

ARION BANKI HF.

A3 | 90 / 100

A1 - A3	B1 - B3	C1 - C3	D
Excellent	Good	Medium	Poor

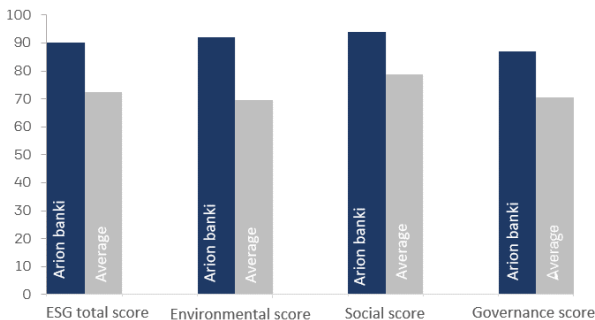
RATING

Arion banki hf. achieves an excellent score in this ESG rating by Reitun, with 90 out of 100 possible points, placing it in category A3.

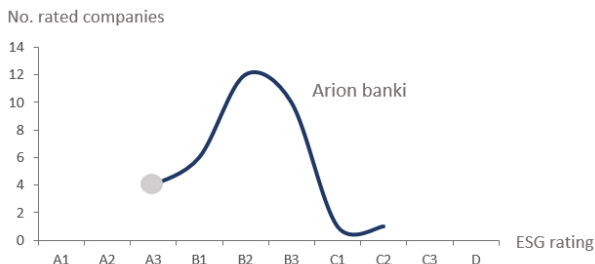
ESG RATING RESULTS

	Weight	Score	Rating
Environmental	11.0%	92	A2
E.1 Eco-Efficiency	5.0%	94	A2
E.2 Environmental Management	6.0%	90	A3
Social	25.0%	94	A2
S.1 Working Environment	7.0%	94	A2
S.2 Employee Welfare & Customer Satisfaction	18.0%	94	A2
Governance	64.0%	87	A3
G.1 Corporate Governance	9.0%	98	A1
G.2 Corporate Practises & Supplier Chain	23.5%	91	A3
G.3 Product & Services	31.5%	82	B1

COMPARISON



ESG RATING DISTRIBUTION



SHORT SUMMARY OF RESULTS

Arion banki continues to receive an excellent score in this ESG rating by Reitun. Sustainability risk is formally defined as part of the bank's risk exposure and the bank has carried out a climate-related risk assessment of its operations based on the TCFD criteria. The active involvement of the board and management in sustainability-related issues at the bank is positive. A Sustainability Risk Committee is in operation that is chaired by the CEO. The committee is responsible for monitoring sustainability issues and the bank's aims. For a financial institution, it is important to introduce ESG elements into asset management and loan operations, and these are fields where Arion is doing well. It has committed itself to compliance with the UN's Principles for Responsible Banking and is a participant in PCAF collaboration on financed emission assessment and recently published its first financed emission report. Since publishing its green finance framework in the middle of 2021, Arion has issued four green bonds and will be reporting annually on the allocation and impact of the capital raised by them. In recent years Arion has given increased priority to its offer of products and services and has achieved good results in this area. The bank's green deposit accounts have been well received and a report has been published on their impact. It also offers green automobile loans, housing mortgages and corporate loans. Arion's subsidiary Stefir has set up four sustainable funds since 2021; another subsidiary, the insurance company Vörður, is now planning to increase its sustainable product offer over the coming years; this is an area with opportunities in collaboration with the bank. Under its commitment to the UN Principles for Responsible Banking, Arion is working on responsible investment activities within the group. The bank is in a good position with regard to corporate governance and business ethics; as the financial sector in Iceland is subject to extensive regulation and supervision this is not regarded as a significant area of risk. Data security, on the other hand, is a very significant risk factor for financial institutions. Arion has this under firm control, having begun work aimed at earning ISO27001 certification on data security. The bank has applied ESG considerations in its supply-chain assessment; this is an area in which it occupies a prominent position in comparison with the market. Arion has strong connections with the community and has introduced a new grants policy prioritising the UN Global Goals. Human resource issues at the bank are in good order and job satisfaction continues high. Environmental considerations in Arion's internal operations are well managed, with overall carbon emissions measured and offset by non-certified carbon credits. It is Reitun's opinion that Arion demonstrates a firm intention to do well on the sustainability front and has already achieved substantial success. It is aware of its capacity to exert a good influence on society and the environment and has set a good example for other market players in Iceland.

COMPARISON WITH DOMESTIC ISSUERS

Arion banki is well above average in all categories in comparison with other domestic issuers (currently about 35). The average overall score on the market is 72 points out of 100 possible, Category B2. In this assessment, Arion scores 90 points, which is the most that Reitun has awarded in an ESG rating to date. This places the bank in Category A3 along with three other entities.

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