

KVİKA BANKI HF. BANKING | IS | 540502-2930

B1 | 83 / 100

A1 - A3	B1 - B3	C1 - C3	D
Excellent	Good	Medium	Poor

RATING

Kvika banki achieves good results in Reitun's ESG assessment, with 83 points of 100 possible, placing it in category B1.

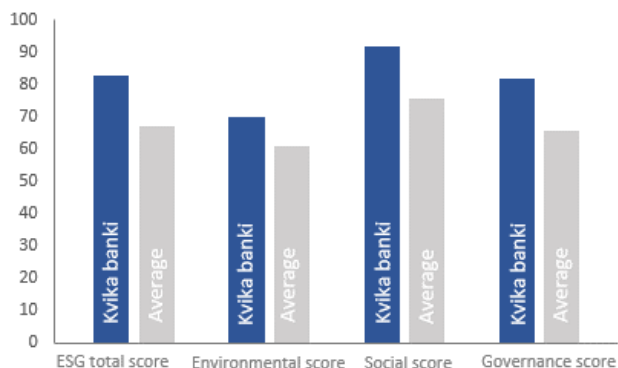
ESG RATING RESULTS

	Weight	Score	Rating
Environmental	12.0%	70	B2
E.1 Eco - Efficiency	6.0%	50	C1
E.2 Environmental Management	6.0%	90	A3
Social	25.0%	92	A2
S.1 Working Environment	7.0%	97	A1
S.2 Employee Welfare & Customer Satisfaction	18.0%	90	A3
Governance	63.0%	82	B1
G.1 Corporate Governance	9.0%	97	A1
G.2 Corporate Practices & Supplier Chain	24.0%	88	A3
G.3 Products & Services	30.0%	73	B2

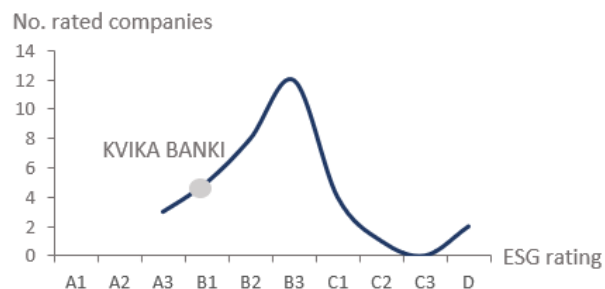
SHORT SUMMARY OF RESULTS

Kvika banki comes out well in its ESG assessment by Reitun, scoring 5 points more than last year. It put much work into sustainability issues in 2021, improving its performance in that area still further. The year saw the merger of Kvika banki, TM and Lykill, and the acquisitions by Kvika of Netgíró and Aur were also completed. A new comprehensive policy for the group has been set out in which sustainability is given greater priority. Modifications have been made to the organizational structure for this purpose, including the establishment of a new committee on social responsibility and sustainability which reports to the CEO. The board and senior management have been involved more closely in climate-related issues, which is a positive development in the bank's administrative structure. ESG matters, and how they are addressed with regard to products and services, are important concerns in the banking sector; Kvika banki has achieved good results in this and intends to continue in the same direction. As a commercial bank, Kvika banki relies heavily on fintech solutions in its operations; digital technology makes for simpler and more environmentally friendly procedures. Kvika banki's subsidiaries are committed to the same policy and have achieved results in switching to digital solutions. The group offers 'green' automobile loans and 'green' deposit accounts, and work is in progress on developing further sustainable products. Credit operations have been upgraded with regard to ESG factors: the bank published its 'green' financial framework and has recently made its first 'green' bond issue, which was well received. It aims to publish an impact report and to report on capital disposal every year. In autumn 2020 Kvika banki committed to uphold the UN Principles of Responsible Investment, and its Asset Management department works in this spirit. The bank scores well in general administrative practice and business ethics; as it is located in Iceland, where financial enterprises operate under detailed regulations and close scrutiny, risk in this area is considered minimal. Data security is a potential risk area for the financial sector. Kvika banki itself is in a strong position here, and work is in progress on creating unified practice for Kvika, TM and Lykill following the recent merger. Kvika banki underwent its first audit for ISO27001, the International Standard for Information Security, receiving certification at the end of 2021. It scores well on supply-chain issues, assesses its suppliers and has introduced a code of ethics for them. Kvika banki is generous in its support of the community, making grants to a variety of causes that have a positive social impact. It takes the environmental impact of its internal operations seriously, offsetting its total net emissions; its relatively low score for eco-efficiency (E.1) reflects the fact that no environmental accounting data was available for a three-year period when this assessment was carried out, and therefore performance in this area is not evaluated. Kvika banki performs well on human resource management; coordination of procedures is currently in progress to extend this to TM following the merger.

COMPARISON



ESG RATING DISTRIBUTION



COMPARISON WITH DOMESTIC PEERS

In all risk categories, Kvika banki comes out well above the average of those domestic issuers (currently about 35) that have been assessed by Reitun. The market average is currently 67 points out of a possible 100, category B3. Kvika banki is among the eight highest companies in category B1, or above; these companies are considered as being in a strong position compared with the market.

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