



# Landsbankinn's Policy

on Responsible Investment

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Landsbankinn's Policy on Responsible Investment is based on the United Nations' Principles on Responsible Investment, of which Landsbankinn is a member. The policy reflects Landsbankinn's rules on, inter alia, risk appetite, large exposures and maximum aggregate risk, operational risk, reputational risk, liquidity risk and good corporate governance.

Landsbankinn aims to be a leader in responsible investment in Iceland, as a strategy of responsible investment positively impacts return on investment in the long term and reduces operational risk.

The Executive Board of Landsbankinn has approved the Policy and monitors compliance with it. The Policy is reviewed once each year.

#### **A. Policy objectives**

The Policy is intended to serve as a framework that enables the Bank to integrate corporate social responsibility in investment decisions.

The Policy applies to Landsbankinn and the Bank emphasises the need for its subsidiaries to set comparable policies.

The Policy applies first and foremost to investment in listed and unlisted equities on the Bank's own behalf or its customers:<sup>1</sup>

#### **Responsible investment involves:**

- » That Landsbankinn complies with current laws and regulations on individual markets.
- » That investment always seeks to minimise the negative effects of and promotes the positive impact of investment on the environment, employees and other stakeholders.
- » That Landsbankinn obliges itself to promote on-going improvements in matters relating to environmental, social and governance affairs.<sup>2</sup>
- » That Landsbankinn carries out risk assessment designed to evaluate the ESG aspects of companies under consideration for investment.

#### **B. Purpose of the Policy**

The purpose of the Policy is to establish an effective and credible approach to handle contentious issues in responsible investment while at the same time endeavouring to achieve a healthy profit on the Bank's investments.

The Policy places emphasis on reciprocal information disclosure, both internally and publicly, concerning responsible investment. Such information disclosure supports analysis, comparison and assessment of different investment options.

#### **Objectives and environment**

ESG factors are all important aspects of the Bank's assessment of investments. It is the Bank's opinion that companies cognisant of these factors in their operations will reap the benefits in the long term.

<sup>1</sup> The Policy is introduced to asset management clients as part of the activities of the Bank's Asset Management division.

<sup>2</sup> Environmental, social and governance (ESG)

## C. Methodology

It is the opinion of Landsbankinn that integration of ESG criteria in the evaluation of investment options leads to better decisions and reduces the Bank's financial risk. Emphasis is placed on preventative measures and safeguarding the interests of the Bank and investors in the long term through a dialogue on corporate social responsibility with companies.

Landsbankinn's procedures concerning responsible investment are based on the following methodology:

- » Active dialogue
- » Integration of ESG criteria in analysis and investment decisions
- » Exclusion - exceptional cases

### Active dialogue

Landsbankinn works with other investors and stakeholders to promote awareness and the importance of responsible investment in Iceland.

Landsbankinn emphasises working with companies towards defined goals that are relevant to the operations of each respective company. The aim is to participate in building well operated companies for the benefit of investors and the community.

Landsbankinn builds on active investment methods to affect decision-making concerning the governance of companies. The Bank will exercise its voting rights at shareholders' meetings if it considers there to be discrepancies between company policy and Landsbankinn's policy as regards corporate governance.

Where industrial sectors can negatively impact the environment or society, each company's efforts to reduce that impact will be taken into consideration, in line with Landsbankinn's policy.

### Integration of ESG criteria in analysis and investment decisions

At Landsbankinn, ESG criteria is integral to analysis of investment objects with the aim of gaining a comprehensive overview of a company's operations in order to better identify the opportunities and risks involved in investment. Assessment of social risk shall be based on the same principles as the assessment of financial risk.

### Exclusion

It is not the intention of Landsbankinn to use exclusion to eliminate companies from the Bank's investment pool. Should a company be found in repeated violation of national or international law or agreements ratified by Iceland, the Bank reserves the right to exclude it from its investment pool. Exclusion should be the exception, a last resort once a dialogue with the company has proved futile.

## **D. Standards and guidelines**

Assessment of investments shall take the following into account:

- » Landsbankinn' Policy on Responsible Investment
- » International laws and conventions ratified by Iceland
- » Operating licence requirements
- » The UN Global Compact
- » OECD Guidelines for Multinational Companies
- » OECD Corporate Governance
- » Guidelines on Corporate Governance published by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers, as well as the Guidelines on Corporate Social Responsibility published by NASDAQ OMX Iceland.

## **E. Collaborative ventures**

Landsbankinn is a member of the UN's Principles for Responsible Investment (UN PRI) and makes it a priority that any partners involved in analysing companies on the Bank's behalf and fund managers either participate or base their work on the guidelines of UN PRI.

Landsbankinn seeks to collaborate with other investors, fund managers, analysts and stakeholders in implementing responsible investment in Iceland.

## **F. Approach to responsible investment**

Landsbankinn's primary approach to responsible investment is defined in more detail by Asset Management's investment board.

## **G. Disclosure**

A productive dialogue with companies on ESG concerns builds on mutual trust. Great emphasis is placed on maintaining the trust of companies that the Bank invests in. Landsbankinn will not reveal the names of companies it has entered into a dialogue with nor on the issues that form the focus of that dialogue if such disclosure may negatively impact the company in question.

Landsbankinn will publish a list of excluded companies, i.e. due to repeated violation of laws and agreements.

Landsbankinn publishes an annual report on ESG concerns in accordance with the rules of UN PRI.