment in shares and/or equity funds than investment strategies with a greater focus on bonds and fixed income funds. This is, however, a general rule which does not apply without exceptions.

## Principal adverse impacts

Arion Bank Asset Management considers principal adverse impacts of investment decisions on sustainability factors. Issuers and funds that are deemed by the Bank to have significant adverse effects on sustainability factors are flagged within Asset Management. Such flagging does not automatically prevent transactions but may lead to

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<sup>1</sup> Regulation (EU) 2019/2088 on Sustainable Financial Disclosures.

<sup>2</sup> Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.

mitigating measures by Arion Bank, such as monitoring and/or engagement with the issuer. If a portfolio manager decides to proceed with a transaction involving a flagged financial instrument, the decision is documented.

When assessing whether, and what kind of, mitigating measures are appropriate in each case, consideration is given, among other things, to the likelihood and severity of the adverse impacts, including whether the impacts are irremediable. Appropriate caution is always exercised when implementing mitigating measures, with the best interests of clients in mind.

Arion Bank cannot guarantee that sustainability factors will be considered in all cases when providing investment advice, due to the unforeseeable circumstances in which such advice may take place. However, staff members strive to take consider adverse impacts when conditions allow. The Bank will review this approach annually.

More detailed information on Arion Bank's procedures regarding principal adverse impacts of investment decisions on sustainability factors can be found in the Bank's PAI Statement, available at [www.arionbanki.is/sfdr](http://www.arionbanki.is/sfdr).

#### **Other statements**

Underlying investments in the investment strategies do not take into account the EU criteria on environmentally sustainable economic activities. The investment policies of Arion Bank Private Banking have been categorized as Article 6 financial products as defined in SFDR and are therefore not considered to be financial products which contribute to environmental or social factors or financial products which have sustainable investment as an objective in accordance with Articles 8 and 9 of SFDR.

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