

# Landsbankinn hf

Regional Banks Iceland

## ESG Risk Rating

# 8.5

Updated May 2, 2023

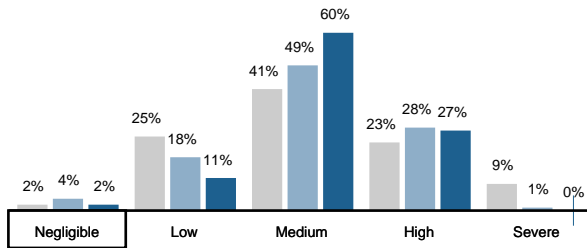
# -1.4

Momentum

# Negligible Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk) (1 <sup>st</sup> = Top Score)	
Global Universe	103/15233	2nd
Banks INDUSTRY	21/987	3rd
Regional Banks SUBINDUSTRY	2/414	1st

## Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

	Exposure	Management	ESG Risk Rating
1. HSBC Bank Canada	39.0 Medium	85.5 Strong	7.7 Negligible
2. Landsbankinn hf	34.1 Low	79.0 Strong	8.5 Negligible
3. The Co-operative Bank Plc	34.7 Low	79.8 Strong	8.6 Negligible
4. De Volksbank NV	33.3 Low	76.4 Strong	9.1 Negligible
5. Deutsche Bank SAE	39.8 Medium	80.9 Strong	9.5 Negligible

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## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

### ESG Risk Exposure

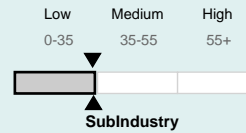
**34.1**

**+1.0**

**Low**

**Momentum**

**Beta = 0.97**



As the bank is a key player both in retail and corporate sectors (market share of 33% and 40%, respectively), Landsbankinn is exposed to challenges in appropriately managing its product and service portfolio while having to provide tailored solutions to a wide range of clients, as the inability to do so could lead to revenue and market share loss. In efforts to gain a competitive advantage, the bank has also invested in developing digital banking solutions, however, that goes hand in hand with higher volumes of sensitive customer data exchange, thus increasing the bank's data privacy risk position. Lastly, as a leading bank in the domestic market, Landsbankinn has to ensure the appropriate incorporation of ESG considerations into its lending and investment practices, in alignment with the Icelandic government's 2040 carbon neutrality targets.

The company's overall exposure is low and is similar to subindustry average. Product Governance, ESG Integration -Financials and Data Privacy and Security are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

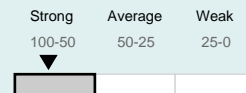
### ESG Risk Management

**79.0**

**+5.3**

**Strong**

**Momentum**



Landsbankinn's code of conduct has a policy statement addressing the bank's commitment to fair information provision. On the other hand, the bank's responsible product offering programme remains an area for improvement as it does not conduct product development-related impact and risk assessment, nor does it monitor the social impact of its products. As for data governance, Landsbankinn's policies and programmes follow industry best practices, as the bank has been certified to the ISO 27001 standard for 15 years. Lastly, while Landsbankinn has introduced several initiatives under its sustainable finance framework, its lending policies are yet to be aligned with industry best practices due to the lack of industry-specific policies and sustainability-driven exclusion criteria. It is also unclear what percentage of Landsbankinn's AUM is currently categorized as responsible.

The company's overall management of material ESG issues is strong.

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## Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure	ESG Risk Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score   Category	Score   Category	Score   Category	
Product Governance	7.6 Medium	60.0 Strong	3.0 Low	35.9%
ESG Integration -Financials	4.8 Medium	54.5 Strong	2.2 Low	25.5%
Data Privacy and Security	5.7 Medium	100.0 Strong	1.1 Negligible	13.4%
Human Capital	5.0 Medium	81.6 Strong	1.1 Negligible	13.2%
Business Ethics	6.0 Medium	96.2 Strong	0.5 Negligible	6.1%
Corporate Governance	5.0 Medium	90.0 Strong	0.5 Negligible	5.9%
<b>Overall</b>	<b>34.1 Low</b>	<b>79.0 Strong</b>	<b>8.5 Negligible</b>	<b>100.0%</b>

## Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

### Category (Events)

**5 Severe (0)**

**4 High (0)**

**3 Significant (0)**

**2 Moderate (0)**

**1 Low (0)**

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## Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

## Category (Events)

### None (15)

Access to Basic Services

Accounting and Taxation

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Carbon Impact of Products

Data Privacy and Security

Environmental Impact of Products

Labour Relations

Lobbying and Public Policy

Marketing Practices

Quality and Safety

Sanctions

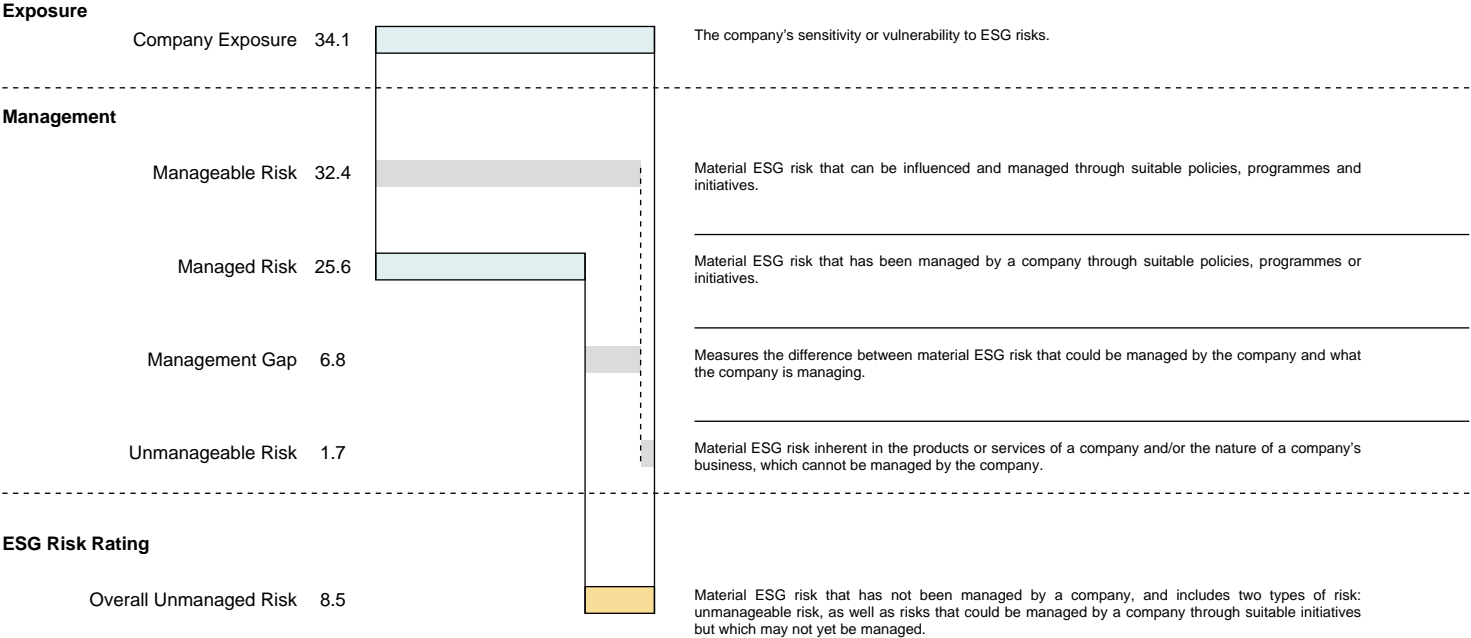
Social Impact of Products

Society - Human Rights

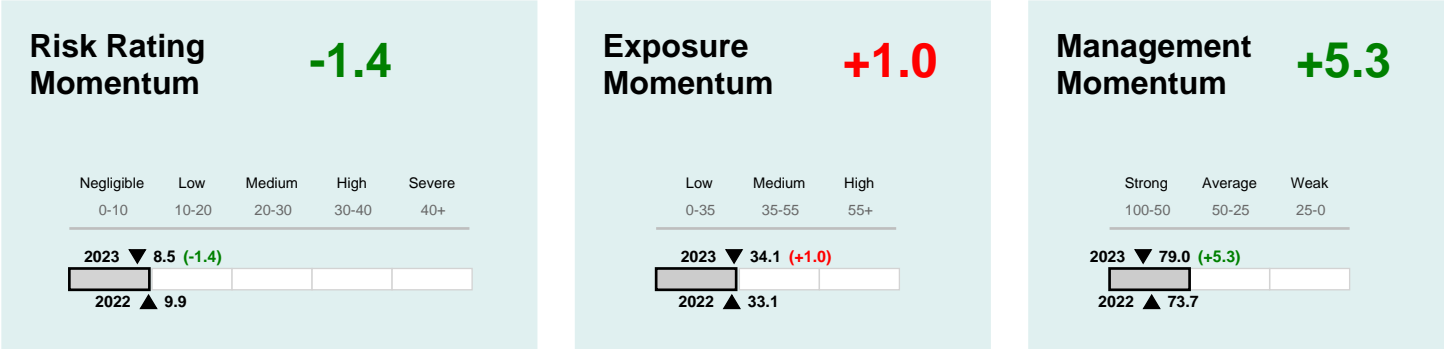
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## Risk Decomposition



## Momentum Details



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## GLOSSARY OF TERMS

### Beta (Beta, $\beta$ )

A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

### Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

### ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

### ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

### Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

### Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

### Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

### Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

### Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

### Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

### Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

### Management

A company's handling of ESG risks.

### Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

### Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

### Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

### Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

### Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

### Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

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