

ARION BANKI HF. BANKING | IS | 581008-0150**A3 | 90 / 100**

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

RATING

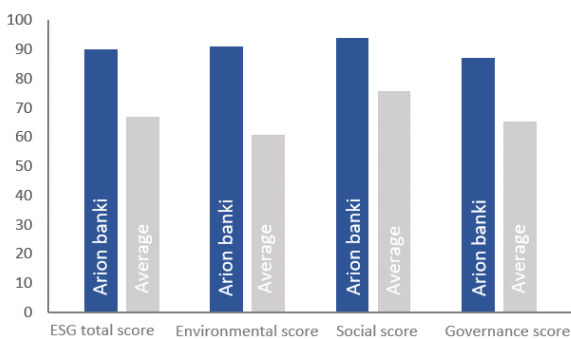
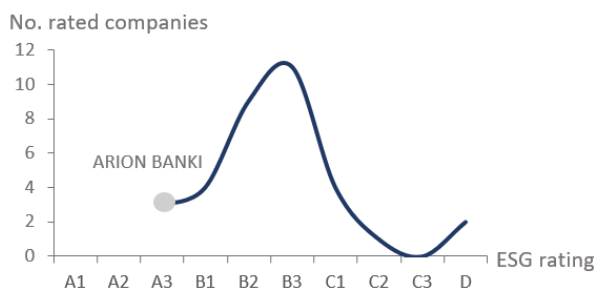
Arion Bank achieves outstanding results in Reitun's ESG rating, with 90 points of 100 possible, placing it in category A3.

ESG RATING RESULTS

	Weight	Score	Rating
Environmental	12.0%	91	A3
E.1 Eco - Efficiency	6.0%	95	A2
E.2 Environmental Management	6.0%	88	A3
Social	25.0%	94	A2
S.1 Working Environment	7.0%	93	A2
S.2 Employee Welfare & Customer Satisfaction	18.0%	94	A2
Governance	63.0%	87	A3
G.1 Corporate Governance	9.0%	98	A1
G.2 Corporate Practices & Supplier Chain	24.0%	91	A3
G.3 Products & Services	30.0%	81	B1

SHORT SUMMARY OF RESULTS

Arion Bank achieves outstanding results in Reitun's ESG rating with an overall score of A3. Sustainability risk is now defined as one of the bank's principal risk factors. A formal change has been made to the organizational structure, where the board and the CEO are now responsible for managing the bank's sustainability risk. A Sustainability Risk Committee has been set up, reporting directly to the CEO. This is responsible for monitoring sustainability issues and the bank's aims and their implementation. For a financial institution, it is important to introduce ESG factors into asset management and loan operations, and these are fields where Arion Bank 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; its aim is to measure the carbon footprint of the loan portfolio by the end of 2022. In the middle of 2021 Arion published its green finance framework and launched its first green bond issue in connection with the framework. Information on the disposal of capital and the impact of individual projects will be reported annually. The aim is to increase the range of sustainable products within the group. Arion's green deposit accounts, which were set up in mid-2020, have been warmly received, and the first report on their impact has appeared. The bank offers green automobile loans, green housing mortgages and now green corporate loans. Arion's subsidiary Stefmir has set up three sustainable funds this year. Another subsidiary, the insurance company Vörður, is now planning to increase its sustainable product offering over the coming years; this is an area with rich opportunities in collaboration with the bank. Under the UN Principles for Responsible Banking, Arion is working on responsible investment activities within the group. It performs well in terms of general management practices and business ethics; risk in these areas is regarded as minimal in Iceland because the financial sector operates under extensive regulation and supervision. For the financial sector, data security is a significant risk factor; Arion has this well under control though it has not yet received certification in data security management. Arion has introduced ESG factors into its supply-chain assessment; this is an area where it is in the forefront in the market. The bank has strong relations with the community and makes grants that have a positive social impact. Human resource issues are in good order at the bank, with job satisfaction continuing to be high. Attention is given to environmental concerns in internal operations and measured emissions are carbon neutralized. Reitun's opinion is that Arion shows 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**ESG RATING DISTRIBUTION****COMPARISON WITH DOMESTIC ISSUERS**

Arion Bank comes out well above average in all categories in comparison with other domestic issuers (currently about 34) that have undergone ESG rating by Reitun. The overall average score for the market currently stands at 67 points out of 100 possible, category B3. One other issuer has been awarded the same score as Arion, 90 points, which is the highest ESG rating that Reitun has awarded. Arion shares its placing in category A3 with two other issuers.

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