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SUSTAINABILITY REPORT

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Foreword by the Governor and Deputy Governors

The summary of the Sixth Assessment Report of the United Nations (UN) Intergovernmental Panel on Climate Change (IPCC) contains a message often heard before. The report states that humanity's impact on the Earth's environment has caused 1.1°C heating above pre-industrial levels. Every additional tenth of a degree of warming matters, and can strongly affect local climate and agricultural output, as well as the living standards and welfare of millions of people worldwide.

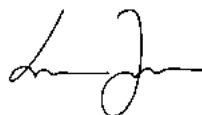
One of the main objectives of the Paris Agreement is to limit human disruption of the climate in order to keep global heating as close to 1.5 degrees Celsius as possible. Governmental authorities, businesses, and non-governmental organisations around the world have adopted defined targets for the reduction of greenhouse gas emissions, in accordance with the Paris Agreement. Pursuant to the Climate Act, no. 70/2012, the Government of Iceland, Government-run institutions, and companies that are majority-owned by the Government must adopt a climate strategy with explicit targets for reduced greenhouse gas emissions and carbon neutrality. This includes the Central Bank of Iceland, whose environmental and climate policy obliges it to reduce greenhouse gas emissions by 40% between 2019 and 2030.

The Central Bank's Sustainability Report is now issued for the second time. The report describes the actions taken by the Bank in connection with sustainability and climate issues in 2022, provides sustainability information relating to the Bank's operations, and explains how the Bank incorporates sustainability into its core activities. The report aims to shed light on the Bank's activities and give account of its performance in pursuing its climate and sustainability objectives.

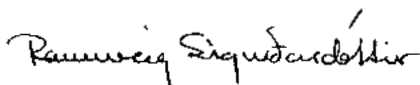
A great deal remains to be done in the areas of climate and sustainability, as the IPCC's Sixth Assessment Report indicates. Although other Governmental authorities bear the primary responsibility for implementing strategies and ensuring funding for climate risk mitigation and systematic transition to a carbon-neutral economy and a sustainable society, it is vital that the Central Bank contributes within its purview.



Ásgeir Jónsson,
Governor, Central Bank of Iceland



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Deputy Governor for Financial Stability



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Deputy Governor for Monetary Policy



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Deputy Governor for Financial Supervision

Introduction

The Central Bank issued its first Sustainability Report in 2021. That report contains a range of statistical information relating to sustainability at the Bank, together with explanatory articles in Boxes. The reports focus on sustainability in the Bank's operational environment, with scenario analyses on climate risk and explanations of the Bank's role in new sustainability legislation.

In 2022, the Bank continued on its journey towards sustainability in its operations. The Bank pledges to reduce greenhouse gas emissions from operations by 40% between 2019 and 2030, based on data from green accounting and travel habit surveys. Fifty-three percent of the measures in the Bank's environmental and climate action plan have been launched, and systematic steps have been taken toward completing the implementation of the Green Steps programme in Government operations. The Central Bank of Iceland practises green accounting and keeps track of its purchases from the standpoint of sustainability targets, and the report describes its emissions accounting for 2022. It also describes the BREEAM eco-certification process, which the Bank decided to undergo in connection with the construction work that began on its facilities in 2021.

In 2022 the Bank has been working systematically towards strengthening and formalising its governance practices. The management training programme that began in 2021, following the merger of the Bank and the Financial Supervisory Authority, continued in 2022. Climate- and sustainability-related issues have been on Bank officials' agenda in connection with the Bank's day-to-day operations and professional objectives, in addition to having been adopted as part of Bank departments' target-setting.

The Central Bank became a member of the Network for Greening the Financial System (NGFS) in 2020 and has been active within that forum. The Bank has representatives on four NGFS workstreams whose topics of focus are supervision, scenario analysis, monetary policy, and carbon neutrality. As an NGFS member, the Central Bank also adheres to the pledge it made in connection with the 26th annual UN Climate Conference (COP26), held in Glasgow.

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Sustainability in the Central Bank's operations 2022



The Central Bank of Iceland aims to be an exemplary institution in the areas of sustainability and climate and took important steps in this direction during the year. Sustainability is not limited to environmental issues. The components of sustainability – society, environment, and economy – support one another and lay the foundations for the achievement of the UN Sustainable Development Goals. Firms' and institutions' sustainability is often assessed with reference to standardised environmental, social, and governance (ESG) criteria, which include welfare, health, social justice, and governance practices that support sustainability. For the Central Bank, sustainability entails fostering sound governance practices and taking environmental and social factors into consideration in its activities and operations.

Environmental factors

Steps towards the goals of the environmental and climate policy

The aim of the Central Bank's environmental and climate policy is to systematically reduce greenhouse gas emissions from the Bank's operations, thereby ensuring that the Bank contributes to Iceland's fulfilment of its climate obligations. In its operations, the Bank shall endeavour to set an example in its approach to environmental and climate issues.

The Bank pledges to reduce greenhouse gas emissions from operations by 40% between 2019 and 2030, based on data from green accounting and travel habit surveys. This policy extends to all of the Bank's operations, properties, and construction projects. The Bank's environmental committee is responsible for the

Bank's environmental and climate policy, in consultation with the Governor. All employees are responsible for following the policy so as to achieve the targets therein.

Efforts to meet the targets specified in the Bank's action plan have been successful, and 53% of the measures in the plan are currently being implemented. Most of the measures scheduled for 2021 and 2022 have been initiated or completed, apart from those that must await the completion of construction work on the Bank's premises, such as the ecolabel certification of its cafeteria. The action plan, like the environmental and climate policy, covers a horizon through 2030. The Bank's environmental and climate policy and action plan are reviewed annually and amended as necessary.

Implementation of the Green Steps programme

During the year, the Bank worked on implementing the [Green Steps programme](#) in Government operations. The Central Bank completed the fourth step of the programme in 2022 and undertook a number of related measures. Facilities for environment-friendly commuting were improved, including the expansion of bicycle storage spaces and specially labelled parking spaces outside the Bank for electric vehicles. The Central Bank has received a gold certification from Hjólavottun for its furtherance of a positive cycle-friendly environment. It plans to continue improving its facilities for bicycles and other eco-friendly commuting methods in the new year. These measures are aligned with the Bank's aim of ensuring that at least 60% of its employees enter into a transportation agreement under which they pledge to travel to and from work by eco-friendly means. Waste sorting facilities have been improved, and bins

for organic waste can now be found in the cafeteria and all of the coffee break areas. In addition, a sorting initiative was launched in November. The Bank still aims to have its cafeteria certified under the Nordic Swan Ecolabel, but this has been delayed because of the ongoing construction work on the premises. The Nordic Swan Ecolabel certification process will begin concurrent with the preparation of a new area for the cafeteria. During the year, the Bank prepared guidelines for events held on its behalf and incorporated them into its quality system. They include provisions requiring that rented facilities must be eco-certified where possible and that attempts shall be made to offer vegetarian or vegan refreshments.

Work on completing the fifth step of the Green Steps programme will continue, with completion scheduled for end-2023. This work mainly entails setting up an environmental management system in order to measure and review the Bank's implementation of its environmental and climate policy.

Green accounting

The Central Bank of Iceland practises green accounting and keeps track of its purchases from the standpoint of sustainability targets. The Bank observes criteria for environment-friendly purchasing, both as part of its tender process and for procurement not subject to mandatory tender. During the year, the Bank began preparing for a regular supplier assessment that includes ESG criteria. The assessment will be implemented in 2023.

The Bank's 2022 emissions accounting is carried out in accordance with the Greenhouse Gas Protocol methodology. The accounting was based mainly on the ESG Reporting Guide issued by Nasdaq in 2019.

The Central Bank uses software from Klappir Green Solutions hf. to ensure traceability, transparency, and efficacy in data collection, data processing, and communication of information relating to sustainability within the institution. The software gives the Bank a real-time overview of a portion of its carbon footprint, waste volume, and sorting ratio. The Bank also conducts an annual travel habit survey among its employees and uses the results in the calculation of its carbon footprint, among other things.

Organizational boundaries

The Bank has chosen to use the operational control methodology to determine the scope of its accounting. The accounts therefore include the following organizations:

- Central Bank of Iceland
- Central Bank of Iceland Employee Association

For further information, see the Appendix: [Sustainability accounting, accompanying documents](#), under the section entitled Organisational boundaries. The same Appendix also contains [definitions of terms used in the sustainability accounts](#).

Operational boundaries

Scope 1 and scope 2 emissions are fully accounted for, while scope 3 emissions are partially included. For further information, see the Appendix: [Sustainability accounting, accompanying documents](#), under the section entitled Operational boundaries.

Additions since the last accounts

The Bank compiled data on its use of cold water (partial) for the first time in 2022.

Also compiled for the first time in 2022 were data on emissions due to the following:

Fugitive emissions (scope 1); electricity and hot water in Kalkofnsvegur 2 (leased property) and vacation properties (scope 2); waste generated in Kalkofnsvegur 2 (scope 3, category 5); electricity use at the data utility, procurement of paper (scope 3, category 1); and hotel accommodation for business travel (scope 3, category 6). Furthermore, emissions from the following sources were incorporated into the accounts and calculated retroactively to 2019, using the available data: fuel- and energy-related activities (scope 3, category 3); upstream transportation (scope 3, category 4); and handling of metal waste delivered to Málmaendurvinnslan (scope 3, category 5).

For the first time, the Bank entered scope 3 emissions from construction, although the data extend only to construction in the central lobby, which began at the end of November 2022. The data were available because the Bank filed an application for BREEAM certification of the project. The construction-related emissions include transport to and from the site (scope 3, category 1) and waste (scope 3, category 5).

Updates since the last accounts

Data on emissions from business travel (scope 3, category 6) were updated; i.e., emissions coefficients for travel by taxi were updated and taxi trips were added to the year 2021. Emissions from employee commuting to and from work were recalculated for 2019-2022. It should be noted, however, that the 2019 and 2020 transportation survey questions were less precise than

Table 1 Shows GHG emissions, by scope, from the reference year (2019) through 2022

Emissions in tonnes of carbon dioxide equivalent (tCO ₂ e)	2019	2020	2021	2022	Operational boundary 2022
Greenhouse gas emissions	339.8	215.0	197.8	286.6	
Scope 1					
Scope 1					
Total emissions	9.1	9.4	19.2	10.2	Fully included
Stationary fuel combustion	-	-	9.0	0.8	
Mobile fuel combustion	9.1	9.4	10.2	9.3	
Fugitive emissions	-	-	-	0.02	
Scope 2					
Scope 2					
Total emissions	53.2	56.4	44.6	48.8	Fully included
Electricity	16.3	15.3	10.6	10.1	
Heating	36.9	41.1	34	38.7	
Scope 3					
Scope 3					
Total emissions	277.5	149.2	134	227.6	
Purchased goods and services	-	-	-	12.03	Partially included
Fuel- and energy-related activities	18.6	20.7	17.7	19.5	Fully included
Upstream transportation and distribution	-	-	0.02	0.6	Partially included
Waste	10.7	26.4	8.3	34.1	Partially included
– from operations	7.4	10.2	4.4	4.0	
– from construction*	3.3	16.2	3.9	30.1	
Business travel	106.8	12.2	5.7	67.3	Partially included
Employee commuting	141.3	89.9	102.3	94.1	Partially included

A more detailed itemisation can be found in the Appendix: [Sustainability accounting, accompanying documents](#), under the section entitled Sustainability accounts.

* This includes all waste generated by the construction in the Bank's central lobby area, which began at the end of November 2022 but only a portion of other construction-generated waste.

those in later surveys, which are based more on estimates.

The Central Bank will continue to add categories to its carbon accounting, with the aim of, among other things, gaining a better overview of emissions from purchased goods and services and from upstream transport.

In comparing emissions between years, it is important to bear in mind the increase in Central

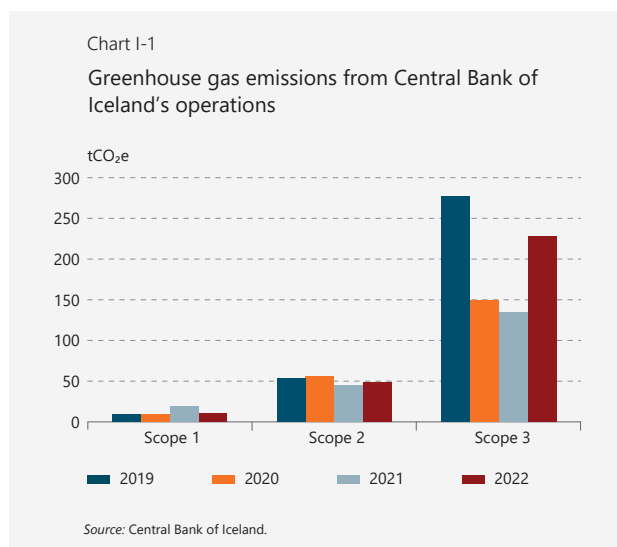
Bank staff due to the 1 January 2020 merger with the Financial Supervisory Authority. Another factor that must be considered is the year-on-year expansion of the scope of the organisation's carbon accounting.

Key factors

The Central Bank of Iceland's emissions in 2022 totalled 286.6 tCO₂e. Combined emissions from scope 1 and scope 2 totalled 59 tCO₂e (a detailed itemisation of emissions categories can be found in the Appendix: [Sustainability accounting, accompanying documents](#), under the section entitled Sustainability accounts)

Emissions per FTE increased by 44% between 2021 and 2022, to a total of 972.7 kgCO₂e per FTE. The increase is due primarily to the expansion of the scope of the Bank's carbon accounting and a jump in business travel after the COVID-19 pandemic. There was also a considerable increase in emissions due to waste, which stemmed mainly from the construction work on the Central Bank premises.

The Central Bank's single largest source of emissions in 2022 was employee commuting to and from the workplace, which totalled 94.1 tCO₂e. The second-largest source was business travel, at 67.3 tCO₂e, the vast majority of it due to air travel.



Analysis

Employee commuting

As has already been noted, the Central Bank's single largest source of emissions in 2022 was employee commuting to and from the workplace, which totalled 94.1 tCO₂e, including 91 tCO₂e due to travel by private car.

Overall, employees commuted over longer distances in 2022 than in 2021, and total commuting adjusted for the number of full-time position equivalents (FTE) increased 11% year-on-year. In spite of this, emissions declined by 10%, or 8.2 tCO₂e, over the same period. The main reason for the decline was that the proportion of travel via petrol- and diesel-powered cars declined between years, while the proportion of travel via electric, methane, and hybrid vehicles increased (Table 2). On the other hand, the share of travel by bus declined from 8% to 3% between years.

Table 2 Results of travel habit survey

Travel mode	Share of respondents		Share of distance	
	2021	2022	2021	2022
Bicycle	14	11	9	8
Bus	8	4	8	3
Electric scooter	2	1	0	0
On foot	8	12	3	3
Private car	69	72	80	85
– petrol-powered car	25	21	24	22
– diesel-powered car	24	20	32	24
– plug-in hybrid car*		9		11
– hybrid car*	14	8	17	8
– electric car	6	14	7	19
– methane-powered car	0	1	0	1

* No distinction was made between plug-in hybrids and other hybrids in the 2021 travel habit survey.

When comparing survey results, it should be borne in mind that questions on remote work were not a part of the survey until 2022. The responses were

used to calculate a remote work coefficient that was then adjusted for 2019-2021. The results may also be affected by the response ratio, which was 69% in 2021 and 66% in 2022.

At the end of 2022, a total of 89 transportation agreements between employees and the Bank were in effect (Chart I-2). Under these agreements, employees pledge to use eco-friendly transportation methods – including public transit and “active” methods such as walking or cycling – to commute to and from work.

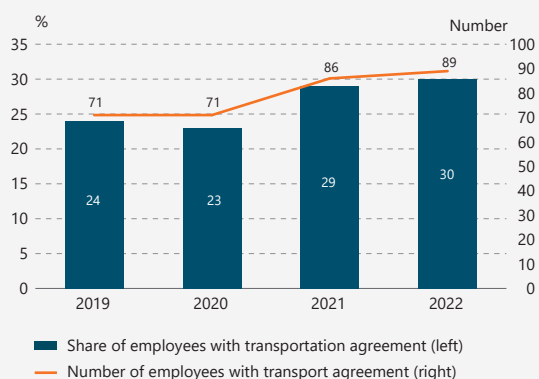
Business travel

Emissions due to air travel increased from 5.7 tCO₂e in 2021 to 52.5 tCO₂e in 2022, as business travel was suspended over the first eight months of 2021 and then surged after the COVID-19 pandemic. Emissions due to travel by taxi and rental car also increased between 2021 and 2022, from 0.2 tCO₂e to 8.6 tCO₂e.

Waste

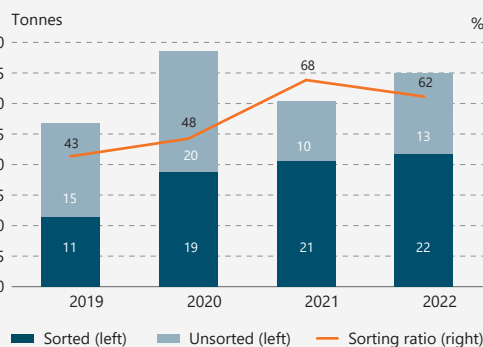
The total volume of waste generated by the Central Bank came to 95.7 tonnes in 2022, including 60.8 tonnes due to construction work (a full itemisation can be found in the Appendix: [Sustainability accounting, accompanying documents](#) under the section entitled Itemisation of waste). This represents an increase of 55.6 tonnes relative to 2021, which is due mainly to an expansion of the scope of waste accounting. In 2022, information on the volume of waste in the Bank's leased property at Kalkofnsvegur 2 was added to the waste accounts (0.4 tonnes in all), as was information on waste delivered by the construction company to waste collection facilities (51.0 tonnes). However, the summary of waste generated by construction activities only extends to waste from the construction work in the Bank's central lobby area, which began

Chart I-2
Transportation agreements in effect at each year-end



Source: Central Bank of Iceland.

Chart I-3
Waste (excluding construction-generated waste)



Source: Central Bank of Iceland.

in December 2022. As has previously been noted, the space will be BREEAM-certified.

The waste sorting ratio increased from 57% to 70% between 2021 and 2022: 62% for waste from operations (Chart I-3) and 75% for construction waste (further information can be found in the Appendix: [Sustainability accounting, accompanying documents](#) under the section entitled Itemisation of waste).

The sorting ratio for waste generated by operations declined by 6 percentage points between years, owing to clean-up in connection with construction activity. The Bank's first floor, annex, and outbuilding had to be emptied, generating 7.3 tonnes in mixed waste and coarse waste in 2022.

BREEAM certification of construction work

After the merger with the Financial Supervisory Authority, the Central Bank began renovating its premises, partly with an eye to accommodating the merged institution within a single location. Concurrent with the renovations, necessary maintenance work has been initiated with the aim of reducing the need for maintenance and improving energy efficiency. The design of the Bank's central lobby area began in 2021, and it was decided at that time to apply for BREEAM certification of the renovations. BREEAM stands for Building Research Establishment Environmental Assessment, an international system for certifying the sustainability of buildings. Its aims are to reduce buildings' life cycle impact on the environment and increase sustainability in the construction industry. The certification focuses mainly on environmental management, users' health and well-being, energy and water use, construction materials, waste, pollution, land use, ecology, and transport. An important aspect of the certification, and the one the Bank has emphasised in particular, is to ensure that the design considers environmental factors in the construction and operation of the building. The selection of materials takes into account life cycle analysis of the environmental impact of materials, and attempts are made to minimise waste while construction is ongoing. For example, gabbro tiles have been removed from floors and walls that must be renovated, so that the tiles can be reused elsewhere. BREEAM certification also focuses on assessing the impact the building has on the environment, employees, guests, and neighbours. Important factors include air quality, lighting, and risks indoors, and light and sound pollution outdoors. Furthermore, the building must benefit the environment in its surroundings; therefore, an ecologist was engaged to assess the ecosystems in

the building's immediate surroundings and make recommendations on how to reduce negative effects. For example, at the ecologist's recommendation, the Bank plans to plant more trees near the building in order to attract birds.

Social factors

Central Bank employees

Human resources are the key to effective, sustainable operations at the Central Bank. The Bank's work environment is based on flexibility and trust, and it supports employee well-being, job satisfaction, an improved balance between employees' work and private life, and equal rights. In September 2022, the Bank held a special workday aimed at strengthening the team spirit among staff members following the merger with the Financial Supervisory Authority and the protracted period of home-based work necessitated by the COVID-19 pandemic.

The work environment at the Central Bank is also intended to promote a reduction in greenhouse gas emissions from its operations. The Bank has adopted a transportation policy in order to encourage employees to use environment-friendly, economical, and healthy commuting methods.

In the area of education and training, emphasis has been placed on expanding staff members' professional expertise and personal skills. Furthermore, employees are invited regularly to attend lectures on topics aimed at fostering physical and emotional well-being. In 2022, employees were invited to attend a presentation from the Cancer Society on women and cancer, a presentation by a nutritionist on the power of nutrition, and digital seminars on stress and useful ways to address it. The Bank also participated in the Cycle to Work initiative and the National Olympic and Sports Association of Iceland's Motion for Life workplace competition. The Bank placed third in the Motion for Life competition in terms of the proportional number of days employees participated, and it placed second in terms of the proportional number of minutes they dedicated to the project.

The Central Bank's policy is to maintain a staff with broad and diverse expertise and experience and to maintain a work environment that incentivises employees' initiative and ambition to evolve and grow in their work and shoulder increased responsibility. To this end, the Bank has introduced thrice-yearly feedback interviews, with emphasis on education, retraining, job development, well-being and work environment, and

roles and teams. Furthermore, the Bank has defined job development within the institution to mean that employees expand their knowledge in their current position, shoulder increased responsibility in their current position, or take on other projects, either in the same department/unit or in another department. In addition, employees are always encouraged to apply for advertised jobs within the institution that interest them. For further information, see Box 1: **An ambitious work environment.**

At the start of 2021, the Bank began an extensive management training programme for governors, departmental directors, and unit heads. The programme continued in 2022. The purpose of the programme was to build managers' skills and enhance their ability to participate more actively in setting policy for the Bank as a whole. This includes implementing the Bank's values and vision, building up a strong and cohesive team, and strengthening cooperation across the organisation, with primary emphasis on leadership, teamwork, and change management. Follow-up on the management training programme has entailed coaching for managers, strength testing for employees, and teamwork training. In addition, emphasis will be placed on giving managers the opportunity to revisit their training so that they can retain their knowledge and strengthen the management team.

Equal rights at the Central Bank

The Central Bank attempts to support equal rights, equal treatment, and respect for staff members. The Bank adheres to an equal rights policy in accordance with the relevant statutory provisions. The policy states, among other things, that the Bank shall make it easier for employees to harmonise their obligations towards their work and their family, that employees shall be treated equally in terms of hiring and professional advancement, irrespective of gender, and that no harassment of any kind will be tolerated within the Bank.

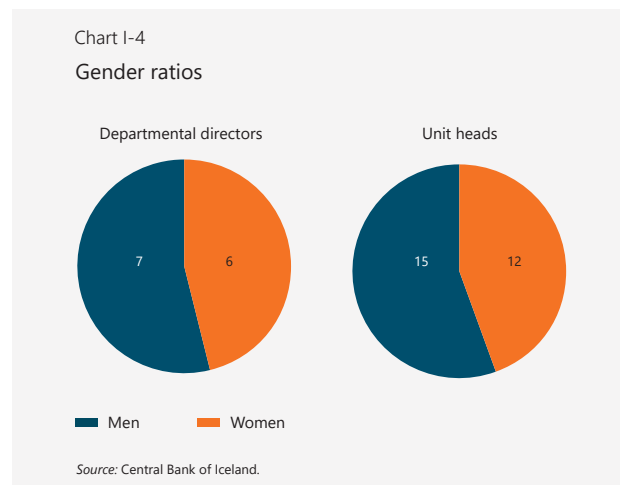
At the end of 2022, the Bank employed 296 members of staff: 139 female and 157 male (Table 3). It should be noted that the Bank's human resources system offers the option of gender-neutral employee listing.

The Bank operates an Equal Rights Committee, which maintains an overview of regulatory instruments on equal rights and equal treatment of employees. The Committee works on the regular renewal of the Bank's equal rights plan, monitors its implementation, and evaluates the validity of tips and comments on

Table 3 Number of employees, by department, at year-end 2022

Department	Women	Men
Banking	6	13
Governors	2	2
Finance	8	3
Financial Stability	7	19
Economics and Monetary Policy	8	14
Internal Audit	2	1
Compliance and Inspections	16	10
Pensions and Insurance	8	6
Human Resources	5	1
Markets and Business Conduct	6	11
Markets	14	19
Operations	22	11
General Secretariat	21	12
Information Technology and Statistics	14	35
Total	139	157

equal rights and equal treatment of staff members. According to the Central Bank's equal pay policy, all employees shall receive equal pay and enjoy equal terms of employment and rights for the same jobs or for jobs of equal value, so as to ensure that there is no gender-based pay gap within the Bank. The Bank's equal pay certification was renewed in the autumn. For the fourth year in a row, an equal pay analysis showed that there was no unexplained gender-based wage gap at the time.



During the spring, the Bank conducted a psychological risk assessment in cooperation with a provider of psychological services. A survey was sent to all employees, and it was revealed that most of them have a sense of well-being at work and experience a positive atmosphere in the workplace. Most respondents made positive overall comments about the workplace and their colleagues. The assessment also revealed that the COVID-19 pandemic and the merger of the two insti-

tutions had affected employees' well-being. Attitudes towards equal rights were generally positive, with 87% of staff members indicating that they were very satisfied with the state of equality matters within the Bank.

Governance

The Central Bank prioritises responsible governance practices. Continued work was done during the year to strengthen and formalise the Bank's governance framework. Unit heads received management training aimed at strengthening the management team and formulating the Bank's vision and values in the wake of the merger between the Bank and the Financial Supervisory Authority. The Governor, Deputy Governors, and departmental directors had received comparable training in 2021. In April, an employee workshop was held on the Bank's values – integrity, decisiveness, humility, and professionalism – which are to serve as guideposts in staff members' work and interactions. The Bank's values reflect its professional practices, form the foundation for confidence in the Bank, and foster the achievement of the Bank's objectives. The Bank's Code of Conduct was signed during the year. Its objectives are to promote integrity, professionalism, impartiality, and credibility among employees, thereby safeguarding the Bank's reputation and independence and enhancing confidence and faith in its operations.

During the year, the Governor and Deputy Governors discussed the challenges and risks associated with climate matters and other aspects of sustainability, and their impact on the Bank's management, operations, and sphere of responsibility, particularly as regards management of the international reserves. Each year, all departmental directors submit environment- and sustainability related objectives for their departments during the upcoming year.

Responsibilities for environmental and climate matters

The Bank's Environmental Committee is responsible for the environmental and climate policy, in consultation with the Governor. The Committee operates pursuant to a decision by the Governor. All employees are responsible for following the policy. The environmental and climate policy is reviewed by the Environmental Committee once a year with an eye to progress made in achieving targets, among other things. Following the review, recommendations are made if improvements are needed. The Environmental Committee is

responsible for the implementation of the Green Steps programme in Government operations.

The Central Bank has established an in-house consultation group focusing on issues relating to the Network for Greening the Financial System (NGFS), which is discussed further in the chapter entitled [Cooperation through the NGFS](#). The consultation group, whose members represent the Bank's relevant departments, shares information on central banks' and financial supervisors' role in climate issues and discusses matters prioritised by the NGFS.

The Deputy Governor for Financial Stability is tasked with leading comprehensive climate- and sustainability-related work within the Bank, as well as being in charge of the Environmental Committee and leading the NGFS consultation group. The Deputy Governor for Financial Stability is also responsible for sharing information and building knowledge on climate issues within the Bank, while the Deputy Governor for Financial Supervision is responsible for the accumulation of knowledge within the Bank on climate- and sustainability-related issues in connection with supervised entities' activities.

An ambitious work environment

When a topic is as broad as sustainability, it is not enough to focus solely on a single dimension of it, such as the environment. It is also important to consider other dimensions, such as social factors and the impact that companies and institutions have on society as a whole. The social aspect of sustainability is multi-faceted, as it includes factors that affect employees, the conditions of the labour force in the value chain, and the impact on society more broadly. Examples of social factors include work-life balance, equal pay for equal or equally valuable work, and various economic effects on society. The Central Bank is a large workplace with great potential to affect the people who work there, but in addition, its core activities affect everyone who lives and works in Iceland. As a result, social factors are an important element in the Bank's sustainability journey.

Human resources are the most important resource for any workplace, and the Central Bank is no exception. In order to attract and retain competent employees, it is important to create a work environment where staff members are content and requirements for good working conditions are satisfied. When it comes to the work environ-

ment and well-being in the workplace, the Bank considers not only tangible factors such as physical health and safety, but also social matters and various external factors that could affect employees. In assessing the quality of a work environment, consideration is given to matters such as flexible work hours, work-life balance, health and safety, gender equality, diversity, and measures to prevent bullying and harassment in the workplace.

It is the Central Bank's policy to observe equal rights perspectives at all times, with the aim of ensuring equal opportunity for all. Furthermore, the work environment shall support employees' physical and emotional well-being. Employees must support one another and are encouraged to consider their own health by practising a healthy lifestyle, as well as considering the well-being of their colleagues. The work environment shall be flexible and shall foster a healthy balance between employees' work and private life. Equal rights shall always be safeguarded, with the aim of ensuring that all employees have equal opportunities.

The Bank's climate-related obligations and cooperative work



Cooperation through the NGFS

Since the end of 2020, the Central Bank has been a member of the Network for Greening the Financial System (NGFS), an international forum for central banks and financial supervisors. The Bank has representatives in four NGFS work groups whose topics of focus are supervision, scenario analysis, monetary policy, and carbon neutrality. The Bank also has an in-house consultation group whose members include the NGFS workstream representatives and others. The advisory group meets every three weeks to share information and follow up on targets relating to NGFS cooperation. The Bank also participated in the NGFS annual plenary meeting. The Deputy Governor for Financial Stability sits on the NGFS Plenary on behalf of the Central Bank.

The Central Bank of Iceland's pledge

As part of its NGFS cooperation, the Central Bank of Iceland issued a pledge in connection with the 26th annual UN Climate Conference (COP26), held in Glasgow. The pledge enumerated the Bank's climate obligations, which can be distilled into the following three items:

- I. To reduce the carbon footprint from the Bank's operations in line with the Icelandic Government's climate targets.
- II. To map the climate risk facing the Bank, the financial system, and the Icelandic economy.
- III. To support a systematic transition due to climate change by actively exchanging opinions with stakeholders and by building up competency and knowledge in the field, both within the Bank and with outside stakeholders.

The full text of the pledge can be found in the Appendix, under the section entitled: [The Central Bank of Iceland's Individual Pledge to COP26](#).

I. The Bank's carbon footprint from operations

Measures taken by the Bank in its own operations are covered earlier in this report (see the chapter entitled [Green accounting](#)). The environmental and climate policy and the related action plan were published in 2021 and cover the period through 2030.

II. Mapping climate risk

Financial stability is threatened by climate change. Poor harvests, catch failures, damage to structures, and loss of human life as a result of climate change could have a colossal impact on the economy as a whole. Furthermore, financial stability could be jeopardised by economic and societal changes associated with the transition to a low-carbon future, including regulatory amendments, carbon taxes, and changes in people's behaviour.

The Central Bank has been working recently on an analysis of the impact of climate change on the financial system and financial stability. Such analyses yield information on where the chief risks to the domestic financial system lie, and how the financial market can finance mitigating measures and adaptation to climate change.

In 2022, the Bank worked on analysing the sensitivity of the domestic banks' corporate loan portfolio to climate risk. The results of the analysis were described in [Financial Stability 2023/1](#), published in March 2023. The main emphasis was on transition risk (i.e., the risk associated with measures taken to combat climate

change), and the analysis was based on three types of scenarios.

The Bank used data from the credit registry (data on all loans issued by the banks for amounts over 300 m.kr.), information from Eurostat on emissions in Iceland and the EU, and data from Statistics Iceland on gross value added (or total output) by sector. The analysis is in its initial stages and should be interpreted with caution; however, it can be concluded that transition risk is seemingly less pronounced in Iceland than elsewhere in Europe, although it varies greatly from one sector to another.

The analysis can be viewed as a preliminary examination in preparation for a more detailed scenario analysis to be carried out based on NGFS scenarios, as well as cooperation with Icelandic institutions that possess knowledge of climate issues – such as the Iceland Meteorological Office, the Institute for Sustainability Studies and the Institute of Economic Studies at the University of Iceland, and Natural Catastrophe Insurance of Iceland (NTÍ) – with the aim of adapting physical risk scenarios to actual Icelandic conditions. In 2022, the Bank began implementing the NiGEM model (National Institute Global Econometric Model), which is used in NGFS scenarios to forecast developments in economic variables. The implementation process is set for completion before year-end 2023, and then the NGFS scenarios will be more useful for the Icelandic financial system. The Central Bank will continue developing the scenario analysis in 2023 (for further information, see Box 2: [Scenario analyses relating to climate risk](#)).

During the year, the Bank published its [Supervisory Strategy report for 2022-2024](#), which outlines its priorities for financial market supervision during the period in question. The Strategy is intended as a guidepost for improvements and prioritisation. It contains a discussion of sustainable finance, which emphasises, among other things, that supervised entities shall assess their climate risk and that this assessment shall be reflected in their stress tests. The report also states that, in coming years, supervisory bodies shall formulate policy and procedures on how supervision will be structured to accord with increasing sustainability requirements. Developments in this area can be expected as more stringent requirements are made of supervised entities (for further information, see Box 3: [the Act on Sustainability-Related Disclosures in the Financial Services Sector and a Taxonomy for Sustainable Investments, no. 25/2023](#)).

In the supervisory review and evaluation process (SREP) conducted on the banks in 2022, sustainability

risk was given informal attention under individual risk factors, but in 2023 it will be assessed as a special risk factor and subjected to methodology comparable to that used for other risks. Initially, the examination will be limited to climate risk, with an assessment of both inherent risk and risk management. The evaluation of risk management will be based on the Basel Committee on Banking Supervision's (BCBS) guidelines for management of climate risk, and a risk assessment will be conducted based on meetings with the banks and data submitted by them. Sustainability risk will also be examined in the assessment of the banks' business models in the SREP, with emphasis on an assessment of climate risk.

In organising the 2024 SREP, the Central Bank will give even closer attention to international developments and requirements in this area. Particular consideration will be given to BCBS criteria for management and monitoring of climate risk and to European Banking Authority (EBA) material on sustainability risk.

In the supervisory review process for pension funds and insurance companies (SRP/PSRP), an assessment is made of short- and long-term risks relating to insurance and pension operations. This includes an assessment of physical risk and transition risk. The implementation of an assessment of these risks is still in the early stages. The aim is to include them in the assessment of key risks, as they are considered interconnected with other risk factors, particularly insurance risk, market risk, and operational risk. During the supervisory process, consideration is given to insurance companies' Own Risk and Solvency Assessment (ORSA) and pension funds' Own Risk Assessment (ORA), as well as the 2022 guidelines from the European Insurance and Occupational Pensions Authority (EIOPA) on the treatment of climate risk in the ORSA.

In 2022, the Central Bank sent a circular on treatment of climate risk to all insurance companies. According to Article 45 of the Act on Insurance Activities, no. 100/2016, insurance companies' risk management must include internal assessments of risk and solvency. Risks due to climate change can have an adverse impact on insurance companies' current business models, long-term risk profiles, and solvency margins. All else being equal, increased frequency of extreme weather events and other natural disasters will affect insurance protection, the determination of premiums, the scope of insurance policies, and reinsurance. Insurance companies face long-term challenges associated with the potential impact of climate change.

The Central Bank's circular stated that the Bank expected insurance companies to assess their physical

risk due to climate change by using a scenario analysis as part of their risk management, and to analyse potential short- and long-term risks associated with climate change. Insurance companies can expect the Bank to pay greater attention to these aspects of risk management in coming years.

III. Transition relating to climate change

The Central Bank of Iceland makes an effort to cooperate with other institutions and stakeholders in examining the nature and impact of climate change and its implications for Icelandic society. During the year, the Bank continued its dialogue with domestic stakeholders, such as the Iceland Meteorological Office, on climate issues and climate risk, in order to strengthen Bank employees' knowledge of climate-related affairs and create a forum for cooperation. The Bank will continue this work and engage in further cooperation with more knowledge institutions. The Bank emphasises sharing the climate-related knowledge it acquires, both through the experience and expertise created within the Bank and through international cooperation, with financial firms and other authorities so as to enable them to scale up their climate work more effectively.

The Bank also places emphasis on continuing to share its knowledge with the public. In 2022, two articles on climate- and sustainability-related issues, both of them by Guðmundur Örn Jónsson, were published in *Kalkofninn*, Bank employees' online publication. Their titles are [Assessment of climate risk – methodology for financial institutions](#) and [Climate risk management for financial institutions](#).

In March 2022, a [symposium](#) was held with the Icelandic Pension Funds Association on pension funds' sustainability journey and the EEA regulatory framework. Leading Icelandic specialists in sustainability gave lectures at the symposium, as did a representative from Denmark's largest pension fund, ATP, and two workshops were held afterwards. The first of them, on pension funds' legal and professional obligations vis-à-vis sustainability, was led by Tómas N. Möller and Helga Melkorka Óttarsdóttir, and the latter, on incorporating ESG perspectives into investment processes and ownership policies, was led by Ólafur Sigurdsson and Dr. Snjólaug Ólafsdóttir. After the workshops, panel discussions were held and the results of the workshops summarised.

The Central Bank is working actively towards incorporating sustainability and the effects of climate change into its core operations; for example, with increased education and dialogue. During the spring,

the Bank held a series of monthly meetings on climate issues for staff members and invited external lecturers to give talks on various climate-related matters. Among the guest speakers were Prime Minister Katrín Jakobsdóttir; Environment, Energy, and Climate Minister Guðlaugur Thór Thórdarson; and Sabine Mauderer, member of the Executive Board of Deutsche Bundesbank and Vice-Chair of the NGFS. Topics discussed included the Government's climate-related objectives and actions and the Central Bank's role in this context; sustainable businesses and responsible investment; and the connections between climate risk, inflation, and the energy crisis in Europe.

There were also discussions centring on how to take sustainability targets into account in managing the international reserves. This work will continue in 2023.

One of the Central Bank's financial supervision tasks is to assess the qualifications of supervised entities' managing directors and board members. It is important to ensure that managers are well acquainted with the topic, as all new and forthcoming European regulatory instruments pertaining to company operations place increased emphasis on climate and sustainability. As a result, assessments of individuals' fitness and suitability for their appointed positions have begun to include questions on their knowledge of climate issues and sustainability.

In 2021, the Bank initiated regular consultation among the Nordic-Baltic central banks concerning their work on climate issues and climate change in a broad sense. Representatives from the Nordic central banks met twice in 2022 to discuss their priorities in connection with the work of the NGFS. The banks also compared notes on their sustainability- and climate-related tasks and discussed the next steps to take. Consultation among the Nordic and Baltic central banks was less active in 2022, but the aim is to increase it in 2023.

The Nordic-Baltic Constituency at the International Monetary Fund (IMF) issues a declaration in connection with the Fund's spring meetings and annual meetings, in which it outlines the countries' priorities in the Fund's areas of focus. The Constituency emphasises strongly that the IMF has a role to play in climate issues. In its [statement](#) for the 2022 annual meeting, the Constituency urged increased ambition in targets for a reduction in greenhouse gas emissions by 2050 and proposed that ways be sought to reach a consensus on global carbon prices in this context. The Constituency also highlighted the importance of expediting invest-

ment and innovation in green energy, infrastructure, and technology, and declared its support for the IMF's analytical work aimed at identifying a successful policy and international solutions to climate-related issues.

Scenario analyses relating to climate risk

One of the NGFS' objectives is to promote and facilitate member organisations' execution of scenario analyses by publishing a set of broad reference scenarios. In the wake of this publication, central banks around the world have published their own scenario analyses, which vary in their depth and scope.¹

The Central Bank of Iceland plans to use the NGFS reference scenarios and the experience of other central banks to conduct its own scenario analysis. In Financial Stability 2023/1, the Bank published a Box on the impact of climate risk on Icelandic commercial banks' corporate loan portfolios. That analysis can be viewed as a preliminary step towards the next scenario analysis, which is to be based on scenarios that could be deemed to reflect the Icelandic market more accurately.

Below is a discussion of what such a climate risk scenario analysis entails and what the Bank's next steps will be. It should be noted, however, that the scope and publication date of the Bank's first formal scenario analysis will not be clarified until 2023.

The scenario analysis process

According to the NGFS, the scenario analysis process can be divided into four steps.²

Step 1 is the identification of objectives, exposures, and stakeholders

The objectives can be divided into four categories:

A. Assessment of companies' exposures

This entails further analysing the impact of the risk on each firm individually, generating information that could be used in prudential supervision. This is best achieved by asking supervised entities to conduct self-assessments of the impact of climate scenarios on their balance sheet, profit potential, equity, and business model. This is often referred to as a bottom-up stress test.

B. Assessment of systemic risk

In the aforementioned Box published in Financial Stability 2023/1, emphasis was on the banking system as a whole. It

is possible to use the Bank's current data and models in a similar manner to conduct a more detailed analysis (a top-down stress test), but it may also prove necessary to collect additional information from supervised entities.

C. Assessment of economic impact

The NGFS scenarios contain an assessment of economic impact, based on the NiGEM model. The Central Bank is currently implementing this model, which will enable the Bank to use the NGFS scenarios.

D. Assessment of impact on the Central Bank's balance sheet

When the objectives have been defined, a decision must be made on which exposures the scenario analysis should include. This can also affect who the key stakeholders are; for instance, supervised entities, the legislature, other State institutions, or the university community.

Step 2 is scenario design

In designing scenarios, it is necessary to define the premises for the exercise. These may include the timing of events, the extent of government intervention, and, if applicable, the scope of global intervention. Then it is necessary to select the variables that may be affected by climate change and mitigating action. The selection of variables is determined in part by the objectives and exposures selected in Step 1. The number of scenarios depends on exposures and premises. For instance, it matters whether the scenario analysis covers transition risk or physical risk, or both.

Finally, it is important to identify the time horizon of the scenario analysis. If it is assumed that climate action will be taken immediately, it can be expected that the impact of transition risk will materialise in a short period of time. If it is assumed that necessary action will not be taken until after 5-10 years, the scenarios must cover at least that length of time in order to capture the impact. It may also be necessary to assume that it could take a few decades for the impact of physical risk to surface.

Step 3 is the assessment of economic and financial impact

This necessitates an assessment of which methods, models, and data are available for the purpose. The ways in which transition risk and physical risk affect the economy and

1. The Sustainable Finance Policy Tracker is an interactive map showing several countries that have conducted scenario analyses. NGFS has published two reports on climate scenario analysis: *Scenarios in Action* and *Climate Scenario Analysis by Jurisdiction*.

2. NGFS Guide to climate scenario analysis for central banks and supervisors. June 2020.

financial institutions must be defined. This step has already been taken in the NGFS scenarios, which rely on three different climate models. One of the decisions that must be made in this step is to determine which of the models is most appropriate in view of the objectives and design of the scenarios.

Step 4 entails communicating and using the results of the scenario analysis

This is one of the most important steps, as it involves bolstering knowledge and awareness of the risks in question. It would be possible to follow up on the results in the financial supervision process, using the results to help governmental authorities set policy on the role of the financial market in the fight against climate change.

Potential next steps for the Central Bank of Iceland

Iceland’s three large commercial banks have been designated as systemically important, and credit risk is their most important exposure. As a result, the Central Bank will begin by prioritising them. For the future, it is also important to analyse the impact of climate risk on other exposures, and how it could either spread to or have a direct effect on other types of financial market operators. For example, this could include pension funds’ market risk, as the pension fund system as a whole is macroeconomically important because of its size.

The Central Bank plans to conduct further analysis of the banks’ loan portfolios and examine ways to analyse more thoroughly the carbon footprint of the largest companies to which they lend money. Such information could also be used to analyse the carbon footprint of the largest companies in which the pension funds invest.







The Act on Sustainability-Related Disclosures in the Financial Services Sector and a Taxonomy for Sustainable Investments, no. 25/2023

With the entry into force of **Act no. 25/2023** on 1 June 2023, two European regulations took legal effect in Iceland: Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) and Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the Taxonomy Regulation). The Central Bank monitors supervised entities’ compliance with the newly passed Act.¹

The SFDR Regulation

The SFDR applies to financial market entities and financial advisors. Financial market entities include but are not limited

to securities firms, fund management firms, and alternative investment managers. The Regulation lays down provisions on how sustainability is incorporated into the investment decision process (also in the advisory process for investment or insurance advice) and how sustainability-related risk is interwoven into the company’s employment terms policy and principal adverse impact statement. Information disclosures on financial products are divided into three categories in the SFDR, depending on whether they focus on sustainability-related risk (Article 6), whether they promote of environmental or social factors (Article 8), or whether they have sustainable investment as their objective

 Climate change mitigation	 Healthy ecosystems	 Pollution prevention
 Circular economy	 Climate change adaptation	 Sustainable use of water and marine resources

A simplified presentation of the environmental objectives of the Taxonomy Regulation

1. The Register of Annual Accounts is responsible for monitoring whether specific entities have published information pursuant to Article 8 of the Taxonomy Regulation.

(Article 9). The various types of disclosures accompanying each financial product under the above-described classification are intended to help investors to select from among financial products based on their sustainability. Information disclosures are therefore accessible to investors, both before trading takes place and afterwards – for instance, through annual reporting.

The Taxonomy Regulation

The Taxonomy Regulation defines operations that are considered environmentally sustainable. It entails an incentive to direct financing towards environmentally sustainable commercial activities and counteract greenwashing, which is defined as falsely marketing specific business activities or products as sustainable. The Regulation sets criteria for the extent to which given commercial activities

can be considered environmentally sustainable, which is measured as a ratio of turnover, capital expenditure, or operating expenses. In order for commercial activities to be considered environmentally sustainable as set forth in the Regulation, they must significantly promote at least one of six environmental objectives without having a detrimental effect on the other five. Furthermore, the activities must provide for minimum social safeguards such as the protection of human rights. The environmental objectives according to the Regulation are as follows: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy; pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Social objectives required for classification as socially sustainable activities are currently in preparation.

Appendices

The Central Bank's environmental and climate policy

From 2021 onwards, the Bank's operations shall be carbon-neutral, and the Bank will support domestic carbon sequestration projects commensurate with its year-2020 emissions. The Bank's policy extends to all of its operations, including the buildings it uses and construction carried out on its behalf.

Key priorities

Concurrent with carbon neutrality from 2021 onwards, the Central Bank will reduce its greenhouse gas emissions by 40% from 2019 through 2030, with emphasis on the following:

- Employees' business travel by air
- Operation of Central Bank vehicles and use of taxis
- Employee commuting to and from work
- Use of other fossil fuels
- Use of heat and electricity
- Waste sorting
- Procurement
- Active education and provision of information to employees on environmental and climate issues

Vision for 2030

The Central Bank has reduced its greenhouse gas emissions by 40% relative to 2019. Bank employees

are aware of the importance of environmental and climate issues and participate actively in implementing the Bank's climate policy. The Bank is actively involved in international collaboration on the topic and shares information with the general public and other stakeholders concerning the state of the climate, the risks associated with climate change, and how to respond to them. The Bank has been carbon-neutral for ten years and has offset its carbon emissions with certified units since 2021.

Follow-up

The Environmental Committee is responsible for the Bank's environmental and climate policy, in consultation with the Governor. All Central Bank employees are responsible for implementing the climate policy so that the Bank can contribute to reducing greenhouse gas emissions. Green accounts shall be submitted to the Environment Agency of Iceland by 1 April each year. The policy will be reviewed by the Environmental Committee once a year, progress made in actions and targets will be evaluated, and recommendations for improvements will be made based on year-on-year developments in greenhouse gas emissions.

The Central Bank of Iceland's Individual Pledge to COP26

As a member of the Network for Greening the Financial System (NGFS), the Central Bank of Iceland is pleased to announce its support of the network's declaration to the 26th annual UN Climate Conference (COP26).

The Central Bank of Iceland commits to uniting around the goal of a more sustainable planet. Climate change is the biggest challenge of our time, posing an existential threat to human welfare and prosperity. Climate risks, including the risks inherent in a transition to a carbon-neutral economy, present substantial challenges for the management of the economy and the financial system. No responsible actor can stand idly by.

While it is governments that are primarily responsible both for implementing policy and committing

resources to the mitigation of climate risks and for facilitating an orderly transition to carbon neutrality, there are areas where central banks can and must contribute. It is of the utmost importance that central banks respect their mandate and act responsibly in the face of a threat of this enormity.

Understanding the potential risks and impact of climate change on the macro-economy and on the resilience of the financial system falls within central banks' purview and responsibilities. This underscores the importance of identifying, monitoring, and assessing climate risks for the financial system. Likewise, it is important that any central bank demonstrate leadership in moving its own operations and activities towards carbon neutrality.

The Central Bank of Iceland commits to the following:

- The Bank commits to achieving carbon neutrality in its own operations, starting a determined process in that direction in 2021. The Bank has also set a goal of a 40 percent carbon footprint reduction by 2030, so as to support the Icelandic Government in meeting its international climate commitments. An action plan to achieve this goal will be published as part of the Bank's next *Annual Report*, and the progress made in meeting the commitments will be communicated publicly each year.
- The Bank will introduce supervisory guidance for its supervised entities, with the aim of effectively identifying, measuring, and monitoring the climate risks to which they are exposed. The Bank will work with financial institutions to better understand climate risks to the financial system and the wider economy, both physical risks and those related to a transition to a net-zero economy.
- The Bank commits to including climate risk in the stress testing of the financial system and financial

market participants, based on NGFS scenarios. The Bank will use the results to identify weaknesses in financial market participants' balance sheets and raise awareness among them and other stakeholders about the potential impact of climate risk on financial stability.

- The Bank will develop minimum standards for the incorporation of climate risks into its reserve management policies and practices.
- The Bank commits to sharing with financial firms and other authorities the climate-related knowledge it acquires through experience, expertise, and international collaboration so as to enable them to scale up their climate work more effectively.
- The Bank will make use of NGFS training material to provide its employees with the necessary skills and knowledge of climate-related risks, with a view to efficient implementation of appropriate and relevant NGFS recommendations.

Sustainability accounting, accompanying documents

Organizational Boundaries

The Central Bank has chosen to use operational control methodology to define the organisational scope of its emissions accounting. Under the operational control approach, institutions should account for 100 percent of greenhouse gas emissions from operations under their control. They should not account for greenhouse

gas emissions from operations beyond their control, even if they have a financial interest in their operations. The following entities are covered in the statement:

- Central Bank of Iceland
- Central Bank of Iceland Employee Association

Operational Boundaries

Scope 1

Stationary fuel combustion	Fully included
Mobile fuel consumption	Fully included
Fugitive emissions	Fully included
Emissions from industrial processes	Not applicable

Scope 2

Electricity	Fully included
Heating	Fully included
Indoor cooling	Not applicable
Steam	Not applicable

Scope 3

Category 1

Purchased goods and services	Partially included
Purchases of paper and cardboard	
Electricity use in data centres	
Contractor transport to and from the site (construction in central lobby area)	

Category 2

Capital goods	Uncounted
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Category 3

Fuel- and energy-related activities	Fully included
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Category 4

Upstream transport and distribution	Partially included
Transport van operation (in part)	

Category 5

Waste generated in operations	Partially included
Waste from all buildings except vacation property	
Waste generated due to construction in central lobby area	

Category 6

Business travel	Partially included
Air travel	
Car travel	
Hotel bed-nights	

Category 7

Employee commuting	Partially included
Public transportation	
Private car	
Electric scooter	
On foot	
Bicycle	

Category 8

Upstream leased assets	Uncounted ¹
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Category 9

Downstream transport and distribution	Uncounted
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Category 10

Processing of sold products	Not applicable
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Category 11

Use of sold products	Uncounted
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Category 12

End-of-life treatment of sold products	Uncounted ²
Unfit banknotes returned to the Central Bank	

Category 13

Downstream leased assets	Not applicable
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Category 14

Franchises	Not applicable
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Category 15

Investments	Uncounted
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For further information, see the column labelled Operational targets 2022 under *Sustainability accounting* on the next page.

1. Accounted for in scope 2. 2. Accounted for in scope 3, category 5.

Itemisation of waste

Table 1 Waste (excluding waste from construction), kg

	2019	2020	2021	2022	Waste treatment 2022
Total waste volume	26,720	38,571	30,311	34,884	
Unsorted	15,315	19,874	9,795	13,163	
Mixed waste	15,315	19,794	7,765	10,853	Incinerated/Landfilled
Coarse waste		80	2,030	2,310	Landfilled
Sorted	11,405	18,697	20,516	21,721	
Organic waste for composting	931	4,626	4,884	7,030	Recycled
Paper and cardboard	9,179	12,884	10,842	10,843	Recycled
Plastic	1,270	1,157	1,657	1,530	Recycled
Electrical equipment			2,697	1,269	Recycled
Metals ¹			200	331	Recycled
Glass and porcelain			40	460	Landfilled
Other	25	30	196	258	Recycled/Incinerated/Landfilled

1. Data on metal delivered by the contractor for recycling were not available.

Table 2 Waste generated by construction, kg

	2019	2020	2021	2022	Waste treatment 2022
Total waste volume	6,390	25,610	9,836	60,830	
Unsorted	5,190	12,330	7,380	15,440	
Mixed waste				5,190	Landfilled
Coarse waste	5,190	12,330	7,380	10,250	Landfilled
Sorted	1,200	13,280	2,456	45,390	
Painted timber	1,110	12,710	550	27,320	Landfilled
Plaster and plasterboard				560	Landfilled
Minerals				2,500	Landfilled
Unpainted timber	90	570		250	Reused
Metals and scrap iron			1,906	14,760	Recycled

This includes all waste generated by the construction in the Bank's central lobby, which began at the end of November 2022 but only a portion of other construction-generated waste.

Sustainability accounting

Operational factors

Operational variables	Units	2019	2020	2021	2022
Full-time position equivalents (FTEs)	FTE	-	-	291.90	294.60

Emissions intensity, greenhouse gases (GHG)

Emissions intensity, energy	kgCO ₂ e/MWh	57.87	35.01	40.14	53.13
Emissions intensity, employees	kgCO ₂ e/FTE	-	-	677.73	972.74

Nasdaq: E2|UNGC: P7, P8|GRI: 305-4 |SDG: 13|SASB: General Issue / GHG Emissions, Energy Management

Energy intensity

Energy intensity, employees	kWh/FTE	-	-	16,883.61	18,309.22
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Nasdaq: E4|UNGC: P7, P8|GRI: 302-3|SDG: 12|SASB: General Issue / Energy Management

Waste intensity

Waste intensity, employees	kg/FTE	-	-	137.54	324.89
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Emissions accounting

Greenhouse gases

Scope 1	tCO ₂ e	9.10	9.37	19.23	10.19
Scope 2 (location-based)	tCO ₂ e	53.23	56.40	44.61	48.80
Scope 2 (market-based)	tCO ₂ e	-	-	-	-
Scopes 1 and 2	tCO ₂ e	62.33	65.77	63.83	58.99
Scope 3	tCO ₂ e	277.48	149.19	133.99	227.58
Greenhouse gas emissions (Scopes 1, 2, and 3)	tCO ₂ e	339.81	214.96	197.83	286.57

Nasdaq: E1|UNGC: P7|GRI: 305-1,305-2,305-3|SASB: General Issue / GHG Emissions|TCFD: Metrics & Targets.

Mitigating measures	Units	2019	2020	2021	2022	Operational boundary 2022
Total mitigating measures	tCO ₂ e	-	-	-	-	

Scope 1 – Composition of emissions

Total emissions	tCO ₂ e	9.10	9.37	19.23	10.19	
Petrol use on site	tCO ₂ e	-	-	8.99	0.85	Fully included
Petrol use, motor vehicles	tCO ₂ e	9.10	9.37	10.24	9.33	Fully included
Fugitive emissions	tCO ₂ e	-	-	-	0.02	Fully included
Emissions from industrial processes	tCO ₂ e	-	-	-	-	Not applicable

Scope 2 – Composition of emissions

Total emissions	tCO ₂ e	53.23	56.40	44.61	48.80	
Electricity	tCO ₂ e	16.30	15.28	10.64	10.13	Fully included
Indoor heating	tCO ₂ e	36.93	41.12	33.97	38.68	Fully included
Indoor cooling	tCO ₂ e	-	-	-	-	Not applicable
Steam	tCO ₂ e	-	-	-	-	Not applicable

Scope 3 – Upstream emissions

Category 1: Purchased goods and services

Total emissions	tCO ₂ e	-	-	-	12.03	
Purchased goods and services for resale or further processing	tCO ₂ e	-	-	-	-	Uncounted
Purchased goods and services for own use	tCO ₂ e	-	-	-	12.03	Partially included
Electricity use in data centres	tCO ₂ e	-	-	-	10.80	
Purchases of paper and cardboard	tCO ₂ e	-	-	-	1.20	
Contractor transport to and from the site	tCO ₂ e	-	-	-	0.05	

Category 2: Capital goods

Total emissions	tCO ₂ e	-	-	-	-	
Buildings ¹	tCO ₂ e	-	-	-	-	Uncounted
Motor vehicles	tCO ₂ e	-	-	-	-	Not applicable
Equipment	tCO ₂ e	-	-	-	-	Not applicable

1. Accounted for in scope 3, category 1 and scope 3, category 5 due to construction. 2. Data on waste for vacation property and detached housing and a portion of construction-generated waste.

Sustainability accounting (cont'd)

	Units	2019	2020	2021	2022	Operational boundary 2022
Category 3: Fuel- and energy-related activities						
Total emissions	tCO ₂ e	18.63	20.68	17.72	19.50	
Upstream emissions due to petrol use	tCO ₂ e	2.30	2.50	2.71	2.43	Fully included
Upstream emissions due to electricity use	tCO ₂ e	0.06	0.05	0.04	0.04	Fully included
Transmission and distribution losses, electricity and indoor heating	tCO ₂ e	16.27	18.12	14.97	17.04	Fully included
Generation of electricity sold to end users	tCO ₂ e	-	-	-	-	Not applicable
Category 4: Upstream transport and distribution						
Total emissions	tCO ₂ e	-	-	0.02	0.56	
Air transport	tCO ₂ e	-	-	-	-	Uncounted
Marine transport	tCO ₂ e	-	-	-	-	Uncounted
Road transport	tCO ₂ e	-	-	0.02	0.56	Partially included
Rail transport	tCO ₂ e	-	-	-	-	Not applicable
Storage of purchased products	tCO ₂ e	-	-	-	-	Uncounted
Category 5: Waste generated in operations						
Total emissions	tCO ₂ e	10.68	26.41	8.28	34.07	
Transport, disposal, and treatment of waste	tCO ₂ e	10.68	26.41	8.28	34.07	Partially included
Wastewater treatment	tCO ₂ e	-	-	-	-	Uncounted
Category 6: Business travel						
Total emissions	tCO ₂ e	106.83	12.17	5.72	67.26	
Air travel	tCO ₂ e	105.29	11.72	5.54	52.47	Fully included
Rail travel	tCO ₂ e	-	-	-	-	Uncounted
Bus travel	tCO ₂ e	-	-	-	-	Uncounted
Motor vehicle travel	tCO ₂ e	1.54	0.44	0.18	8.64	Uncounted
Marine travel	tCO ₂ e	-	-	-	-	Uncounted
Hotel bed-nights	tCO ₂ e	-	-	-	6.16	Fully included
Category 7: Employee commuting						
Total emissions	tCO ₂ e	141.34	89.93	102.26	94.15	
Air travel	tCO ₂ e	-	-	-	-	Not applicable
Rail travel	tCO ₂ e	-	-	-	-	Not applicable
Public transportation	tCO ₂ e	7.06	4.63	6.62	3.12	Fully included
Private car	tCO ₂ e	134.28	85.30	95.64	91.03	Fully included
Marine travel	tCO ₂ e	-	-	-	-	Not applicable
Remote work	tCO ₂ e	-	-	-	-	Uncounted
Category 8: Upstream leased assets						
Total emissions	tCO ₂ e	-	-	-	-	
Mobile fuel combustion	tCO ₂ e	-	-	-	-	Not applicable
Stationary fuel combustion	tCO ₂ e	-	-	-	-	Not applicable
Electricity use	tCO ₂ e	-	-	-	-	Uncounted
Heating ³	tCO ₂ e	-	-	-	-	Uncounted
Fugitive emissions ⁴	tCO ₂ e	-	-	-	-	Not applicable
Scope 3 – Downstream emissions						
Category 9: Downstream transport and distribution						
Total emissions	tCO ₂ e	-	-	-	-	
Air transport	tCO ₂ e	-	-	-	-	Not applicable
Ground transport	tCO ₂ e	-	-	-	-	Uncounted
Marine transport	tCO ₂ e	-	-	-	-	Not applicable
Storage of sold products in warehouses and distribution centres	tCO ₂ e	-	-	-	-	Not applicable
Storage of sold products in retail facilities	tCO ₂ e	-	-	-	-	Not applicable
Category 10: Processing of sold products						
Total emissions	tCO ₂ e	-	-	-	-	Not applicable
Category 11: Use of sold products						
Total emissions	tCO ₂ e	-	-	-	-	Uncounted
Direct use-phase emissions	tCO ₂ e	-	-	-	-	
Indirect use-phase emissions	tCO ₂ e	-	-	-	-	

3. Accounted for in scope 2. 4. Accounted for in scope 2.

Sustainability accounting (cont'd)

	Units	2019	2020	2021	2022	Operational boundary 2022
Category 12: End-of-life treatment of sold products						
Total emissions ⁵	tCO2e	-	-	-	-	Partially included
Category 13: Downstream leased assets						
Total emissions ⁵	tCO2e	-	-	-	-	Not applicable
Mobile fuel combustion	tCO2e	-	-	-	-	
Stationary fuel combustion	tCO2e	-	-	-	-	
Electricity	tCO2e	-	-	-	-	
Heating	tCO2e	-	-	-	-	
Fugitive emissions	tCO2e	-	-	-	-	
Category 14: Franchises						
Total emissions	tCO2e	-	-	-	-	Not applicable
Category 15: Investments						
Total emissions	tCO2e	-	-	-	-	Uncounted
Listed equities and bonds	tCO2e	-	-	-	-	
Corporate loans and unlisted equities	tCO2e	-	-	-	-	
Project financing	tCO2e	-	-	-	-	
Commercial real estate	tCO2e	-	-	-	-	
Mortgages	tCO2e	-	-	-	-	
Motor vehicle loans	tCO2e	-	-	-	-	

Energy use

Total energy use	kWh	5,871,558.9	6,139,809.8	4,928,325.6	5,393,895.7
Fossil fuels	kWh	36,156.9	38,789.1	77,462.3	41,366.1
Biofuel	kWh	-	-	-	-
Electricity	kWh	1,663,576.9	1,454,778.2	1,013,347.3	983,064.8
Heating	kWh	4,171,825.2	4,646,242.5	3,837,516.1	4,369,464.8
Cooling	kWh	-	-	-	-
Steam	kWh	-	-	-	-
Direct energy consumption	kWh	36,156.9	38,789.1	77,462.3	41,366.1
Indirect energy consumption	kWh	5,835,402.1	6,101,020.8	4,850,863.4	5,352,529.6

Nasdaq: E3|UNGC: P7, P8|GRI: 302-1, 302-2|SDG: 12|SASB: General Issue / Energy Management.

Energy composition

Total energy use	kWh	5,871,558.9	6,139,809.8	4,928,325.6	5,393,895.7
Fossil fuels	%	0.6	0.6	1.6	0.8
Renewable energy	%	99.4	99.4	98.4	99.2

Nasdaq: E5|GRI: 302-1|SDG: 7|SASB: General Issue / Energy Management.

Fuel use

Total fuel use	kg	3,004.5	3,211.5	6,462.5	3,438.5
Petrol	kg	1,447.4	1,988.4	2,148.8	1,614.1
Diesel	kg	1,557.1	1,223.1	4,313.7	1,824.4

Fugitive emissions

Total fugitive emissions	kg	-	-	-	-
Carbon dioxide (CO ₂)	kg	-	-	-	19.0
Methane (CH ₄)	kg	-	-	-	-
Nitrous oxide (N ₂ O)	kg	-	-	-	-
Sulphur hexafluoride (SF ₆)	kg	-	-	-	-
Nitrogen trifluoride (NF ₃)	kg	-	-	-	-
F-gases	kg	-	-	-	0.4

5. Accounted for in scope 3, category 5.

Sustainability accounting (cont'd)

Environmental factors

Water use	Units	2019	2020	2021	2022
Total water consumption	m ³	75,349.4	83,917.3	69,449.7	78,917.2
Cold water	m ³	3,421.4	3,809.7	3,285.6	3,581.6
Hot water	m ³	71,928.0	80,107.6	66,164.1	75,335.6
Reused water (if applicable)	m ³	-	-	-	-
Reclaimed water (if applicable)	m ³	-	-	-	-

Nasdaq: E6|GRI: 303-5|SDG: 6|SASB: General Issue / Water & Wastewater Management.

Composition of electricity

Total electricity use	kWh	1,663,576.9	1,454,778.2	1,013,347.3	983,064.8
Fossil fuels	%	0.0	0.0	0.0	0.0
Renewables	%	100.0	100.0	100.0	100.0
Nuclear	%	0.0	0.0	0.0	0.0

Waste handling

Total waste volume	kg	33,110.0	64,181.0	40,147.0	95,713.6
Sorted waste	kg	12,605.0	31,977.0	22,972.0	67,218.0
Unsorted waste	kg	20,505.0	32,204.0	17,175.0	28,495.6
Recycled waste	kg	11,495.0	19,267.0	22,382.0	40,260.6
Disposed waste	kg	21,615.0	44,914.0	17,765.0	55,453.0
Waste sorting ratio	%	38.1	49.8	57.2	70.2
Waste recycling ratio	%	34.7	30.0	55.8	42.1

Business travel

Total distance	km	-	-	-	-
Air travel	km	1,287,210.0	142,384.0	70,567.0	662,434.0
Rail travel	km	-	-	-	-
Bus travel	km	-	-	-	-
Automobile travel	km	-	-	-	-
Marine travel	km	-	-	-	-

Hotel bed-nights

Total bed-nights	number	-	-	-	474.0
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Employee commuting

Total distance	km	961,529.0	640,443.0	823,854.0	932,841.0
Air transportation	km	-	-	-	-
Rail transportation	km	-	-	-	-
Public transportation	km	67,448.0	44,925.0	64,719.0	30,509.0
Automobile travel	km	827,963.0	551,479.0	659,407.0	795,855.0
Marine travel	km	-	-	-	-
On foot / Bicycle	km	66,118.0	44,039.0	96,707.0	102,442.0
Electric scooter	km	-	-	3,021.0	4,035.0

Paper handling

Printed paper, total weight	kg	2,130.0	764.3	713.0	1,375.1
Printed paper, total volume	pages	290,254.0	109,033.0	111,253.0	200,797.0
Colour-printed	pages	136,637.0	44,143.0	31,647.0	74,801.0
Black/white-printed	pages	153,617.0	64,890.0	79,606.0	125,996.0
Duplex-printed, share	%	81.2	51.7	63.1	78.2

Environmental management

Environmental activities

Does the company follow a formal environmental policy?	yes/no	-	-	-	Yes
Does the company follow special waste, water, energy, and/or recycling policies?	yes/no	-	-	-	Yes
Does the company use a recognised energy management system?	yes/no	-	-	-	Yes

Nasdaq: E7|GRI: 103-2|SASB: General Issue / Waste & Hazardous Materials Management.

Sustainability accounting (cont'd)

Climate monitoring	Units	2019	2020	2021	2022
Does an executive committee have oversight of and/or manage climate-related risk?	yes/no	-	-	-	No
Does the board monitor and/or manage climate-related risk?	yes/no	-	-	-	No

Nasdaq: E8, E9|GRI: 102-19, 102-20, 102-29, 102-30, 102-31|SASB: General Issue / Business Model Resilience, Systematic Risk Management|TCFD: Governance (Disclosure A/B).

Climate risk mitigation

Total capital invested annually in climate-related infrastructure, resilience, and product development

ISK thousands

- - - -

Nasdaq: E10|UNGC: P9|SASB: General Issue / Physical Impacts of Climate Change, Business Model Resilience|TCFD: Strategy (Disclosure A).

Social factors

CEO pay ratio

Ratio of CEO salary and bonuses to the median FTE salary	X:1	-	-	-	-
This ratio set forth by the company in its reporting to the authorities?	yes/no	-	-	-	-

S1|UNGC: P6|GRI 102-38.

Gender pay ratio

Ratio of median compensation for men (X) to median compensation for women	X:1	-	-	-	-
Results of equal pay certification	%	-	-	-	1.2

S2|UNGC: P6|GRI: 405-2 | SASB: General Issue / Employee Engagement, Diversity & Inclusion.

Employee turnover

Number of full-time employees

Year-on-year change in number of full-time employees	%	-	-	-	6.8
Dismissal	%	-	-	-	-
Retirement	%	-	-	-	-
Job transition	%	-	-	-	-
Death	%	-	-	-	-

Part-time employees

Year-on-year change in number of part-time employees	%	-	-	-	0.3
Dismissal	%	-	-	-	-
Retirement	%	-	-	-	0.3
Job transition	%	-	-	-	-
Death	%	-	-	-	-

Contractors and/or consultants

Year-on-year change in number of contractors and/or consultants	%	-	-	-	-
Dismissal	%	-	-	-	-
Retirement	%	-	-	-	-
Job transition	%	-	-	-	-
Death	%	-	-	-	-

Gender

Men	%	-	-	-	53.0
Women	%	-	-	-	47.0

Age

<20	%	-	-	-	0.3
20-29	%	-	-	-	7.3
30-39	%	-	-	-	21.9
40-49	%	-	-	-	33.0
50-59	%	-	-	-	24.7
60-69	%	-	-	-	12.5
70+	%	-	-	-	0.3

S3|UNGC: P6|GRI: 401-1b|SDG: 12|SASB: General Issue / Labor Practices.

Sustainability accounting (cont'd)

Gender diversity	Units	2019	2020	2021	2022
Total number of employees					
Percentage of women in enterprise	%	-	-	-	47,0
Women	number	-	-	-	137,0
Men	number	-	-	-	155,0
Entry- and mid-level positions					
Share of women in entry- and mid-level positions	%	-	-	-	43,0
Women	number	-	-	-	12,0
Men	number	-	-	-	16,0
Senior- and executive-level employees					
Share of women in senior- and executive-level positions	%	-	-	-	46,0
Women	number	-	-	-	6,0
Men	number	-	-	-	7,0

S4|UNGC: P6|GRI: 102-8, 405-1|SASB: General Issue / Employee Engagement, Diversity & Inclusion.

Temporary worker ratio

Share of employees in part-time positions	%	-	-	-	5,1
Percentage of contractors and/or consultants	%	-	-	-	-

S5|GRI: 102-8|UNGC: P6.

Non-discrimination

Non-discrimination

Does the company follow a sexual harassment and/or non-discrimination policy?	yes/no	-	-	-	Yes
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S6|UNGC: P6|GRI: 103-2 (see also: GRI 406: Non-Discrimination 2016)|SASB: General Issue / Employee Engagement, Diversity & Inclusion.

Workplace injury rate

Total number of injuries and fatal accidents as a share of total number of employees	%	-	-	-	-
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S7|GRI: 403-9|SDG: 3|SASB: General Issue / Employee Health & Safety.

Global health and safety

Has the company published and followed an occupational health and/or global health and safety policy?

Has the company published and followed an occupational health and/or global health and safety policy?	yes/no	-	-	-	Yes
Total absences from work as a share of total workforce time	X:1	-	-	-	0,22
Absence from work due to long-term illness (X) as a share of total workforce time	X:1	-	-	-	0,01
Absence from work due to short-term illness (X) as a share of total workforce time	X:1	-	-	-	0,03

S8|GRI: 103-2 (See also: GRI 403: Occupational Health & Safety 2018)|SDG: 3|SASB: General Issue / Employee Health & Safety.

Child labour and forced labour

Does the company follow an anti-child labour policy?	yes/no	-	-	-	No
Does the company follow an anti-forced labour policy?	yes/no	-	-	-	No
If yes, does the anti-child labour and/or anti-forced labour policy cover suppliers and vendors?	yes/no	-	-	-	-

S9|GRI: 103-2 (See also: GRI 408: Child Labor 2016, GRI 409: Forced or Compulsory Labor, and GRI 414: Supplier Social Assessment 2016)|UNGC: P4, P5|SDG: 8|SASB: General Issue / Labor Practices.

Human rights

Does the company publish and follow a human rights policy?	yes/no	-	-	-	No
If yes, does the human rights policy cover suppliers and vendors?	yes/no	-	-	-	-

S10|GRI: 103-2 (See also: GRI 412: Human Rights Assessment 2016 & GRI 414: Supplier Social Assessment 2016)|UNGC: P1, P2|SDG: 4, 10, 16|SASB: General Issue / Human Rights & Community Relation.

Governance

Company board, gender ratios

Ratio of women to men among governors/deputy governors	%	-	-	-	50
Ratio of women to men serving on standing committees	%	-	-	-	44
Ratio of women to men serving on Supervisory Board	%	-	-	-	43

G1|GRI 405-1|SDG: 10|SASB: General Issue / Employee Engagement, Diversity & Inclusion (See also: SASB Industry Standards).

Sustainability accounting (cont'd)

Board independence	Units	2019	2020	2021	2022
Does the company prohibit its CEO from serving as board chair? ⁶	yes/no	-	-	-	Yes
G2 GRI: 102-23, 102-22.					
Bonuses/Pay incentives					
Do managing directors receive a bonus or formal incentive for sustainability-related performance?	yes/no	-	-	-	No
G3 GRI: 102-35.					
Collective bargaining					
Share of employees covered by collective bargaining agreements	%	-	-	-	100
G4 UNGC: P3 SDG: 8 GRI: 102-41 SASB: General Issue / Labor Practices (See also: SASB Industry Standards).					
Suppliers' Code of Conduct					
Are the company's vendors and suppliers required to follow a code of conduct? ⁷	yes/no	-	-	-	No
If yes, how large a share of suppliers have formally confirmed their compliance with the code of conduct?	%	-	-	-	-
G5 UNGC: P2, P3, P4, P8 GRI: 102-16, 103-2 (See also: GRI 308: Supplier Environmental Assessment 2016 & GRI 414: Supplier Social Assessment 2016) SDG: 12 SASB General Issue / Supply Chain Management (See also: SASB Industry Standards).					
Ethics and anti-corruption					
Does the company follow a code of ethics and/or antic-corruption policy?	yes/no	-	-	-	Yes
If yes, how large a share of employees have formally confirmed their compliance with the policy?	%	-	-	-	0
G6 UNGC: P10 SDG: 16 GRI: 102-16, 103-2 (See also: GRI 205: Anti-Corruption 2016).					
Data privacy					
Does the company follow a personal data protection (data privacy) policy?	yes/no	-	-	-	Yes
Has the company taken steps to comply with GDPR rules?	yes/no	-	-	-	-
G7 GRI: 418 Customer Privacy 2016 SASB: General Issue / Customer Privacy, Data Security (See also: SASB Industry Standards).					
Sustainability/ESG reporting					
Does the company publish a sustainability report?	yes/no	-	-	Yes	Yes
If yes: Does the sustainability report disclose environmental, social, and governance matters?	yes/no	-	-	Yes	Yes
Does the company's reporting to the authorities contain data on sustainability?	yes/no	-	-	-	-
G8 UNGC: P8.					
Disclosure practices					
Does the company provide sustainability data to sustainability reporting frameworks?	yes/no	-	-	-	No
Does the company focus on specific UN Sustainable Development Goals (SDG)?	yes/no	-	-	-	No
Does the company set targets and report progress on the UN SDGs?	yes/no	-	-	-	No
G9 UNGC: P8.					
External assurance/validation of data					
Are sustainability disclosures assured or validated by a third party?	yes/no	-	-	-	No
G10 UNGC: P8 GRI: 102-56.					

6. According to Article 5, Paragraph 4 of the Act on the Central Bank of Iceland, the Governor of the Central Bank of Iceland may not sit on the Board of Directors of an institution or commercial enterprise outside the Bank, nor otherwise participate in commercial operations except as required by law or in the case of an institution or commercial enterprise in which the Bank is involved.

7. The Central Bank's purchasing is subject to the Public Procurement Act, no. 12/2016, and, as applicable, the Act on Invitations to Tender, no. 65/1993. In selecting customers, particular consideration shall be given to Article 68 of the Public Procurement Act.

Terminology used in sustainability accounting

Carbon unit

A carbon unit is a convertible and negotiable instrument equivalent to the volume of greenhouse gas emissions reduced, prevented, or removed using approved methods according to recognised quality standards. Carbon units may be issued for actions within a party's value chain or outside it.

Emissions intensity

Data on emissions intensity are based on scopes 1, 2, and 3 combined. Emissions intensity is calculated as greenhouse gas emissions generated by selected aspects of operations. It is expressed as tCO₂e per unit (such as the ratio of tCO₂e to gross revenues). The metrics measure and compare the company's emissions to the size of its operations.

Direct and indirect energy use

Total energy use measures all energy used by the company, including fuel used for the company's motor vehicles (scope 1: direct emissions) and energy from electrical and water utilities (scope 2: indirect emissions). Energy use is expressed in kilowatt hours (KWh).

Energy intensity

Energy intensity is calculated as total energy use relative to selected aspects of operations and is expressed as KWh per unit (such as KWh per full-time employee). The metrics are used to measure energy efficiency and to compare the company's energy use with the size of its operations.

Waste intensity

Waste intensity is calculated as total waste relative to selected aspects of operations and is expressed as kg per unit (such as kg per full-time employee).

Mitigating measures

Measures to prevent, reduce, or remedy negative environmental impact.

Scope 2

Location-based scope 2 emissions are indirect emissions due to the production of consumed energy, where energy-based emissions are estimated based on average emissions from the relevant energy distribution system within the accounting period. According to GHG Protocol methodology, companies shall publish their location-based scope 2 emissions.

Fugitive emissions

Direct greenhouse gas emissions into the atmosphere, either intentional or non-intentional; for instance, due to leaks in any kind of equipment or to the use of hydrofluorocarbons (HFC) in refrigeration and ventilation equipment.

Purchased goods and services

Extraction, production, and transport of goods and services purchased by a company within the accounting period, but not falling under categories 2-8.

Capital goods

Raw materials processing, production, and transport of tangible assets purchased by a company within the accounting period.

Fuel- and energy-related activities

Extraction, production, and transport of fuels and energy purchased by a company within the accounting period, but not falling under scopes 1 and 2, including:

- Extraction, production, and transport of purchased fuel
- Extraction, production, and transport of fuel used to produce electricity or steam for heating and cooling
- Transport and distribution loss
- Production of purchased energy that is sold onwards to end users.

Upstream (outsourced) transport and distribution

Transport and distribution between the company and first-stage suppliers due to goods purchased by a company within the accounting period. Transport and distribution purchased by a company within the accounting period, including incoming and outgoing transport of goods and transport between business locations.

Waste generated in operations

Disposal and treatment of waste generated in a company's operations within the accounting period.

Business travel

Employees' travel for business reasons within the accounting period.

Employee commuting

Employees' travel between home and workplace during the accounting period.

Upstream leased assets

Operation of assets leased by a company (lessee) within the accounting period, but not falling under scopes 1 and 2.

Downstream transport and distribution

Transport and distribution of goods sold within the accounting period between a company and consumers, if not paid for by the company, plus retail sales and storage.

Processing of sold products

Processing of intermediate goods sold within the accounting period.

Use of sold products

Total lifetime use of goods and services sold by a company within the accounting period.

End-of-life treatment of sold products

Disposal and treatment of goods that have reached the end of their useful life and have been sold by a company within the accounting period.

Downstream leased assets

Operation of assets leased by a company (lessor) to other companies within the accounting period, but not falling under scopes 1 and 2.

Franchises

Operation of franchises not falling under scopes 1 and 2 within the accounting period. Published by the franchisor.

Investments

Emissions due to investments during the accounting year (including equities, bonds, development loans, and other loans) but not falling under scope 1 or scope 2.

Energy management system

An energy management system as certified under the ISO 50001 standard.

Accompanying documents

Kalkofninn: [Assessment of climate risk – methodology for financial institutions](#) (in Icelandic)

Kalkofninn: [Climate risk management for financial institutions](#) (in Icelandic)

[The Central Bank of Iceland's Individual Pledge to COP26](#)

[Central Bank of Iceland Annual Report 2022](#)



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