

# **UN Global Compact**

## **Communication on Progress**

**October 2009**



**Landsbankinn**

## Statement of continued support

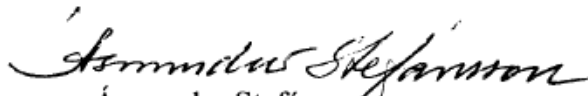
Dear Secretary General,

Landsbanki is in the position of having become insolvent in connection with the collapse of the financial markets in the autumn of 2008. With a 120-year history, Landsbanki was owned by the state until 2003, when it was privatised. Between 2003 and 2008, the bank grew rapidly, established extensive operations abroad, and took on large and challenging projects. By 2008, the Icelandic banking system had grown to about 10 times the nation's GDP, and when the financial market crisis struck in the autumn, all three of Iceland's large commercial banks collapsed and were taken over by the state.

Although various aspects Landsbanki's activities over the past years can justifiably be criticised, the bank has always attempted to promote CSR in its operations. One of its last projects before the collapse, for example, was to send a COP report to Global Compact at the beginning of October 2008.

We have now been working towards rebuilding a new bank in a new environment for nearly a year. Both I myself and the Board of Directors are strongly of the opinion that social responsibility is very important in the future development of the bank and its operations. Therefore, emphasis has been placed on continuing the very good CSR work that has been done in the past and in reinforcing it. We are at a turning point, and we are working tirelessly towards building a new bank that will generate profits for its owners, take active part in the revitalisation of the Icelandic economy, and work smoothly and compatibly with the stakeholders we deal with.

Reykjavík, September 2009

  
Ásmundur Stefánsson  
CEO of Landsbankinn

## **Local Pioneer**

Ever since Landsbanki joined the UN Global Compact in 2006, the first Icelandic company to do so, the organisation has been supporting the Compact's principles by making them an intrinsic part of its Corporate Social Responsibility (CSR) policies.

Landsbanki has always worked proactively; for example, by taking the initiative in organising and leading Icelandic companies towards co-operation within the Global Compact Network for Nordic Countries. Furthermore, Landsbanki has chaired the Icelandic Centre for Corporate Social Responsibility (*Ethikos*), which aims at enhancing the ability of Icelandic companies to respect social concerns, the environment, and human rights in their daily operations. The Ethikos initiative, which originated at Reykjavik University, is a co-operative effort between the university and some of Iceland's largest companies.

## **Honouring the 10 GC Principles**

During its 120 years of existence, Landsbanki has always taken its role as a good member of society very seriously. From the bank's inception, its history has always reflected a strong CSR commitment, first as a public institution intended to promote the country's lagging development, then as a privatised bank for five years, and now as a publicly owned company once again.

Landsbanki recognises that successful CSR policy can only be achieved through dialogue with as wide a variety of stakeholders as possible. We have identified three main stakeholder groups: owners, staff and customers. Furthermore, we have defined a wider circle of stakeholders whose interest we also consider, including the environment itself, the general public, business partners, creditors, investors, public authorities, cultural and educational institutions, NGOs, the financial industry, auditors, and suppliers.

In the next sections we try to describe Landsbanki's efforts to honour its commitment according to the ten principles of the Global Compact.

### **Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights**

### **Principle 2: Businesses should make sure that they are not complicit in human rights abuses**

Our Code of Ethics and Business Conduct, our guide to the way we go about achieving our business goals, encourages open and ethical behaviour. The Code, which is disseminated to every employee, is a tangible manifestation of our values.

The Code was last updated in 2009 to clarify key provisions and enhance readability.

**Landsbanki's Code sets forth the general obligations of its employees, with the aim of promoting honesty, justice and fairness in business, and enhancing customers' and the public's confidence in the bank. Employees must avoid any type of conflict of interests and dubious business practices that could erode the bank's image.**

We offer employees anti-harassment training, stressing the importance of preventing discrimination and treating fellow employees with respect and consideration at all times. The training makes it clear that we do not tolerate retaliation against those who file complaints, and that failure to rectify offensive behaviour can lead to termination of employment.

**Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining**

Landsbanki supports freedom of association and negotiation in all its operations. The labour market is well organised in Iceland. Freedom of association and the right to collective bargaining are protected in Iceland, both by a very strong labour code and by well-rooted and universally acknowledged respect for such rights. Collective bargaining between the social partners on wages and other terms of employment has a long tradition in all sectors of the labour market, including the banking system, and enjoys strong support from both social partners; that is, trade unions and employers' organisations, and the government. Landsbanki has always participated in these labour market solutions as a solid partner and complies fully with current legislation and regulations. Trade and professional unions are open to all those working in the field concerned. Applicants may not be denied membership based on gender, national origin, or other similar grounds. The general level of unionisation is very high in Iceland compared to most countries, or around 88%. We can assume that over 90% of Landsbanki's employees are union members and, of course, nobody is prohibited by the bank from such participation. The Landsbanki Employees' Union is part of the Confederation of Icelandic Bank and Finance Employees

**Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour;**

Landsbanki strongly supports the elimination of all forms of forced and compulsory labour. Landsbanki respects the laws, regulations and norms of the countries where it operates. Although such practices are hardly common in the markets where Landsbanki operates, to take this important matter one step further, Landsbanki is currently looking at integrating more rigorous screening processes into its credit policy in order to minimise the possibility of complicity in any form of forced labour or other human rights violations.

**Principle 5: Businesses should uphold the effective abolition of child labour**

Landsbanki supports the abolition of child labour in all its forms. Because of the nature of our operations, our contribution to the fight against child labour is through our lending

policy, where we attempt to assess projects and borrowers thoroughly, with ethical considerations such as this in mind.

### **Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation**

#### **Human Resource Strategy**

Landsbanki recognises and accepts its legal obligations to promote equality in employment policy and practice wherever it operates. We pursue a policy of employee non-discrimination and make all decisions concerning staff members purely on the basis of merit, whether this concerns career development, assignments, training, or remuneration. As is stated above, mobbing, prejudice, and sexual harassment will not be tolerated.

We have successfully embedded diversity principles in recruitment processes; for example, we train recruiters in diversity and outreach advertising to ensure that we advertise in the right places to reach the broadest range of potential candidates. We have created learning tools for managers and senior executives to facilitate their understanding of the impact of modern legislation.

In order to attract, support and retain the best professionals in each field, Landsbanki is committed to ensuring a high level of job satisfaction, an excellent working environment, and effective staff development. A central facet of this policy is to provide an enjoyable and interesting workplace where facilities, equipment, and overall work surroundings are second to none.

To make sure that strategy is translated into action, the bank applies a variety of assessments of its human resources policy. These include retirement surveys, assessments of staff turnover, customer surveys, regular workplace audits, and employee interviews. All of these efforts are directed at obtaining information on how well the human resources strategy is implemented in practice and how effective it is.

### **Principle 7: Businesses should support a precautionary approach to environmental challenges**

Our approach to environmental issues includes our own operational environmental strategy as well as our research and investment strategy. Because Landsbanki is a financial corporation, its direct environmental impact is relatively low and a precautionary approach applies to most our operations by default. In Iceland, 72% of total primary energy is from renewable sources (as compared to the global average of 13%).

### **Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility**

Landsbanki is highly committed to environmental issues, as is evident from the variety of international initiatives in which we have participated. These initiatives include: Caring for Climate, the UN Environment Programme Finance Initiative, and the OECD Guidelines for Multinational Enterprises. Furthermore, Landsbanki became the first Icelandic company to participate in the Carbon Disclosure Project in 2008 by reporting its carbon emissions for 2006-2007.

Landsbanki is working on a new environmental policy, defining both annual and three-year strategic targets for its internal environmental performance. These include substantial efforts to tackle further issues such as recycling, energy consumption, employee participation, and carbon-neutral operations.

**Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies**

To reduce its greenhouse emissions, Landsbanki has invested considerably in technological solutions enabling travel-free meetings. Landsbanki furthermore emphasises electronic banking to its traditional customers and in opening up new markets.

Landsbanki also encourages those of its customers who use online banking to receive their account statements electronically by making it easy to decline statements on paper format through their personal online bank.

**Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery**

In order to prevent corruption in any form, Landsbanki has implemented regulations and working procedures, e.g. to combat money laundering and insider trading and protect investors.

Corrupt practices accompany and facilitate drug dealing and organised crime. Money laundering and illicit international money transfers, in turn, can be used as support mechanisms for international terrorism. Landsbanki has implemented systems for the identification of its customers (KYC), including customer information in the case of recorded transactions, account opening etc.

Landsbanki's increased obligation to know its clients is one aspect of increased consumer protection. An assessment must be made of the knowledge, financial strength, and experience of clients before they are provided with services related to securities transactions. If Landsbanki does not obtain the prescribed information, it may not provide clients with advice on securities transactions. According to the MiFID directive, Landsbanki separates its clients into different categories with respect to different products or services.