



Principles for Responsible Banking:

Progress report for 2022

LANDSBANKINN HF. | Reg. No. 471008-0280 | LANDSBANKINN.IS

2 February 2023

Independent Auditor's Assurance Report

To the Management and the stakeholders of Landsbankinn hf.

We have been engaged by Landsbankinn hf. to provide limited assurance on Landsbankinn's report of Principles for Responsible Banking (PRB) for the year 2022 ("the Report").

Our engagement was performed in order to:

- Assess disclosures presented in Landsbankinn's report of Principles for Responsible Banking for the year 2022.

We express a conclusion providing limited assurance.

Management's responsibility

The Management of Landsbankinn is responsible for collecting, analysing, aggregating and presenting the information in the report, ensuring that the information is free from material misstatement, whether due to fraud or error.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants (IESBA Code), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Deloitte ehf. is subject to International Standard on Quality Management (ISQM) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on Landsbankinn's PRB report. We have conducted our work in accordance with ISAE 3000 (revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, to obtain limited assurance about our conclusion. In accordance with the standard we have planned and performed our work to obtain limited assurance about whether the Report is free from material misstatement.

A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support our conclusion.

We performed reviews of data, recalculation of selected key performance indicators, reviews of the underlying data processes as well as interviews with those responsible for producing and preparing the data. Our work has included interviews with key employees of Landsbankinn, inquiries regarding procedures and methods to ensure the appropriateness of the disclosures in Landsbankinn's Report. We have assessed processes, tools and controls for gathering, consolidating and aggregating data at Landsbankinn, and performed analytical review procedures and tested data prepared against underlying documentation.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Landsbankinn's PRB Report for the year 2022 is not prepared, in all material respects, in accordance with the Principles for Responsible Banking.

Kópavogi, February 2nd 2023

Deloitte ehf.



Birna María Sigurðardóttir
State Authorised Public Accountant

Disclosure requirements under PRB		GRI Standards		Disclosure requirements
1,1	Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	2-1	About the company	See GRI 2-1 in GRI Standards index, p. 5
		2-6	Activities, value chain and other business relationships	See GRI 2-6 in GRI Standards index, p. 6
1,2	Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	2-22	Statement on policy for sustainable development	Sustainability Policy of Landsbankinn
2,1	<p>Impact Analysis: Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements: The impact analysis must include the following factors:</p> <p>A) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in as described under 1.1. have been considered in the scope of the analysis.</p> <p>b) Scale of exposure: In identifying its areas of most significant impact the bank has considered where its core business/ its major activities lie in terms of industries, technologies and geographies.</p> <p>c) Context & relevance: The bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates</p> <p>d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from its activities and provision of products and services. (The bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d).)</p> <p>Show that building on this analysis, the bank has identified and disclosed its areas of most significant (potential) positive and negative impact.</p> <p>Show that building on this analysis, the bank has identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts.</p>	3-3	Description of material topics, a list of material topics and approach to their management.	<p>See GRI - description of material topics, a list of material topics and approach to their management. See appendix to GRI Standards index, p. 8</p>
2,2	<p>Show that the bank has set and published a minimum of two specific, measurable (can be qualitative or quantitative), achievable, relevant and time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.</p> <p>Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p>			Landsbankinn's sustainability goals are grounded in its Sustainability Policy and determined based on analysis of material topics for the bank. Landsbankinn works systematically towards four of the SDGs, specified in the Bank's Sustainability Policy.

2,3	<p>Plans for target implementation and monitoring</p> <p>Show that the bank has defined actions and milestones to meet the set targets.</p> <p>Show that the bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>			Sustainability Policy of Landsbankinn
2,4	<p>Progress on implementing targets</p> <p>For each target separately:</p> <p>Show that the bank has implemented the actions it had previously defined to meet the set target.</p> <p>Or explain why actions could not be implemented / needed to be changed and how the bank is adapting its plan to meet its set target.</p> <p>Report on the bank's progress over the last 12 months (up to 18 months in the first reporting after becoming a signatory) towards achieving each of the set targets and the impact the progress resulted in (where feasible and appropriate, banks should include quantitative disclosures).</p>			See GRI - description of material topics, a list of material topics and approach to their management. See appendix to GRI Standards index, p. 3-8
3,1	Provide an overview of the policies and practices the bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.			Information about instruction and training for employees is included in an appendix to the GRI Standards index, p. 19-22. Part of such instruction and training is mandatory.
3,2	Describe how the bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/ implemented, products and services developed, and, where possible, the impacts achieved.			Information about mandatory instruction and training for all employees on measures against corruption and fraud is also included on p. 11-13 in the appendix to the GRI Standards index and information about the bank's education programme is on p. 19-22.
4,1	Describe which stakeholders (or groups/types of stakeholders) the bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these principles and improving the bank's impacts. This should include a high-level overview of how the bank has identified relevant stakeholders and what issues were addressed/results achieved.	2-29 2-33	Approach to stakeholder engagement Description of material topics, a list of material topics and approach to their management.	See appendix to GRI Standards index, p. 2
5,1	Describe the relevant governance structures, policies and procedures the bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	2-9	Organisational structure and committees	See Landsbankinn's corporate governance statement for 2022
		2-13	Delegation of responsibility for managing impacts	See Landsbankinn's corporate governance statement for 2022
		2-13	Delegation of responsibility for managing impacts	The Board of Directors approves the Sustainability Policy of Landsbankinn. The Policy shall be reviewed and updated biennially.
				Sustainability Policy
		2-17	Collective knowledge of highest governance body	See Landsbankinn's corporate governance statement for 2022
				Rules of Procedure for the Board of Directors

5,2	Describe the initiatives and measures the bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.	2-23	Obligations according to strategic goals	The Remuneration Policy of Landsbankinn shall be approved by its Board of Directors.
		2-12	Role of the highest governance body in overseeing the management of impacts	See Landsbankinn's corporate governance statement for 2022
		2-19	Remuneration policies	Remuneration Committee
				Consolidated Annual Financial Statements 2022
5,3	Governance Structure for Implementation of the Principles Show that the bank has a governance structure in place for the implementation of the PRB, including: a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected			Objectives were set in 2019 and are revised annually. Objectives that are not attained or need revision are identified as part of annual revision. This work is communicated in Landsbankinn's Annual & Sustainability Report.

6,1	Progress on implementing the Principles for Responsible Banking			Landsbankinn has actively participated in the development of PCAF's methodology for carbon accounting for financial undertakings, initially released in November 2019. Landsbankinn measures emissions from its credit and asset portfolios and publishes the results in a PCAF report. In 2022, the bank undertook to disclose its climate risk based on TCFD guidelines in its Pillar III report. In 2022, Landsbankinn became a member of the Partnership for Biodiversity Accounting Financials (PBAF), an organisation that develops a standard to enable financial institutions to assess and disclose impact and dependencies on biodiversity of loans and investment. The actual impact by banks on biodiversity is through their loan and asset portfolios, making knowledge of these portfolios important. Once the bank's impact on biodiversity has been assessed, the results will be disclosed in the bank's Annual & Sustainability Report.
	Show that the bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).			
	Show that the bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align operations with good practice.			
	Show that the bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.			

Please provide the bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking

Landsbankinn continues its sustainability journey that began a decade back. The Principles for Responsible Banking allow the Bank to work even more systematically towards its goals, especially as regards measurement of emissions from the Bank's loan and asset portfolio. Landsbankinn participated in various projects that empowered its sustainability journey - ascribing to the PRBs has let the Bank identify issues and sharpen its focus even further. We have concluded that the most important issue is to know the emissions from the Bank's credit and asset portfolio in order to take action to mitigate emissions through the Bank's products. The Bank's products will evolve under its Sustainable Finance Framework, published in 2021. In recent years, the importance of knowing the impact of the bank's operation in biodiversity has become clear and it is no less important than knowing the impact of emissions from the credit and asset portfolio. These two issues are closely related and can impact each other.