

TM

Principles for Sustainable Insurance

(PSI) Report

December 2025

Principles for Sustainable Insurance (PSI) Report

Principle 1

We will embed in our decision-making environmental, social and governance issues relevant to our insurance business

Possible Actions

| | | Description/Reference |
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| Company strategy | Establish a company strategy at the Board and executive management levels to identify, assess, manage and monitor ESG issues in business operations | <ul style="list-style-type: none"> • TM has established a Sustainability Risk Strategy, which includes responsible product and insurance services development as well as responsible investment strategy. Sustainable claims services and climate risk are also part of the strategy. • The sustainability risk policy of TM sets out its approach to sustainability. It states that the Executive Board of TM monitors sustainability and ensures implementation of processes related to investment and product development. • TM's sustainability risk policy states that the company intends to develop measures to monitor compliance with the sustainability risk policy. It further states that the company intends to implement best practices, standards and regulatory requirements in its work processes to attain continuous improvement of sustainability risk management. |
| | Dialogue with company owners on the relevance of ESG issues to company strategy | <p>Landsbankinn is the sole owner of TM and TM is outsourcing part of the sustainability management to the bank. TM has a separate Board of Directors who receives a regular update on sustainability matters.</p> <p>TM has an outsourcing agreement with Landsbankinn, its parent, who provides for assistance in the field of sustainability. The Managing Director of Finance & Operations at TM is responsible for the agreement on behalf of the company.</p> <p>Based on the outsourcing agreement, there is an ongoing and active dialogue between</p> |

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| | | <p>the parent and the subsidiary on sustainability and management of the issue. Following the lead of the parent, TM recently became a signatory of the UN Global Compact in order to work towards the same goals and take advantage of the work already done on sustainability at the parent.</p> |
| | <p>Integrate ESG issues into recruitment, training and employee engagement programmes</p> | <p>All employees and managers have been introduced to sustainability through presentations and TM is currently working on training material for new employees in line with Landsbankinn.</p> <p>Landsbankinn’s Development & Training department offers a wide variety of learning material, also on sustainability. TM now has full access to this material and is introducing it in the relevant departments.</p> <p>There are also opportunities on the horizon to utilise material provided by the UN Global Compact, of which TM is a recent signatory. The UN Global Compact offers a wide selection of learning material on sustainability.</p> |

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| <p>Risk management and under-writing</p> | <p>Establish processes to identify and assess ESG issues inherent in the portfolio and be aware of potential ESG-related consequences of the company’s transactions</p> | <p>Risk assessment for insurance customers</p> <ul style="list-style-type: none"> • The risk assessment should be carried out for companies with more than 50 employees. • It was decided to implement the ESG risk assessment into prevention activities and insurance-related risk assessment. Questions on ESG matters were added to the checklist used by the loss prevention officer during inspections. • The questionnaire is in electronic form (Taktikal) and is sent to companies as part of the risk assessment. • It is likely that the PCAF methodology, which is currently being expanded to insurance, may be suitable to some extent for the risk assessment. |
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| | | <ul style="list-style-type: none"> • PCAF standards are ready for corporate clients and motor vehicles owned by individuals. • A risk assessment is carried out for new investments that require approval from the Investment Committee. This includes unlisted equities, unlisted securities and unlisted investment funds, along with potentially other asset classes. • The risk assessment provides a brief evaluation of the main types of reputational and sustainability risk. |
| | <p>Integrate ESG issues into risk management, underwriting and capital adequacy decision-making processes, including research, models, analytics, tools and metrics</p> | <ul style="list-style-type: none"> • Annually in the ORSA (own risk and solvency assessment) conducted by TM. It is assessed which climate risks are relevant for TM and also whether each risk is material for TM or not. • Climate change risks are divided into three different time horizons: short term, medium term, and long term: • When doing the materiality assessment TM takes into account both the physical risks of climate change (such as increased frequency and severity of natural disasters, water scarcity, and supply chain disruptions) as well as the transition risks (such as changes in regulatory frameworks, market demands, and technological innovations). • By conducting a materiality assessment, TM can identify the most significant climate-related risks and opportunities, and develop strategies to mitigate risks and capitalize on opportunities. This can help to protect financial performance, enhance reputation, and contribute to a more sustainable future. • There are indications of an increase in claims due to windstorms. TM did not experience any material windstorm claims until 2014/2015. • There are also indications of an increase in claims due to cloud burst in the form of a flash flood. TM did not experience any material flash flood claims until 2015. |

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| <p>Product and service development</p> | <p>Develop products and services which reduce risk, have a positive impact on ESG issues and encourage better risk management</p> | <p>Responsible product and service offering is part of TM’s sustainability risk policy, which states that:</p> <ul style="list-style-type: none"> • ESG factors shall be taken into account when establishing a new product or service and during their development. • ESG factors shall be taken into account during analysis related to development or significant changes of existing products and services. • Relevant ESG information shall be requested from stakeholders. • Results of the implementation of this criteria shall be disclosed. <p>The objective of the policy is to support and further develop a responsible product and service selection that promotes sustainability. The policy applies to the establishment of new products or services, monitoring of their development and design, as well as the review and modification of existing products or services.</p> <p>Decisions about TM’s product and service offerings are based on laws, regulations, internal procedures and policies. At the beginning of the process of establishing a new product or service, a designated project sheet must be completed and recorded in the company’s product manual, including information on purpose, cost, revenue, risk, profitability and the product’s impact on the company. In this process, the relationship between the product or service and ESG factors must be described as applicable. The weighting of ESG factors in decision-making shall be assessed as appropriate, based on the circumstances and the nature of the product or service at each time. When possible, ESG factors shall also be incorporated into Risk Management’s risk assessment for products and services, where the operational, reputational risk and profitability risk of the new product or service are evaluated.</p> |
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| | | <p>Products: bicycle insurance, a special risk category for electric vehicles, property insurance (new system that reduces the need for technicians' site visits).</p> <p>TM's online sales and self-service solutions reduce the frequency of customer travel. Customers no longer need to bring their vehicle in for inspection; instead, they use their phone to take a photo and send it to TM through the app. The same applies to property inspections. All of this contributes to reducing greenhouse gas emissions.</p> <p>In 2024, TM made all customer communications paperless.</p> |
| | <p>Develop or support literacy programmes on risk, insurance and ESG issues</p> | <p>Presentations have been held for management and employees. In 2024-2025, two meetings were held: one for management and one for staff. Employees have also attended open sustainability-related events, such as the 25th anniversary of the UN Global Compact.</p> <p>Going forward, there are opportunities to further strengthen knowledge through participation in the UN Global Compact and access to its learning materials, as well as through sustainability training offered by Landsbankinn's Education & Development unit.</p> |

Claims management

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| <p>Respond to clients quickly, fairly, sensitively and transparently at all times and make sure claims processes are clearly explained and understood</p> | <p>Part of the claims service process. Approximately 18,000 claims are reported each year. Some claims are processed automatically through TM's app, such as claims related to mobile phones, household items, windscreen damage etc.</p> <p>The goal is to ensure the shortest possible processing time.</p> |
| <p>Integrate ESG issues into repairs, replacements and other claims services</p> | <p>TM has for decades worked on the reuse of damaged items, originally as a way to limit financial losses but in recent years also to support an active circular economy. The most important elements in this regard are the reuse of spare parts for vehicles and household goods. With respect to the reuse of damaged vehicle parts, Iceland significantly lags behind the other Nordics</p> |

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| | | <p>in terms of used parts utilised in repairs. There appears to be a lack of economic incentives to increase such use, although increased availability of used spare parts is discussed in the business sector’s climate index. In that context, authorities are encouraged to strengthen safety requirements and introduce legislative changes to support the circular use of damaged items. For TM’s part, provisions on the use of used parts have been incorporated into contracts with workshops and the company is assessing how it can further increase the use of used spare parts. In property damage cases, efforts have for many years focused on reusing items, for example from fire damage. Items have been cleaned and sold at a discount. Often only the packaging is damaged.</p> |
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| Sales and marketing | <p>Educate sales and marketing staff on ESG issues relevant to products and services and integrate key messages responsibly into strategies and campaigns</p> | <p>TM’s front line staff is informed in detail of any new products. ESG factors have not yet been integrated into TM’s marketing activities.</p> |
| | <p>Make sure product and service coverage, benefits and costs are relevant and clearly explained and understood</p> | <p>Efforts are made to ensure that policy terms are as clear as possible in this regard.</p> |

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| Investment management | <p>Integrate ESG issues into investment decision-making and ownership practices (e.g. by implementing the Principles for Responsible Investment)</p> | <p>TM’s sustainability risk policy includes a section on the company’s responsible investment strategy. Responsible investment refers to taking ESG factors into account when making investment decisions, with the aim of reducing risk and delivering sustainable long-term returns. These criteria can apply throughout the entire investment process: the assessment of investment opportunities, due diligence and during the ownership period. The policy sets out guidelines to enable TM to integrate sustainability into existing</p> |
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processes when making investment decisions. TM considers these factors to the extent that they align with the company's investment objectives.

The following factors are taken into account in the company's investment process:

- Consideration of ESG factors in the analysis of investment opportunities and in decision-making.
- Active ownership where applicable, including the incorporation of ESG considerations into ownership policies and practices.
- Requesting relevant ESG-related information from stakeholders when appropriate and providing such information to entities in which investments are made.
- Promote the recognition and implementation of ESG factors within the company's operations and externally where TM has influence.
- Regularly review implementation and work to improve application of the criteria, report on the company's activities and disclose progress in a transparent and responsible manner.
- This is done through the company's annual PSI report and through sustainability reporting and in the annual report of its parent company, Landsbankinn, where TM's sustainability matters are addressed.

Responsible investments currently stand as follows:

- In 2025, investments amounted to ISK 42 billion, with only a small portion classified as green investments.
- Assessment of indirect emissions from investments (PCAF).
- ESG factors are included in the risk assessment of new investments.

Principle 2

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions

| | | Description/Reference |
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| Clients and suppliers | <p>Dialogue with clients and suppliers on the benefits of managing ESG issues and the company’s expectations and requirements on ESG issues</p> <p>Provide clients and suppliers with information and tools that may help them manage ESG issues</p> | <p>The main interactions with customers and suppliers regarding ESG-related matters take place through:</p> <ul style="list-style-type: none"> • Discussions with workshops and contractors in connection with contract renewals. • Information sharing and dialogue with companies in connection with risk assessments. • Content on TM’s sustainability efforts posted to its website. |
| | <p>Integrate ESG issues into tender and selection processes for suppliers</p> | <p>Claims waste handling:</p> <ul style="list-style-type: none"> • Provisions on recycling, sorting, reuse and disposal have been added to all contracts with automotive workshops and contractors involved in property claims. • Environmentally friendly repair options when applicable. • Use of MEPS, a system that manages property damage cases and their processing when contractors on behalf of TM visit the site. Relevant to environmental considerations, for example by reducing the number of contractor trips. • Processes for the resale and reuse of damaged items are in place. • Service agreement with an accredited party for the disposal of electronic equipment. • Supplier code of conduct is being adopted, modelled on that of the parent company, Landsbankinn. These rules require suppliers to work toward the ten core principles of the UN Global Compact. |

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| | Encourage clients and suppliers to disclose ESG issues and to use relevant disclosure or reporting framework | <ul style="list-style-type: none"> • Contracts with contractors and suppliers encourage resale and reuse of materials. • Part of the risk assessment for onboarding new corporate clients with more than 50 employees. |
| Insurers, reinsurers and intermediaries | Promote the adoption of the Principles | <p>No systematic work has yet begun to encourage the adoption of PSI among insurers, reinsurers, or other intermediaries.</p> <p>Initially, TM intends to implement the PSI internally and gain experience. Hopefully, this will encourage others to do the same. No dedicated promotional campaign is planned, other than leading by example.</p> |
| | Support the inclusion of ESG issues in professional education and ethical standards in the insurance industry | N/A |

Principle 3

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues

| | | Description / Reference |
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| Governments, regulators and other policymakers | Support prudential policy, regulatory and legal frameworks that enable risk reduction, innovation and better management of ESG issues | <p>TM participated in a working group of the Icelandic Financial Services Association (SFF) in 2022-2023 on the development of a new version of the business sector climate index, with an emphasis on increasing loss prevention and projects related to the circularity of damages. Proposals were submitted to authorities aimed at facilitating the reuse of damaged goods.</p> |

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| | <p>Dialogue with governments and regulators to develop integrated risk management approaches and risk transfer solutions</p> | <p>TM operates in Iceland, which is part of the European Economic Area (EEA), and must implement EU regulations and directives, including those relating to sustainability. TM is not in active dialogue with authorities regarding sustainability-related risk management but naturally complies with all obligations imposed on the company, which are monitored by the relevant public authorities.</p> |
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| <p>Other key stakeholders</p> | <p>Dialogue with intergovernmental and non-governmental organisations to support sustainable development by providing risk management and risk transfer expertise</p> | <p>N/A</p> |
| | <p>Dialogue with business and industry associations to better understand and manage ESG issues across industries and geographies</p> | <p>TM has participated in working groups on sustainability under the auspices of the Icelandic Financial Services Association (SFF).</p> |
| | <p>Dialogue with academia and the scientific community to foster research and educational programmes on ESG issues in the context of the insurance business</p> | <p>If research initiatives on weather-related events were launched, TM would be prepared to open its databases in support, including information on the location and extent of damages. So far, no such request has been made.</p> |
| | <p>Dialogue with media to promote public awareness of ESG issues and good risk management</p> | <p>N/A</p> |

Principle 4

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles

| Description / Reference | |
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| <p>Assess, measure and monitor the company's progress in managing ESG issues and proactively and regularly disclose this information publicly</p> | <p>Climate accounting is published annually. The most recent is published in the sustainability report of (Kvika Bank 2024), cf. climate accounts on p. 36. Gender-based wage imbalance p. 49. TM will be part of Landsbankinn's annual and sustainability report as of 2025.</p> |
| <p>Participate in relevant disclosure or reporting frameworks</p> | <ul style="list-style-type: none"> • PCAF. • GHG Protocol. • EU Taxonomy. • ORSA report based on Solvency II. <p>A double materiality assessment was carried out in 2024-2025 in connection with the planned implementation of CSRD. This implementation has now been postponed due to uncertainty surrounding CSRD following the EU's Omnibus proposal. The materiality assessment remains useful for sustainability disclosures in accordance with the ESRS standard.</p> |
| <p>Dialogue with clients, regulators, rating agencies and other stakeholders to gain mutual understanding on the value of disclosure through the Principles</p> | <p>TM intends to focus on implementing the PSI principles within its own operations before initiating dialogue with other stakeholders on how these principles might benefit their activities.</p> |