



Sustainability Risk Statement

December 2024

Sustainability Risk Statement

This document is designed to describe how the Asset Management division of Arion Bank (hereinafter called **Asset Management**) analyzes and assesses sustainability risk factors in the investment decision process and investment advice. Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) identifies sustainability risk as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Analyzing sustainability risk

Sustainability risk is analyzed in parallel with an assessment of other financial risk, and this analysis is carried out before an investment decision is made or investment advice is given. The method used to analyze sustainability risk varies depending on the type of investment involved, since the importance of sustainability risk, the time frame and access to relevant information may vary between different asset classes and types of investment.

Arion Bank analyzes sustainability risk by sector and the analysis applies to various forms of sustainability risks. Ten sustainability risk factors are taken into account:

- Regulatory and legislative changes
- Technological changes
- Market changes
- Chronic risk
- Acute risk
- Risk associated with the workplace and human rights violations
- Risk associated with lack of diversity and equality
- Reputational risk
- Risk associated with violations of data protection and information security
- Conduct risk

Each risk factor is assessed on a scale stating, firstly, how likely it is that the risk factor will occur in the relevant sector, and secondly how much impact the risk factor would have on the value and/or returns of the investment option in the relevant sector, if it occurred, cf. following tables.

2	Almost certain	0	1	2	3	4
1.5	Likely	0	0.75	1.5	2.25	3
1	Unlikely	0	0.5	1	1.5	2
0.5	Minimal	0	0.25	0.5	0.75	1
		Negligible	Low	Moderate	Significant	Severe
		0	0.5	1	1.5	2

Likelihood		Adverse impact	
Scale	Details	Scale	Details
Almost certain	91%+ likelihood in next 15 years	Severe	Severe impact on value of investments
Likely	41-90% likelihood in next 15 years	Significant	Significant impact on value of investments
Unlikely	11-40% likelihood in next 15 years	Moderate	Moderate impact on value of investments
Minimal	0-40% likelihood in next 15 years	Low	Minor impact on value of investments
		Zero impact	Zero impact on value of investments

To complement the Bank's assessment of sector sustainability risk Asset Management has access to more detailed information which is used to analyze sustainability risk before investment decisions are taken or before investment advice is given. Such information is, as applicable, obtained from third-party analysts.

When assessing the sustainability risk of *individual securities* an analysis is performed of how sustainability risk can have an impact on the product. The analysis may be based, where applicable, on available information on the issuer, information obtained from the issuer and/or information from third-party analysts. When assessing the sustainability risk of funds, it is assessed how the fund management company in question regards sustainability risk in its investments on behalf of the fund. If the necessary information is missing, the relevant information will be requested from the fund management company.

Integrating sustainability risk with investment advice and making investment decisions

On the basis of the aforementioned analysis, Asset Management assesses how sustainability risk might affect the value of, or returns on, the investment in question. The assessment of the impact of sustainability risk on the value of, or returns on, an investment is finally compared with the client's investment objectives before a final investment decision is taken or investment advice given.

Sustainability risk does not preclude investing in or advising an investment in a financial instrument subject to such risk. The appropriate measures for handling the unacceptable sustainability risk of an investment option vary according to circumstance and the nature of the risk. The measures which Asset Management can take include not investing in or not recommending a product, reducing the weight of the product in an asset portfolio, holding discussions with issuers, helping issuers minimize risk, becoming active owners to ensure that appropriate measures are taken etc. The assessment of sustainability risk may involve a subjective assessment and use of data from third parties which could be inadequate and/or inaccurate. Even though the assessment is performed to the best of Asset Management's knowledge, it cannot be guaranteed that Asset Management's assessment of the sustainability risk of the investment is definitive.

Version 1.2

20 December 2024