Arion bank

Environmental Statement

2021

Arion banki
Borgartún 19, 105 Reykjavík
Reg. 5810080150

Content

Sustainability Statement

Arion banki's 2021 Environmental statement reflects the ESG guidelines issued by Nasdaq Iceland and the Nordic countries in 2019. These guidelines are based on recommendations made in 2015 by the United Nations, the Sustainable Stock Exchange Initiative, and the World Federation of Exchange. Reference is also made to the GRI Standard (Global Reporting Initiative, GRI100-400) and its Reporting Principles (P1-10) of the United Nations Global Compact (UNGC).

Klappir has assisted with the Environmental statement. The statement is based on information gathered by the Klappir sustainability platform throughout the year. Klappir planned and conducted the work in accordance with the principles of the Greenhouse Gas Protocol standards (Relevance, Accuracy, Completeness, Consistency, Transparency).

Klappir has reviewed and assessed the information with accuracy and the best available information at this time. Klappir is not responsible for any investment decisions based on the information presented in this statement.

8. febrúar 2022, Reykjavík

Jón Ágúst Þorsteinsson Ph.D.
CEO, Klappir

Organizational and Operational Boundaries

About Arion bank
Arion Bank is a strongly capitalized bank which provides universal banking services to companies and individuals. Arion Bank's strategy is to excel by offering smart and reliable financial solutions which create future value for our customers, shareholders and society as a whole.

Organizational Boundaries

The "Operational Control" methodology has been chosen to report on Arion bank's emissions. According to the "Operational Control" methodology, companies should account for 100 percent of greenhouse gas emissions from operations under their control. They should not account for greenhouse gas emissions from operations that it has no control over, even though it has a vested interest in their operations.

Operational Boundaries
Included in Arion Bank's Operating Boundaries for Scope 1 and 2 are

• Fuel consumption, electricity and hot water purchased by Arion Bank, including foreclosed properties.

Included in Scope 3 in this statement are:

- Waste
- Business travel - International flights (from 2015 - Icelandair and WOW; 2016-2021 - all airlines)
- Domestic flights (from 2016 - 2021)
- Contractor flights (2018)
- Business travel - Taxis (from 2018)
- Employee travel to and from work.
  - 2020: survey neither conducted nor reviewed by Klappir
  - 2021: Transportation survey conducted by Klappir

The Bank's base year is 2015.

Highlights

Carbon emissions: Arion Bank's emissions amounted to 364.5 tonnes of carbon dioxide equivalents (tCO2e). Emissions in Scope 1 and 2 totalled 113 tCO2e.

Energy consumption:: Arion Bank's total energy consumption amounted to 9,036,879 kWh. Energy consumption consists of electricity, hot water, and fuel consumption. Indirect energy consumption due to electricity and hot water consumption amounted to 8,912,471 kWh.

Carbon offsets:: Arion Bank has offset 500 tCO2í with mitigation measures through an agreement with Kolviður.

Statement

Operational Parameters

Operational Parameters	Unit	2015	2018	2019	2020	2021
Total Assets	billion ISK	1,011.0	1,164.0	1,082.0	1,173.0	1,314.0
Number of employees at the end of year	no.		866.0	735.0	698.0	681.0
Number of employees	no.	930.0				

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	tCO_2e	86.3	78.3	65.0	37.5	30.4
Scope 2 (location-based)	tCO_2e	94.7	92.4	91.3	100.5	82.6
Scope 2 (market-based)	tCO_2e					
Scope 3	tCO_2e	271.85	303.87	320.55	350.63	251.56
Total Emissions Scope 1, 2 (location-based) and 3	tCO_2e	452.8	474.6	476.8	488.6	364.5
Total emissions neutralised by carbon offset projects	tCO_2e	0.0	0.0	476.0	470.0	500.0
Total Emissions Scope 1, 2 (location-based) & 3 (with mitigation)	tCO_2e	452.8	474.6	0.8	18.6	-135.5
Scope 1 and 2 (location-based) Emissions						
Total Emissions Scope 1 & 2 (location-based)	tCO_2e	181.0	170.7	156.3	138.0	113.0
Total emissions neutralised by carbon offset projects	tCO_2e			476.0	470.0	500.0
Net operational carbon emissions Scope 1 and 2	tCO_2e	181.0	170.7	-319.7	-332.0	-387.0

Emissions Intensity Scope 1 & 2 (location-based) (E2 | UNGC-P7, P8 | GRI: 305-4 | SDG 13)	Unit	2015	2018	2019	2020	2021
Emission Intensity per megawatt-hour consumed	$kgCO_2e/MWh$	17.30	16.15	15.35	12.65	12.50
Emission Intensity per employee	$tCO_2e/no.$		0.20	0.21	0.20	0.17
Emission Intensity per total assets	$tCO_2e/billion$	0.18	0.15	0.14	0.12	0.09

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 per megawatt-hour consumed	$kgCO_2e/MWh$	43.3	44.9	46.9	44.8	40.3
Emission Intensity per total assets	$tCO_2e/billion$	0.45	0.41	0.44	0.42	0.28
Emission intensity per employee	$tCO_2e/no.$		0.55	0.65	0.70	0.54

Direct & Indirect Energy Consumption (E3 | UNGC-P7 | GRI: 302-1 | SDG 12)	Unit	2015	2018	2019	2020	2021
Total energy consumption	kWh	10,460,550	10,572,114	10,177,453	10,906,903	9,036,879
Of which energy from fossil fuel	kWh	335,087	303,504	251,333	150,995	124,408
Of which energy from electricity	kWh	4,032,727	4,312,377	3,640,703	3,213,556	2,243,572
Of which energy from hot water	kWh	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 (FTEe) employee	kWh/FTEs		12,208	13,847	15,626	13,270
Energy intensity per total asset	kWh/billion ISK	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%	97.0%	97.5%	98.6%	98.6%
Nuclear Energy	%	3.5%	0.0%	0.0%	0.0%	0.0%

Water Management (E6 | UNGC-P7 | GRI: 303-5.a | SDG 6)	Unit	2015	2018	2019	2020	2021
Total water consumption	m^3	168,717	168,666	173,907	177,904	170,214
Cold water	m^3	63,670	65,972	65,538	47,863	55,233
Hot water	m^3	105,047	102,694	108,369	130,041	114,981

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 (UNGC-P7 | 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	51,588.0	102,119	93,318.5	104,701	72,679.8
Of which unsorted waste	kg	68,404.0	62,684.0	41,917.0	120,347	59,974.5
Recycled/recovery	kg	48,558.0	97,419.0	64,664.5	100,347	71,794.4
Landfill/disposal	kg	71,434.0	67,384.0	70,571.0	124,701	60,859.9
Percentage of sorted waste	%	43.0%	62.0%	69.0%	46.5%	54.8%
Percentage of recycled waste	%	40.5%	59.1%	47.8%	44.6%	54.1%
Operational waste						
Total operational waste	kg					86,790.0
Of which sorted waste	kg					67,026.0
Of which unsorted waste	kg					19,765.0
Percentage of recycled waste	%					76.5%
Percentage of sorted waste	%					77.2%
Construction waste						
Total construction waste	kg					45,864.0

Emission in Scope 3 (GRI: 305-3)	Unit	2015	2018	2019	2020	2021
Emissions from business trips	tCO_2e	238.6	269.7	293.5	91.5	35.5
Flights	tCO_2e	238.6	258.5	284.6	88.6	32.1
Taxi	tCO_2e		11.3	8.9	2.9	3.4
Emissions from waste	tCO_2e	28.0	34.0	26.0	55.3	28.0
Emissions from employee commuting	tCO_2e				198.0	187.9

Carbon Offset (GRI: 305-5)	Unit	2015	2018	2019	2020	2021
Total emissions offset	tCO_2e	0.0	0.0	476.0	470.0	500.0
Emissions offset by forestry	tCO_2e	0.0	0.0	476.0	470.0	500.0
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	10.40	11.45	11.75
Carbon tax, gasoline	ISK/litre	5.10	8.25	9.10	10.00	10.25
Carbon tax, fuel oil	ISK/kg	7.23	11.65	12.80	14.10	14.45
Carbon tax, crude oil, etc	ISK/kg	6.44	10.35	11.40	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	litres	33,457.2	30,216.2	24,939.6	15,339.8	13,048.8
Petrol	litres	2,916.1	1,708.4	534.1	4,120.5	7,762.6
Diesel oil	litres	30,541.1	28,507.8	24,405.5	11,219.3	5,286.2

Methodology

The calculation methods, constants, and the statement are based on the Greenhouse Gas (GHG) Protocol, which is a standardized methodology used to calculate the environmental footprint of both companies and organizations.

Direct & Indirect GHG Emissions
The GHG Protocol divides emissions into three scopes to effectively set boundaries between direct and indirect emissions:

- Scope 1 accounts for direct GHG emissions from a company's operations. Direct emissions occur from sources that are owned or controlled by the company.
- Scope 2 accounts for indirect GHG emissions relating to electricity consumption, heating, and cooling. Emissions of this type do not occur within organizational boundaries of the company and are therefore considered to be indirect.
- Scope 3 accounts for indirect GHG emissions from {Company}'s value chain.

The GHG emissions are reported in tonnes CO_2 equivalents (tCO_2e). CO_2 equivalents is a quantity that describes, for a given mixture and amount of GHG, the amount of CO_2 that would have the same global warming potential (GWP), i.e. the ability of a gas to trap heat in the atmosphere when measured over the timescale of 100 years. Methane (CH_4) does for example have a global warming potential of about 25 CO_2e and nitrous oxide (N_2O) of around 298 CO_2e. The statement therefore reports all greenhouse gas emissions in tonnes CO_2e.

Definitions

Emission Intensity
Emission intensity figures are based on combined Scope 1, Scope 2, and Scope 3. Emission intensity is calculated by dividing GHG emissions by a selected operational parameter unit, and is reported as tCO_2e per unit (such as tCO_2e per revenue unit). Emission intensity indicators are used to measure and compare the Arion bank's emissions relative to its operational scale.

Direct & Indirect Energy Consumption
The total energy consumption measures all energy consumed by the company, including fuels for the Arion bank vehicles (Scope 1) and energy from electricity and hot water (Scope 2). The energy consumption is reported by source in kilowatt-hours (kWh).

Energy Intensity
Energy intensity is calculated by dividing the total energy consumption by a selected operational parameter unit, and is reported as kWh per unit (such as kWh per full-time equivalent employee (FTEe)). Energy intensity indicators are used to measure the efficiency of energy usage and compare Arion bank's energy