



Sustainable Finance Impact Report

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

2021



Overview and allocation of proceeds

In 2021, Landsbankinn issued two EUR 300m green, senior unsecured bonds with the intention to finance eligible loans under its sustainable finance framework.

Proceeds from the first issuance have been fully allocated to eligible loans to 11 companies under Landsbankinn's sustainable finance framework.

Proceeds from the February issuance were used to refinance eligible loans issued in 2018 and 2019 for investments and expenditures related to catching, production and processing of MSC, ASC or Iceland Responsible Certified seafood products.

Allocation eligibility verification for the February bond was conducted by Sustainalytics and is provided as an appendix to this report. Proceeds from the November issuance are yet to be allocated.

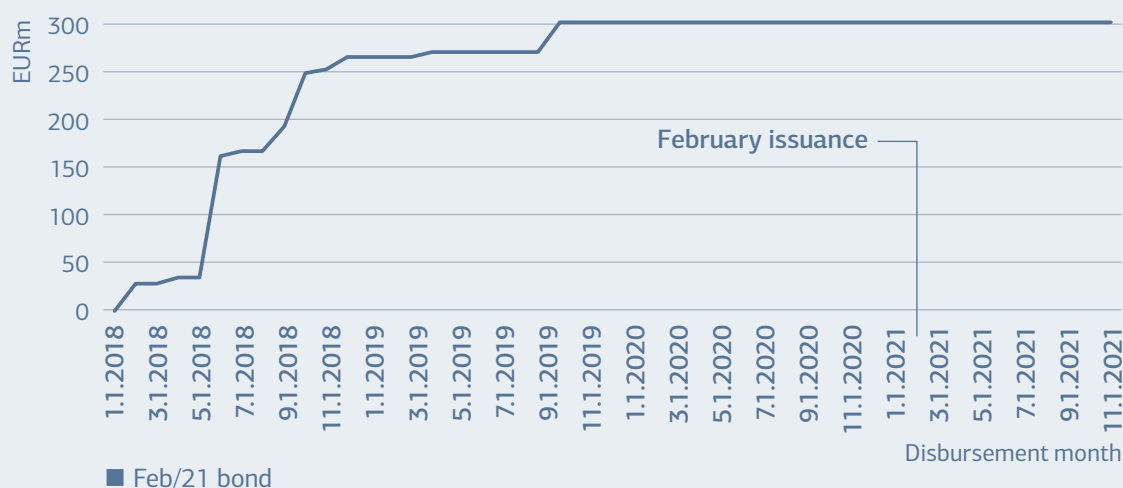
Bond information

	Issue month	February 2021	November 2021
Bond information	Issuer	Landsbankinn hf.	Landsbankinn hf.
	Bond type	Green, Senior Unsecured	Green, Senior Unsecured
	ISIN	xs2306621934	xs2411726438
	Bloomberg	LANBNN 3/8 05/23/25	LANBNN 0 3/4 05/25/26
	Amount (€m)	300	300
	Maturity date	23.05.2025	25.05.2026
	Currency	Euro	Euro
	Place of listing	Euronext, Dublin	Euronext, Dublin
	Outstanding debt as of 31.12.2021 (€m)	300	300
Allocation information	Allocated proceeds as of 31.12.2021	100%	0%
	Allocated proceeds to loans issued in 2018 (EURm)	263.6	-
	Allocated proceeds to loans issued in 2019 (EURm)	36.4	-
	Allocated proceeds to loans issued in 2020 (EURm)	0	-
	Allocated proceeds to loans issued in 2021 (EURm)	0	-
	Remaining balance of unallocated proceeds (EURm)	0	-
	Refinance	100%	-
	New-finance	0%	-
	Allocation category 1	Env. sust. management of liv. res. and land use.	-
	Ratio allocated to category 1	100%	-
Criteria for category 1	Investments and expenditures related to catching, production and processing of MSC (Marine Stewardship Council), ASC (Aquaculture Stewardship Council, fully certified) or Iceland Responsible Fisheries Certified products.		

Bond information cont. (February issuance)

	2018 (EURm)	First disbursement month	% of loan	Allocated amount (EURm)	2019 (EURm)	First disbursement month	% of loan	Allocated amount (EURm)
MSC Cert. Comp. 1	59,8	February	100%	59,8				
MSC Cert. Comp. 2	0,7	October	100%	0,7				
MSC Cert. Comp. 3	10,4	October	100%	10,4				
MSC Cert. Comp. 4	30,0	October	100%	30,0				
MSC Cert. Comp. 5	4,6	July	100%	4,6				
MSC Cert. Comp. 6	26,2	September	100%	26,2				
MSC Cert. Comp. 7	6,6	December	100%	6,6				
MSC Cert. Comp. 8	2,1	October	100%	2,1				
MSC Cert. Comp. 9	77,2	June	100%	77,2	22,9	October	100%	22,9
MSC Cert. Comp. 10	40,0	February	100%	40,0	18,0	September	75%	13,5
MSC Cert. Comp. 11	6,2	April	100%	6,2				
Total				263,6				36,4

Cumulative allocated amount disbursed (€m)



Impact

General overview of the sustainability of Icelandic fisheries.

- Greenhouse gas emission from the Icelandic fishing sector has decreased by 51% since 1996, from 918 ktCO₂e to 452 ktCO₂e in 2020.¹
- This reduction in greenhouse gas emission has been achieved through fleet upgrades, technological development and decrease in the number of fishing vessels while at the same time increasing the value of marine products.

¹ Iceland statistics. Table UMH31110 using Eurostat air emission accounts for fisheries and fish farming (A03).

- The number of fishing vessels under the quota system has decreased by 40% since 2008.²
- Fisheries are of high importance to the domestic economy, with approximately 40% of the value from Icelandic export deriving from the fishing sector. This translates to approx. 12% of GDP and employs 5% of the local workforce.³
- The sector is taking steps towards electrification. Neskaupstaður has become the first port to provide ships with electricity during layovers and other ports are expected to follow suit.

MSC certification

MSC certification is only applied to wild fish or seafood products from fisheries that have received certification according to the MSC Fisheries Standard, a set of requirements for sustainable fishing.

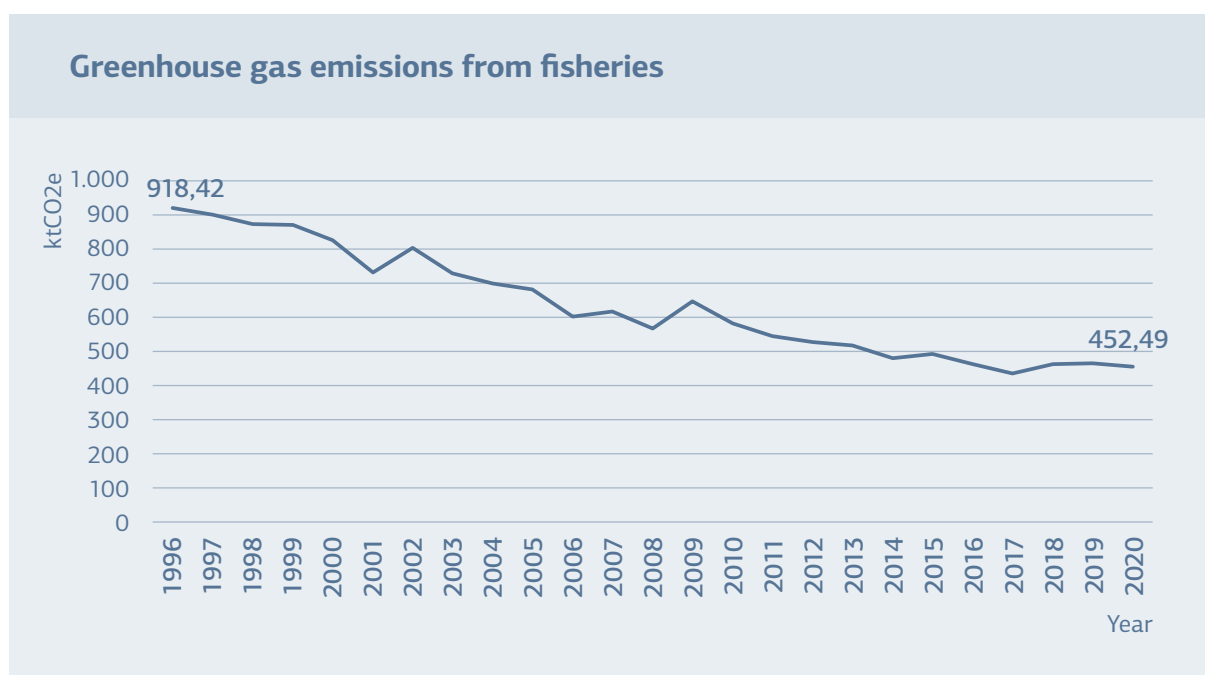
MSC certified fish and seafood derive from fisheries which have been independently assessed for impact on wild fish populations and the ecosystems to which they belong.

MSC certified products are distinguished from non-certified products throughout the entire supply chain. They are visibly labelled and traceable to a certified sustainable source.

Sustainable management of fisheries in Iceland

Research on the distribution, size and yield potential of the main species stocks around Iceland is conducted by the Marine and Freshwater Research Institute (MRFI). These stock assessments are based on research on the condition of the marine ecosystem and the size and productivity of stocks.

Based on its research, the MRFI submits scientific advice on the total allowable catch (TAC) annually (or per fishing year, Sept.-Aug.) with the sole objective of sustainable use of the resource. The information is presented to the International Council for the Exploration of the Sea (ICES). ICES provides additional guidance on several stocks. This collaboration guarantees that the MRFI is operating in alignment with international standards.⁵



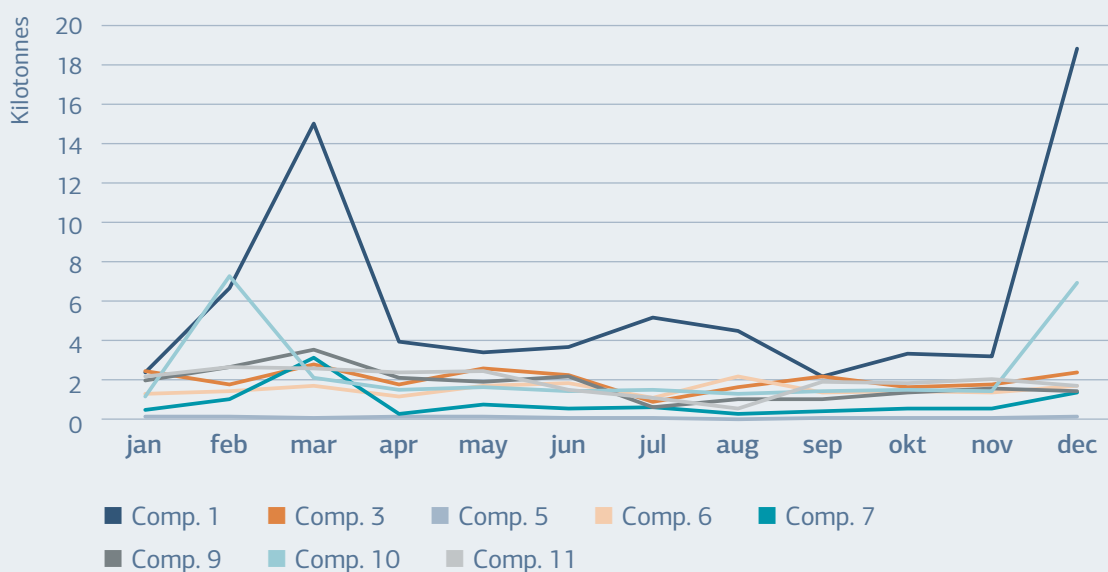
² Græn skref í sjávarútvegi, 2021. Figure 5, p. 16.

³ Fisheries Iceland (SFS) 2021. www.sfs.is

Green bond impact

196.5 kilotons (kt) of MSC certified fish were caught in 2021 by the financed companies. Proceeds from the February green bond issuance financed 11 companies, 8 of which engaged in MSC certified catching in 2021. Of the 11 companies, 3 engaged in the production or processing of MSC certified seafood products. 14 species are eligible for catching and are sold with the blue MSC label. These species are listed below. Atlantic cod and Capelin were the species most harvested during 2021 by the financed companies. December was the catch-heaviest month and Atlantic cod and Capelin are the most heavily fished species overall, with the financed companies catching 82.9 kt of Cod in the year 2021. Capelin was only caught by the financed companies in February, March and December, amounting to a total catch of 44 kt. The amount of fish caught presented in this report is non-attributed to the bond, meaning that the catching may also be financed by means other than the February green bond issuance and the ratio of green bond financing to other financing is unknown for the financed companies.

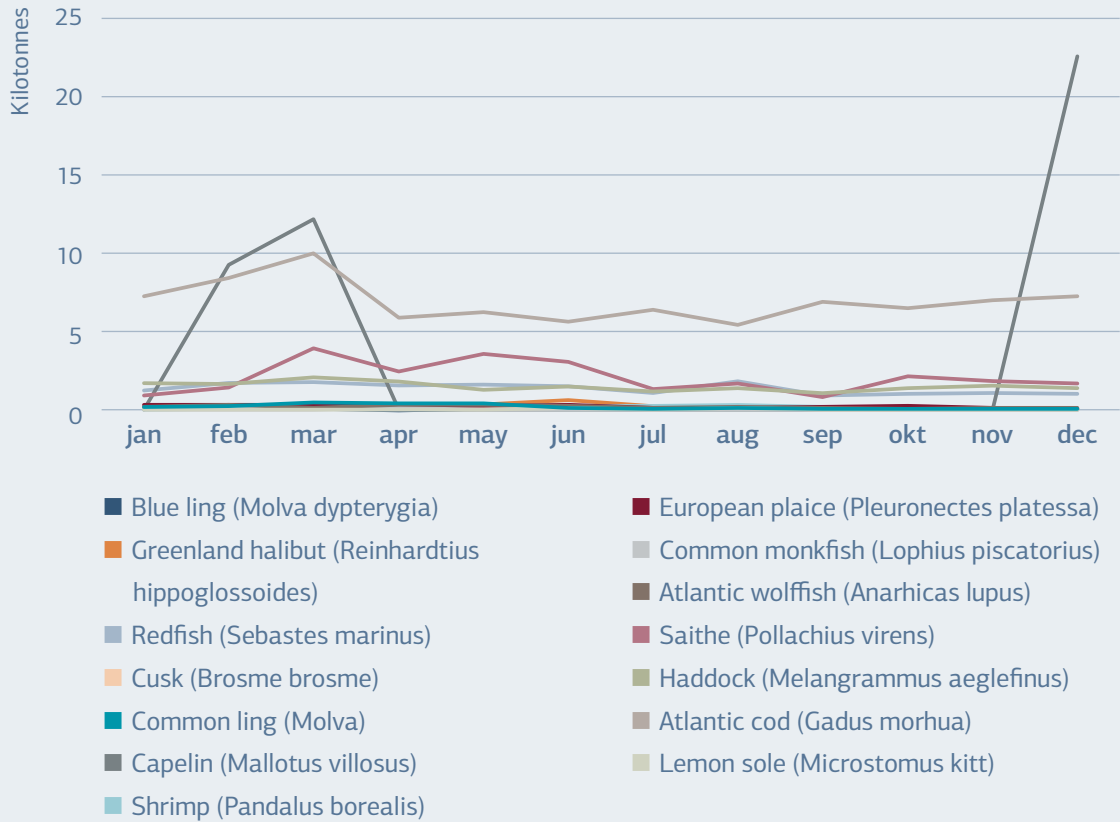
Amount of MSC certified species caught by financed companies



Species caught by financed companies

- Cusk (*Brosme brosme*)
- Atlantic wolffish (*Anarhicas lupus*)
- Greenland halibut (*Reinhardtius hippoglossoides*)
- Blue ling (*Molva dypterygia*)
- Common monkfish (*Lophius piscatorius*)
- Lemon sole (*Microstomus kitt*)
- Shrimp (*Pandalus borealis*)
- Atlantic cod (*Gadus morhua*)
- Haddock (*Melangrammus aeglefinus*)
- Saithe (*Pollachius virens*)
- Redfish (*Sebastes marinus*)
- Capelin (*Mallotus villosus*)
- European plaice (*Pleuronectes platessa*)
- Common ling (*Molva molva*)

Amount of MSC certified fish caught separated by species



Landsbankinn

Type of Engagement: Annual Review

Date: October 21, 2021

Engagement Team:

Amala Devi, amala.devi@sustainalytics.com, (+1) 416 861 0403

Lea Muething, lea.muething@sustainalytics.com

Introduction

In February 2021, Landsbankinn issued a green bond, the proceeds of which have been used for refinancing loans made to finance investments and expenditures in Marine Stewardship Council (“MSC”) certified sustainable fisheries under the Landsbankinn Sustainable Finance Framework (“the Framework”).¹ Sustainalytics provided a Second-Party Opinion on this Framework.² In October 2021, Landsbankinn engaged Sustainalytics to review the projects funded through the issued 2021 green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 green bonds based on whether the companies financed:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Landsbankinn Sustainable Finance Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Landsbankinn Sustainable Finance Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Environmentally sustainable management of living resources and land use	Investments and expenditures related to catching, production and processing of MSC (Marine Stewardship Council), ASC (Aquaculture Stewardship Council, fully certified) or Iceland Responsible Fisheries Certified fish products. Small companies catching species listed under “MSC Certified Fisheries”, using qualified methods, by Icelandic Sustainable Fisheries are eligible if >90% of revenue come from such fishing activities.	Amount of certified products produced shown on a per product and certification basis.

Issuing Entity’s Responsibility

Landsbankinn is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

¹ Landsbankinn Sustainable Finance Framework is available at: <https://www.landsbankinn.is/Uploads/Documents/English/Investor-relations/2021-01-21-LB-Sustainable-Finance-Framework.pdf>

² Landsbankinn Sustainable Finance Framework Second-Party Opinion is available at: <https://www.landsbankinn.is/Uploads/Documents/English/Investor-relations/2021-01-21-Landsbankinn-Sustainable-Finance-Framework-Sustainalytics.pdf>

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Landsbankinn’s Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Landsbankinn employees and review of documentation to confirm the conformance with the Landsbankinn Sustainable Finance Framework.

Sustainalytics has relied on the information and the facts presented by Landsbankinn with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Landsbankinn.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Landsbankinn’s green bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Landsbankinn Sustainable Finance Framework. Landsbankinn has disclosed to Sustainalytics that it raised a total of EUR 300 million in February 2021, and the proceeds are fully allocated to refinance loans made between February 2018 and October 2019 to finance investments and expenditures related to the catching, production and processing of MSC certified fish products. Landsbankinn has confirmed that the proceeds are fully allocated as of October 2021.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Landsbankinn Sustainable Finance Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Landsbankinn Sustainable Finance Framework and above in Table 1.	See Appendix 1 for summary of allocation reporting. Impact reporting not yet available. ⁴	Not applicable

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

⁴ As the Framework was developed in January 2021 and the green bond issued in February 2021, the Issuer has informed Sustainalytics that impact reporting is not yet available for eligible projects. Therefore, the assessment is solely based on allocation reporting.

Appendix

Appendix 1: Allocation Reporting by Eligibility Criteria

Loan Year	Total amount allocated from 2021 Green Bond (million EUR)
2018	263.6
2019	36.4
Total	300

Loan Year	Month of first disbursement	MSC certified entity financed	Percentage of loan refinanced	Amount allocated from 2021 Green Bond (million EUR)
2018	February	Company 1	100%	59.8
2018	October	Company 2	100%	0.7
2018	October	Company 3	100%	10.4
2018	October	Company 4	100%	30.0
2018	July	Company 5	100%	4.6
2018	September	Company 6	100%	26.2
2018	December	Company 7	100%	6.6
2018	October	Company 8	100%	2.1
2018	June	Company 9	100%	77.2
2018	February	Company 10	100%	40.0
2018	April	Company 11	100%	6.2
2019	October	Company 9	100%	22.9
2019	September	Company 10	75%	13.5

Disclaimer

Copyright ©2021 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

