



Appendix to the GRI Standards Index

LANDSBANKINN HF | KT. 471008-0280 | LANDSBANKINN.IS

11 February 2021

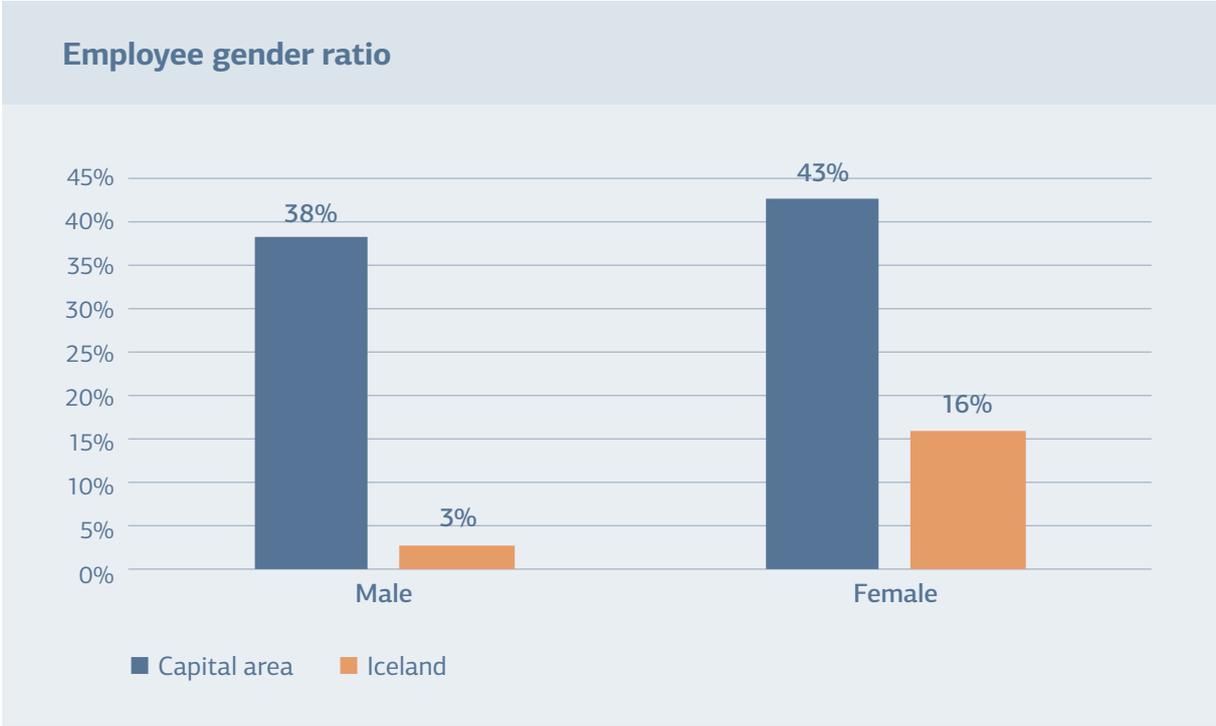


About Landsbankinn

Landsbankinn publishes an annual ESG report based on the principles of the Global Reporting Initiative (GRI). This report has been prepared in accordance with the GRI Standards: Core option and also functions as a Communication of Progress report to the UN Global Compact. Landsbankinn will continue to support the Global Compact and adhere to its guidelines.

102-8

The Bank, including subsidiaries, had 922 employees in 878 full-time equivalent positions at the end of 2020, 59% female and 41% male. Men have gained 1% between years. In compiling the report, it was decided not to show genders other than the traditional male/female to avoid publishing personally identifiable information, as the number of employees to which this information applies are too low to be considered general.



Number of employees by modality of employment	Permanent employment	Trial employment	Temporary employment	Total
Male	355	4	20	379
Female	512	8	23	543
Total	867	12	43	922

102-7

About Landsbankinn	Change	31.12.2020	31.12.2019	31.12.2018
Retail customers of Landsbankinn	1.6%	132,058	129,943	126,746
Corporate customers of Landsbankinn	4.3%	13,460	12,905	12,219
Branches and outlets	-2.7%	36	37	37
Full-time equiv. positions	-1.7%	878	893	919
Employees	-2.2%	922	943	944
Principal ratios (ISK bn)	31.12.2020	31.12.2019	31.12.2018	
Net operating income	38,253	51,517	53,910	
After-tax profit	10,521	18,235	19,260	
After-tax ROE	4.3%	7.5%	8.2%	
Capital adequacy ratio (CAR)	25.1%	25.8%	24.9%	
Interest margin on assets and liabilities	2.5%	2.8%	3.2%	
Cost-income ratio	47.4%	42.6%	45.5%	
Total assets	1,564,177	1,426,328	1,326,041	
Ratio of customer lending to deposits	160.5%	161.1%	153.6%	

*The definition of number of corporate customers was changed in 2020 and figures updated for 2019 and 2018 in this table.

102-8

Number of employees by modality of employment	Permanent employment	Trial employment	Temporary employment	Total
Male	355	4	20	379
Female	512	8	23	543
	867	12	43	922

102-13 Memberships of associations

- Festa, Centre for Corporate Social Responsibility
- UN Global Compact
- UN PRI
- UNEP-FI
- IcelandSIF - Iceland Sustainable Investment Forum
- The Paris Agreement, through participant in the climate project of Festa and the City of Reykjavik
- UNEP-FI Principles for Responsible Banking.
- Platform Carbon Accounting Financials (PCAF)
- Confederation of Icelandic Employers
- Icelandic Financial Services Association
- Iceland Chamber of Commerce
- The Fintech Cluster
- Future programmers
- The Aluminium Cluster

- Nordic Financial CERT
- Stjórnvísí
- Icelandic Standards (IST)
- Environment Agency of Iceland
- Dokkan slf.
- European Association for Secure Transactions
- Exedra ehf.
- British-Icelandic Chamber of Commerce
- Italian-Icelandic Chamber of Commerce
- US-Icelandic Chamber of Commerce
- Faroe Islands-Icelandic Chamber of Commerce
- Danish-Icelandic Chamber of Commerce
- Spanish-Icelandic Chamber of Commerce
- Norwegian-Icelandic Chamber of Commerce
- German-Icelandic Chamber of Commerce
- Swedish-Icelandic Chamber of Commerce
- Nordic Chamber of Commerce
- Greenlandic-Icelandic Chamber of Commerce
- French-Icelandic Chamber of Commerce
- Icelandic-Chinese Chamber of Commerce

Customer satisfaction

201-1 Direct economic value generated and distributed

Direct economic value in ISK million*	Change	2020	2019	2018
Income	-26%	38,253	51,517	53,910
Operating costs**	-5%	7,668	8,050	8,469
Salaries and related expenses	2%	14,767	14,458	14,589
Dividends to shareholders	-100%	-	9,922	24,821
Income tax and special tax	-58%	3,901	9,290	10,713
Financial sponsorship	-23%	115	150	218
Total economic contribution	-37%	26,429	41,870	58,592
Economic gain	26%	12,192	9,647	4,682
Proportion of economic contribution of gains	-16%	68%	81%	109%

* Consolidated information

** Less impairment of PPE and grants

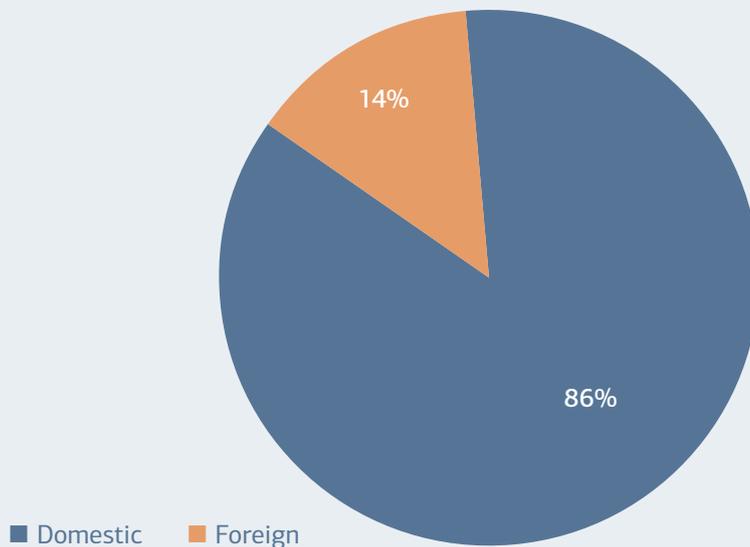
204-1 Proportion of spending on local suppliers

Landsbankinn defines Iceland as its local community and endeavours to do business with Icelandic suppliers in so far as this is economical. In rural areas, the Bank endeavours to do business with local providers, provided they fulfil the requirements of the Bank's Procurement Policy.

	Domestic	Foreign	Total
Number of suppliers with a turnover over ISK 500,000	591	97	688
Number of suppliers with contracts exceeding 1 year	45	75	120
Total payments in ISKm*	5,894,562	956,612	6,851,174

* Consolidated information

Proportion of procurement from domestic and foreign suppliers



Proportion of supplier turnover by category	% of total	Domestic	Foreign
Information technology (IT)	40%	76%	24%
Real estate operating costs	15%	100%	0%
Marketing costs	11%	100%	0%
Other	34%	88%	12%

Anti-corruption

205-1 Operations assessed for risks related to corruption

Landsbankinn has a policy on measures against bribery and corruption. The policy provides for effective organisational and managerial processes to minimise the risk of corruption and bribery in Landsbankinn's operation and in relations with customers, employees, regulators and other authorities, shareholders, auditors, competitors and other stakeholders.

This policy reflects the United Nations Convention against corruption, enacted in Iceland in March 2011, Article 264 (a) of the General Penal Code No. 19/1940, Landsbankinn's Rules of Procedure and its Covenant of Ethical Conduct.

In 2020, Landsbankinn began work on updating risk assessment based on the risk of fraud and bribery at the operating segment level. A risk assessment was carried out on the Bank's customers and operation, including all products, services and distribution channels, for the risk of money laundering and terrorist financing.

205-2 Communication and training about anti-corruption policies and procedures

New employees at Landsbankinn receive special instruction and training about the Bank's main rules, including rules on conflict of interest, notification of misconduct and actions to combat money laundering and terrorist financing.

The Board of Directors and the CEO receive special instruction and training at the outset of employment as part of preparation for their eligibility assessment, carried out by the Financial Supervisory Authority of the Central Bank of Iceland.

Landsbankinn's policy against bribery and corruption extends to the duty of superiors to inform and instruct, as such instruction shall aim to increase employee awareness of measures against bribery and corruption and information about how to respond to suspicion of bribery and corruption.

Employees receive regular instruction in measures to combat money laundering and terrorist financing, which includes information about measures against bribery and corruption. Such instruction takes place through visits to the Bank's various units, information posted to Workplace, and electronic instruction and testing on the Bank's education platform.

205-3 Confirmed incidents of corruption and actions taken

Landsbankinn takes suitable measures to reduce the risk of bribery and corruption in its operation. Suitable measures refer to the relevant organisational and managerial action taken at Landsbankinn, involving the following:

The Board of Directors has set policies intended to support the Bank's measures against bribery and corruption, including a policy on conflict of interest, a policy on actions to combat money laundering and terrorist financing and a compliance risk policy.

There are in place rules, work procedures and work descriptions that are intended to impede bribery and corruption, including rules on gifts and invitational trips, and rules on notification of misconduct.

Landsbankinn's rules include a ban against donating funds or conferring other benefits that have monetary value on political parties, candidates or election campaigns.

Employees receive regular instruction about bribery and corruption. The instruction aims to increase employee awareness of measures against bribery and corruption and information about how to respond to suspicion of bribery and corruption.

Landsbankinn's rules provide for the obligation of employees to notify without delay of any suspicion of bribery and/or corruption to the Compliance Officer or Chief Audit Executive, cf. Landsbankinn's rules on employee notices about misconduct, including the rights of whistle blowers. Employees may also submit anonymous concerns through the in-house mail service to the Compliance Officer or Chief Audit Executive.

There were no corroborated instances of bribery or corruption in Landsbankinn's operation in 2020.

305-5 Reduction of GHG emissions

Transport grants	2020	2019	2018
Amount per employee per year	ISK 96,000	ISK 96,000	ISK 96,000
Active agreements	389	408	408
Percentage of employees	42.19%	44.10%	44.16%
Thereof women	58.35%	58.82%	59.30%
Thereof men	41.65%	41.18%	40.70%

Employment

All figures in the chapter on human resources apply to the employees of Landsbankinn hf. alone, not the entire Group.

401-1 New employee hires and employee turnover

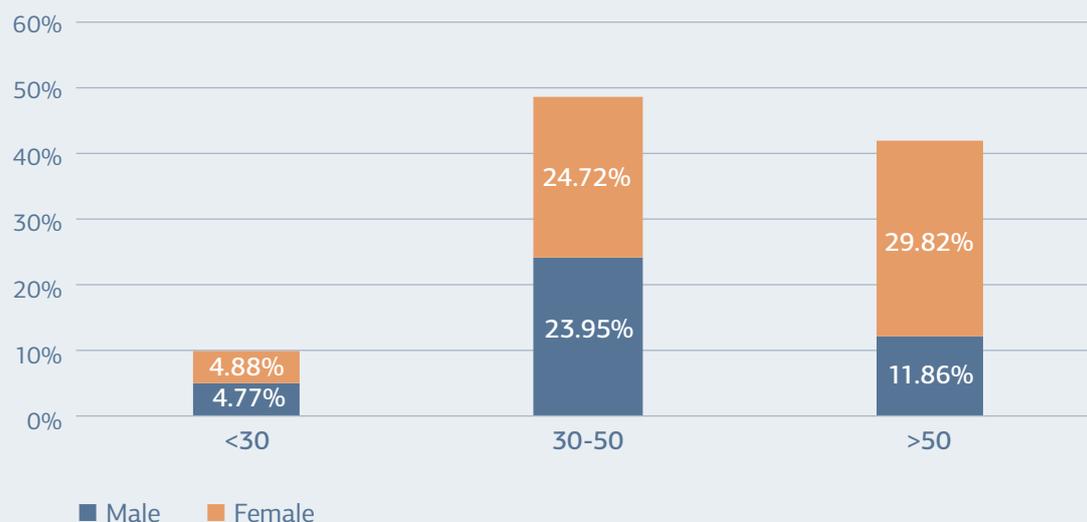
At year-end 2020, Landsbankinn had 902 employees working in the equivalent of 858 full-time positions. Of that number, 58% are university educated.

New hires were 51% men, 49% women.

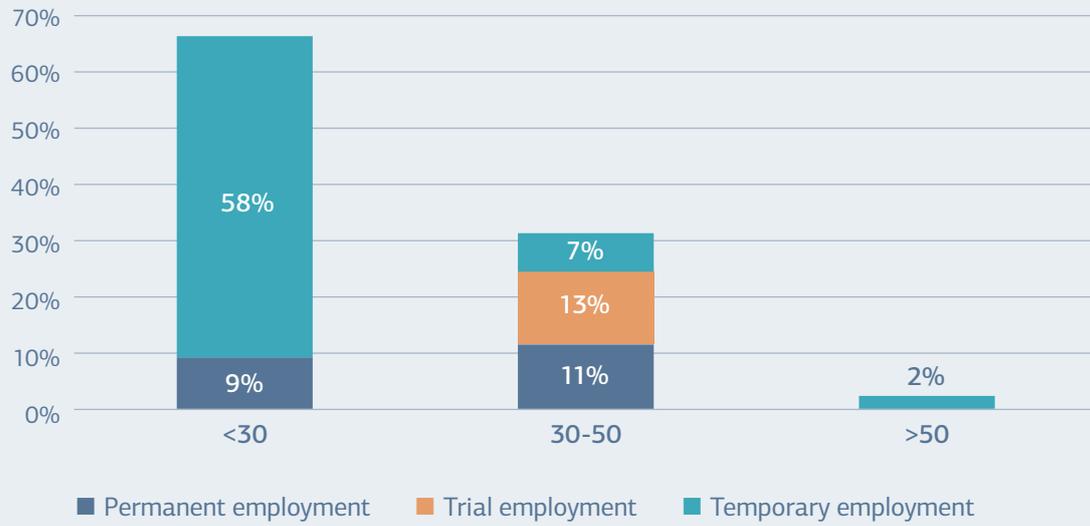
Trial employees are beginning their employment at Landsbankinn. They receive permanent employment after 3 to 6 months. No permanently employed individual quit in 2020.

Employee turnover in 2020 was 7.4%, as compared with 5.6% in 2019.

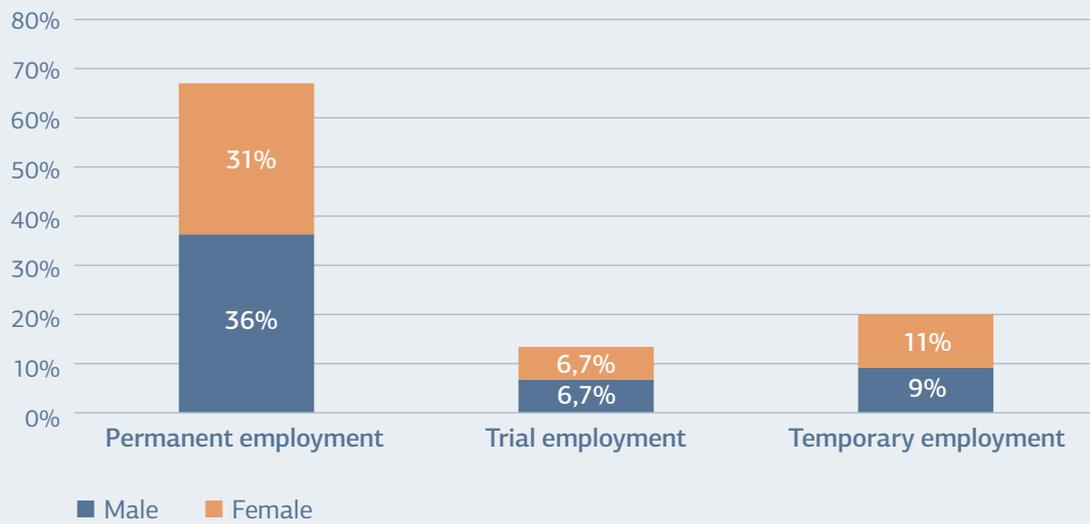
Chart TitleTotal number of employees by age at year-end 2020



New employees at year end 2020 -age



New employees at year-end 2020 -gender



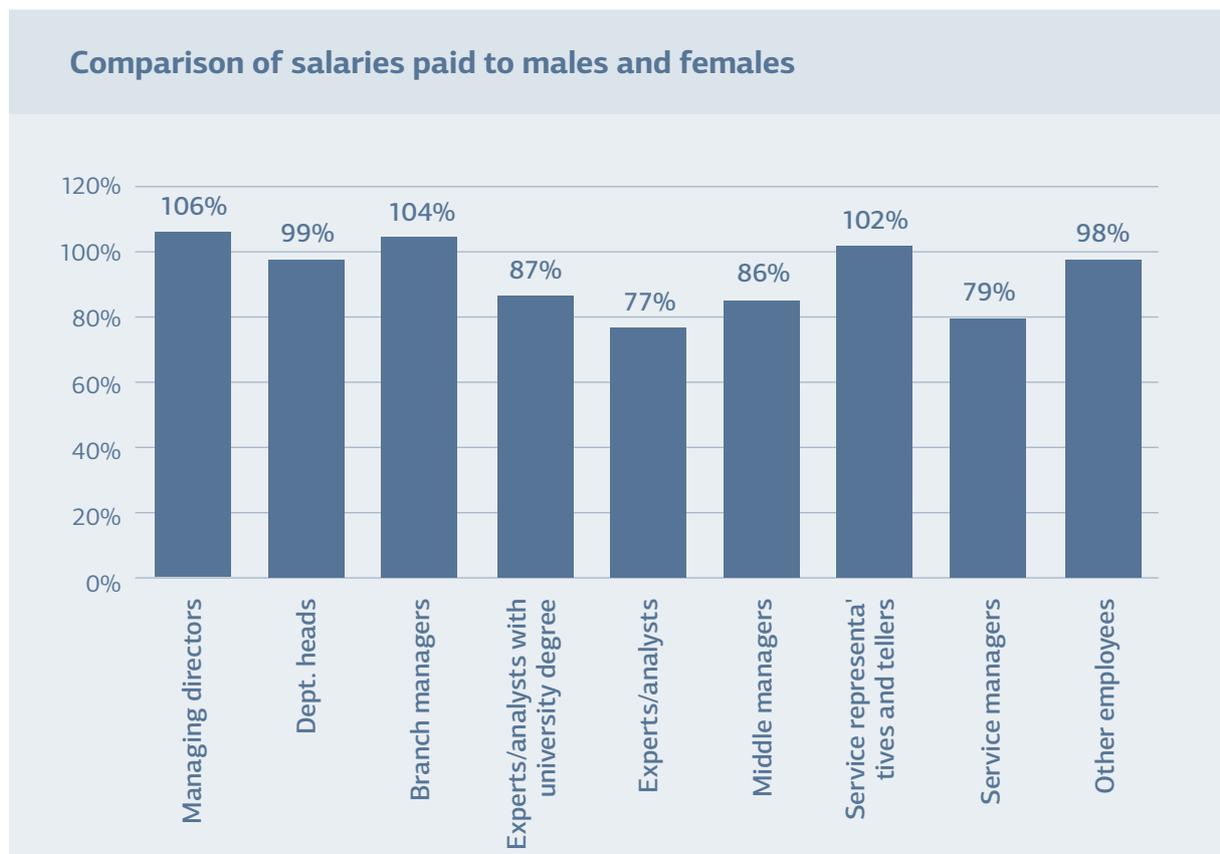
401-3 Parental leave

In recent years, we have disclosed the average number of employees on parental leave and the average number of weeks on parental leave by gender. This has been changes to accord with the GRI Standards.

Number of employees entitled to parental leave*	2020	2019	2018
Women	30	34	35
Men	43	45	48
Total	73	79	83
Number of employees who took parental leave*	2020	2019	2018
Women	30	34	35
Men	42	36	36
Total	72	70	71
Number of employees who returned to work following parental leave*	2020	2019	2018
Women	32	32	25
Men	35	35	29
Total	67	67	54
Number of employees who returned to work following parental leave and were still employed 12 months later*	2020	2019	2018
Women	27	24	32
Men	33	28	28
Total	60	52	60
Number of employees who did not return to work following parental leave	2020	2019	2018
Women	2	3	4
Men	3	1	1
Total	5	4	5
Number of employees who return to work	2020	2019	2018
Women	94.12	91.43	86.21
Men	97.22	97.22	96.67
Number of employees who did not return to work	2020	2019	2018
Women	84.38	96.00	91.43
Men	94.29	96.55	90.32

* In Iceland, the right to parental leave extends over a two-year period, meaning that the figures for 2020 show parental leave rights for children born between 2018-2020; 2019 shows parental leave rights for children born between 2017-2019, and 2018 shows rights for children born between 2016-2018.

405-2 Comparison of salaries paid to males and females



414-1

The Bank distributes a security and quality survey to main suppliers at 18-month intervals. The survey is in the form of a questionnaire divided into categories, such as governance, security and social issues. When a supplier has responded to the questionnaire, the Bank evaluated the answers using an existing model. If the Bank deems the supplier's responses insufficient, either in a particular category or overall, the liaison to the supplier is informed of the results. The liaison contacts the supplier, both to seek clarification and to communicate requests for improvement, if deemed necessary. The Operational Risk department is then informed of the results from such follow-up and the information is communicated to the Operational Risk committee. There is currently no requirement for suppliers to respond positively to questions about sustainability and ESG. That being said, Landsbankinn considers questions about the issues and the conversation with suppliers who fail to pass muster in the category to strongly indicate that this is an area the Bank emphasises. The process is still under development, and the procedure Security and quality appraisal of suppliers sets out rules on the scope of the survey. Several suppliers have received the questionnaire since it was first sent out in 2016. The questionnaire was sent to international suppliers for the first time in 2019, leading to a rather large number of first-time respondents.

All new suppliers are required to complete Landsbankinn's security and quality appraisal before a business relationship is established.

In 2020, 10 suppliers responded to Landsbankinn's security and quality appraisal, with the following results from ESG questions:

New suppliers that were screened using social criteria	Yes	No	In part
Has the company adopted an environmental policy?	40%	40%	20%
Has the company adopted a CSR policy?	30%	50%	20%

Materiality Matrix

<p>203-1 305-1, 305-2 307-1</p>	<p>308-2 418-1 FS13, FS14, FS15, FS16</p>	<p>201-1, 202-1 205-1, 205-2, 205-3 305-3, 305-5 FS1, FS11</p>
<p>203-2 301-1 406-1 407-1 408-1 409-1</p>	<p>201-3 206-1 305-4 401-3 405-1, 405-2 414-1 419-1</p>	<p>201-2 414-2 FS8, FS10</p>
<p>201-4 302-1, 302-2, 302-3, 302-4, 302-5 305-6 401-1, 401-2 402-1 403-1, 403-2, 403-3, 403-4, 403-6, 403-8 415-1 417-1, 417-2, 417-3 FS4,</p>	<p>204-1 308-1 404-1, 404-2, 404-3 413-1, 413-2 FS12</p>	<p>FS9</p>

Significance of Landsbankinn's stakeholder perceptions and decisions

Significance of Landsbankinn's economic, environmental and social impacts