



# Green Bond Framework

Landkreditt SA

May 2022



# 1. Introduction

# About Landkreditt SA

Landkreditt is a medium-sized Norwegian financial institution, owned by Norwegian farmers, offering a range of products within banking, funds, insurance and real-estate. Established as a credit union in 1915, the co-operative now has approximately 9000 members, 30 billion NOK of assets under management, and 200 employees. The bank caters to customer from both personal- and business-segments, where agriculture comprises the largest share. Landkreditt has, as its overarching purpose, an ambition to support customers and members by offering quality financial products – a purpose that is as defining for the bank today as it was at inception in 1915.

Being a co-operative owned by Norwegian farmers, we are proud to have contributed to agricultural production which delivers profits to farmers and answers to the highest quality standards for more than a hundred years. We consider this to be part of our social and communal responsibility. While focusing on profitability, Landkreditt is committed to respect generally accepted ethical standards, the environment, as well as the people and communities of which

we are a part. We are convinced that acting responsibly in terms of ESG has a positive impact on profitability and improved competitiveness.





# Sustainability at Landkreditt

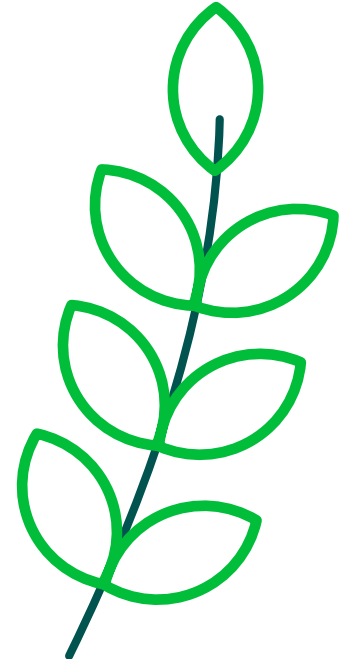
The climate is changing, and it is likely that extreme weather events, such as extreme precipitation, heat waves, strong winds and long-lasting droughts will become more frequent in the future. The agricultural sector will face multiple challenges through changes in weather patterns and extreme events, changing biodiversity and increased spread of diseases. We are working actively to adapt our products and services to the increasing climate risks – e.g. by incentivising investments by our customers that support the transition to a low emission economy through our green loan products, by integrating a climate risk perspective into our credit process, and by training our insurance staff to explore the potential for reusing and refurbishing damaged assets, instead of just building new structures.

We are aware that achieving truly sustainable operations requires a holistic perspective on our footprint. This perspective includes an assessment of our direct impact through our own operations. However, a much larger impact on environmental, but also social- and governance-related concerns lies in our lending and insurance business. In 2020 we laid the foundations for an

update of our sustainability strategy. This process enjoyed the full backing and support of our board and leadership. In 2021, our focus has been on integrating and implementing the strategy across the company and with all our employees, by translating our sustainability strategy into the following concrete action-points:

1. Support norwegian farmers in reaching their environmental targets set out in the Norwegian Farmer Association agreement with the Norwegian Agricultural authorities (Landbruksdepartementet).
2. Include Sustainability evaluations in credit and risk-assessment models
3. Develop green products with strict documentation requirements and competitive pricing
4. Long-term focus to reduce negative environmental impact from our own activities within waste management, energy efficiency, use of electronic documents and responsible investments.

We see this Green Bond framework as a way to connect several of these action points. The framework translates our ambition to support Norwegian farmers into concrete project categories for funding in the bond market. The green bond proceeds need to be tracked and matched to our green loan products. The bank's data-systems and credit-models are being adjusted to facilitate just that. From funding, over data-tracking, to developing and promoting our green loan products to our customers, the framework provides a shared point of reference for what we consider to be sustainable projects.





# Integrating sustainability across the organisation

## Green loan products

Leveraging our role as an enabler of investments, we are determined to develop financial products that encourage and nudge our customers to make sustainable choices. In 2020, we launched our Green Mortgage loans, followed in 2021 by our Green Agricultural loans, specifically targeting farmers and the agricultural sector. Agriculture is one of the largest sectors in Norway, and also a sector that faces challenges related to the changing climate and the transition to a low-carbon society. Landkreditt aims, through targeted agricultural products and input from qualified partners, to aid the sector in its transition. The green agricultural

loans finance measures and investments which reduce emissions and increase the sustainability of production. Examples include the financing of rooftop solar panels, equipment for guided and optimized fertilization, and measures to protect against physical climate risk impacts, such as drainage systems for events of heavy precipitation. Landkreditt works with Norsk Landbruksrådgivning to evaluate what kind of measures qualify for green agricultural loans. Currently, farmers applying for these loans are obliged to complete an online course on the impacts of climate change on the agricultural sector, created by Landbrukets klimaselskap.

The purpose is to increase awareness amongst farmers, and to incentivise them to apply Landbrukets klimakalkulator (climate calculator for the agricultural industry) and seek guidance from climate advisors.

Regarding the real estate sector, Landkreditt is aware of the environmental benefits which can be achieved by renovating existing buildings. Landkreditt has started an internal process to explore opportunities to support and incentivize our customers to consider renovations.





# Tracking and capacity building

We want to integrate sustainability into the assessment of loan applications, and the tracking of loan agreements from agricultural clients. To that end, we have included questions which assess the environmental status and performance of our clients into our internal credit models. Over time, we intend to build up and expand this data base to compliment the traditional financial risk assessment. The solution was established and tested in 2021, and is being rolled out in the first half of 2022. The data gathered will be combined with agricultural production data and fed into an expert group which will process it to detect both risks and opportunities in short-, medium- and long-term perspectives. Climate risk will consequently also be included in the regular reporting to board and management.

For our insurance business, we have dedicated staff who ensure that we include sustainability in the evaluation of damages. In each case, careful consideration is given to the method through which the damages might be repaired. For instance, in cases of rooms with water damage, we will always advise drying before demolition, repair before condemnation, and reuse of materials wherever feasible. We work continuously to educate our appraisers to ensure sustainable handling of damages and correct choice of methods.

We see our efforts in the context of wider national initiatives, and are eager to support the Roadmap for green competitiveness in the financial industry and the Roadmap for 2050. Roadmap 2050 was issued by the agricultural-, food- and drinks-industries and contributed to the work of the Norwegian Council on green competitiveness ("Utvalg for grønn konkurransekraft").





# Sustainability themes

Landkreditt has identified 10 essential main topics to guide our communal efforts. These topics also support the UN Sustainable development goals.

## Co-operative and purpose

Our purpose is to improve our customers' and members' profitability by offering quality financial products and services. Through the co-operative model we will contribute to finance and insure increased agricultural production throughout the country.

## Human rights

We will respect and adhere to the principles of human rights in all parts of our business. This applies both to our own internal processes and to our partners, customers, and others that are directly influenced by our activities.

## Active Ownership and responsible investments

We pursue an active dialogue with our owners and other interested parties on Environmental, Social and Governance (ESG) related topics. For our investments, we follow Statens [Pensionsfond Utlands guidance](#) and [UNPRI](#)

## Customer relationships and reputation

All customers shall be treated with respect and integrity. We want to fulfil our customers' needs in the best possible way and in respect of our ethical guidelines, and we shall act responsibly in all our customer dialogues.

## Combating Financial Crime

Landkreditt has zero tolerance for any forms of corruption. We will help combat financial crime, including tax evasion and corruption. We will facilitate our employees' ability to handle difficult situations and to follow laws and regulations applicable to our business.

**Labor rights and social relations**

Landkreditt shall be a stimulating and inclusive place of work. All our employees have contracts following the Norwegian “arbeidsmiljøloven”, and a fair salary. We also have zero-tolerance for discrimination and bullying of employees, partners, customers or others that can be related to our business.

**Long-term risk and opportunity evaluation**

We will contribute to an efficient and competent financial-system which safe-guards society’s needs for financial services.

**Climate and environment in our business**

We work continuously to reduce the environmental impacts of our own business. As our direct environmental impacts (scope 1 and 2) mainly stem from our energy and resource use, we work to increase our energy efficiency, and to reduce use of physical resources (such as paper) by moving towards electrical storage systems and communication.

**Privacy and security**

Landkreditt will handle and use information in line with regulations, and place weight on data protection and confidentiality.

**Ethics**

Our business builds on trust, and we employ the highest standards for ethics throughout the company. Our ethical guidelines (in Norwegian) can be found [here](#).





# Working with the Sustainable Development Goals

The UN Sustainable Development Goals are the World's collective roadmap to eradicate poverty, combat inequality and stop climate changes before 2030. The financial sector is amongst the most influential and important sectors for reaching these targets. Landkreditt has chosen to focus on 5 of the 17 goals, in areas where we see our greatest potential for contribution.

## Goal

### 3. Good health



## Description

The farmer is the most important resource on the farm. At the same time, farming is one of the most demanding occupations in Norway, and the farmer is as such more exposed to injuries. In Landkreditt, we consider it as part of our mission to provide life- and health insurance to farmers, and offer favourable conditions to members of the Norwegian farmers association (Norges Bondelag).

### 8. Decent work and economic growth



The food-industry is Norway's largest onshore industry, and we are proud to play a part in the value-chain that secures healthy and safe food for Norwegian consumers. In Landkreditt, we have extensive competencies for understanding the farmers' needs when establishing and running a farm, and offer tailored products that recognise the cyclical nature of farming. "Driftskreditt" is a good example for this, and we offer such products on favorable conditions. Previous research published by Norsk institutt for landbruksøkonomisk forskning (NILF) has shown that this has contributed to considerable savings for the agricultural sector. We also offer tailored insurance-products, enabling the farmer to insure him-/ or her- self, the animals, the equipment and all other parts of their daily business.

For a long time, Landkreditt has been engaging with the national government to create a risk-lending-system for the agricultural sector. With a combination of low-risk loans from banks, new risk-loans, grants and equity, several exciting and profitable agricultural projects can be realised where insufficient collateral currently poses limitations.



## Goal

### 11. Sustainable cities and communities



## Description

Urbanisation is a clear challenge for rural Norway. To maintain and increase local food-production, it is essential to maintain recruitment for the agricultural sector. Establishing a farm is expensive, and maintaining efficient operations is capital intensive. This challenge motivated Landkreditt's targeted efforts towards new and young farmers, with a range of products actively aiding the new generation of farmers into the industry.

- Gårdssparing for Unge (GSU) is one such product, targeted towards a younger generation. With GSU, aspiring farmers can, in a combination with BSU ("boligsparing for unge") start saving towards agricultural real-estate with very favourable conditions.
- Our Ny bonde-lån similarly aids new farmers with their financing, regardless of if they are inheriting a farm, or buying a new one.

We support and work together with organisations, such as 4H Norway, Norges Bygdeungdomslag (NBU) and Norges Bygdekvinneforbund, who all work towards creating an active life in rural Norway.

### 13. Climate action



The agricultural sector is particularly vulnerable to climate change, as changing weather patterns and an increase in extreme weather events greatly impact the cyclical nature of farming. As the first to enter into a specific climate-agreement with the government, the sector has committed to reduce emissions with 5 million tonnes of CO2 equivalents by 2030. Landkreditt wants to support farmers on this path, and has therefore launched targeted green agricultural loans to facilitate the transition to more sustainable food production. We also provide better conditions on financing that limit potential damages to produce from farm-fires, flash floods and heavy rain.

### 17. Partnerships for the goals



Landkreditt is part of Norsk Landbrukssamvirke, an organization that provides a forum for discussion, knowledge exchanges and cooperation towards reaching our collective targets, including the UN SDGs and landbrukets klimaavtale.



## 2. Green Bond Framework

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Landkredit aims to support the shift towards a low carbon society. The creation of this Green bond Framework (“Framework”) aligns the Bank’s sustainability ambitions and its sustainable product portfolio with its financing solution. The framework is based on the 2021 version of Green Bond Principles published by the International Capital Markets Association.



# Use of proceeds

The net proceeds of the Green Bonds issued by Landkreditt will be used to finance or re-finance Eligible Assets in the form of loans that have been evaluated and selected by Landkreditt in accordance with this Green Bond Framework.

## Eligible Project Categories

Project Category	Description	Criteria	SDG Mapping
Green Buildings	<p>New and Existing green residential buildings.</p> <hr/> <p>Renovated green residential buildings which have achieved an improvement in energy-efficiency of at least 30%.</p>	<ul style="list-style-type: none"> <li>Buildings built between 01.01.2012-31.12.2018 which have received an Energy Performance Certificate character A or B</li> <li>Buildings built after 01.01.2019 which have received an Energy Performance Certificate character A</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Improvement of the Energy performance certificate character with at least two steps</li> <li>Improvement of primary energy demand (kWh/m<sup>2</sup>) per year by at least 30% compared to the calculated energy efficiency of the building code applicable when the building was completed.</li> <li>A lower threshold is set at an achieved energy label D, documented through an EPC label or calculated energy performance character.</li> </ul>	  





## Eligible Project Categories

Project Category	Description	Criteria	SDG Mapping
Sustainable Agriculture	Agriculture - Loans to finance or refinance environmentally responsible agriculture	<p><b>Available for agricultural companies which have:</b></p> <ul style="list-style-type: none"> <li>• Completed latest version of KSL internal review</li> <li>• Completed Klimasmart landbruk's online course on climate</li> <li>• Deliver a copy of invoice detailing expenditures to activities that reduce emissions and increase the sustainability of production.</li> </ul> <p><b>Activities might include:</b></p> <ul style="list-style-type: none"> <li>• Roof for slurry- / manure-pit to prevent runoff</li> <li>• Storage for dry manure</li> <li>• Trailers for manure-spreading</li> <li>• Ditches for drainage of rainwater</li> <li>• Equipment for optimized fertilization to avoid oversupply of nitrogen and runoff</li> <li>• N-sensors, measuring and recording nitrogen levels in soils, enabling guided and precise application of manure</li> <li>• Hose-spreader for targeted spreading of manure</li> <li>• GPS systems for tractors to enable guided soil treatment and fertilization, applying nutrients only in spots where there is a recorded need</li> <li>• Equipment and retrofitting to enable transition from fossil to non-fossil fuels for heating</li> </ul>	  



## Eligible Project Categories

Project Category	Description	Criteria	SDG Mapping
Sustainable Agriculture	<p>Renewable energy in agriculture - Loans to finance or refinance project development, construction and maintenance of renewable energy production, including related equipment</p>	<ul style="list-style-type: none"> <li>• Solar Energy: i.e. installation of solar-cells</li> <li>• Wind-Power: onshore wind energy projects</li> <li>• Bioenergy using locally sourced waste as feedstock</li> <li>• Small-scale hydroelectric power projects using run-of-river infrastructure               <ul style="list-style-type: none"> <li>• &lt; 25MW capacity</li> </ul> </li> </ul>	
	<p>Energy efficiency in agriculture – loans to finance or refinance measures which replace the use of fossil energy and improve the energy efficiency of e.g. buildings.</p>	<p><b>May include, but is not restricted to:</b></p> <ul style="list-style-type: none"> <li>• Replacing Diesel generators with electricity from the grid.</li> <li>• Installing central operational control systems in buildings</li> <li>• Loans to finance the procurement of electric machinery which traditionally runs on fossil fuels</li> <li>• Local energy solutions (e.g. excess heat from non-fossil sources)</li> </ul>	
		<p>The electrification of the production of oil and gas, as well as measures to improve the energy efficiency of such activities, is excluded.</p>	



### Eligible Project Categories

Project Category	Description	Criteria	SDG Mapping
Sustainable Forestry	Loans to finance or refinance environmentally responsible forest management	<ul style="list-style-type: none"> <li>Forest land certified in accordance with the Forest Stewardship Council (FSC) standards and/or the Programme for the Endorsement of Forest Certified (PEFC)</li> </ul>	  
	Loans to finance or refinance the acquisition of forests which are managed in an environmentally responsible way		

## Exclusions

Net proceeds from Green Bonds issued under this framework will not finance assets related to the production, storing or transportation of fossil fuels, nuclear energy production, weapons or defence, potentially harmful resource extraction, gambling, tobacco or other drugs. Assets not in accordance with Landkreditt's investment policy or that breach internationally recognised frameworks (such as the ten principles of the UN Global Compact) will also be excluded.



# **3. Selection and evaluation of eligible projects**

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Landkredit has designed and implemented a process to ensure that only projects aligned with the criteria set out above will be selected as Eligible Assets and Projects for its Green bond issuance. To oversee the selection process, a Green Bond Committee has been established with members from risk management, finance and sustainability. The finance representative is the chair of the committee and the sustainability representative holds a veto.

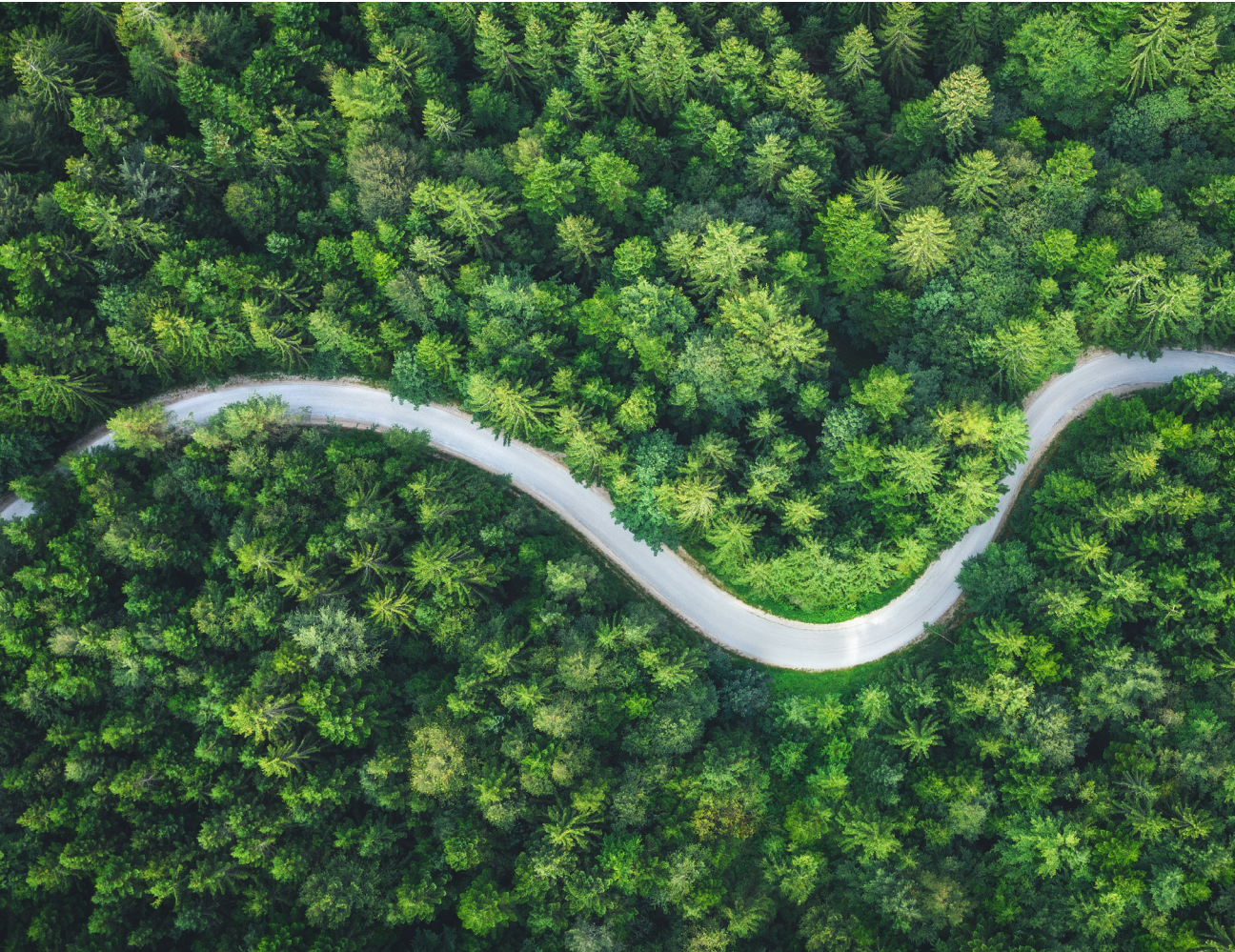
The Green Bond Committee follows the below process when selecting and evaluating projects for the Eligible Projects.

1. Relevant business units will propose potential projects and assets to be financed in accordance with the above criteria
2. The Green Bond Committee will assess the eligibility of proposals according to the criteria in above table and removes projects that do not meet the criteria. The committee will then decide on projects to be financed and submit final approval.
3. A limited assurance is provided by the Third Party Audit provider once a year.





# 4. Management of proceeds



Landkreditt will establish a Green Bond Register for the purpose of monitoring the Eligible Assets and Projects and the allocation of the net proceeds from Green Bonds issued under this Framework.

Landkreditt will over the duration of the outstanding Green Bonds build up and maintain an aggregate amount of Asset and Projects in the Green Bond Register that is at least equal to the aggregate net proceeds of all outstanding Green Bonds.

There may be periods when the total outstanding net proceeds of Green Bonds exceed the value of the Eligible Assets and Projects in the Green Bond Register. Any such portion will be held in accordance with Landkreditt's normal liquidity management policy.

The Green Bond Register will form the basis for the impact reporting.



# 5. Reporting



Landkredit will annually publish a report on the allocation and impact of Green Bonds issued under this framework. Where relevant Landkredit will seek to align the reporting with the latest standards and practices as identified by ICMA and the guidelines in the Nordic Public Sector Issuer's Position Paper on Green Bond Impact Reporting. The impact report will, to the extent feasible, also include a section methodology, baselines and assumptions used in impact calculations.

### Allocation Report

The allocation report will, to the extent feasible, include the following components:

- The total amount of green bonds outstanding,
- The share of green proceeds which have not been allocated
- The allocation of proceeds per project category
- The relative share of new financing versus refinancing

### Impact Report

Landkredit will strive to report on the actual environmental impact of the investments financed by their Green Bonds. If/when actual impact for some reason is not observable, or unreasonably difficult to source, estimated impact will be reported.

The impact indicators may vary with investment category, as defined in this Green Bond Framework. The impact metrics selected may include the following:

#### Green Buildings

- Shares of financed buildings with EPC label A, and B
- Number of renovated buildings financed
- Further indicators might be reported wherever practicable

#### Sustainable agriculture

- Number and type of measures that have been financed
- Example of financed measures including their environmental benefits
- Installed capacity in renewable energy (KW)
- Number and type of energy efficiency measures that have been financed
- Further indicators might be reported wherever practicable

#### Sustainable Forestry

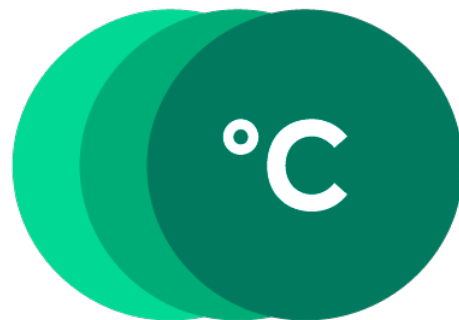
- Shares of allocations in this category to the acquisition, and management of forests
- Area of responsibly managed forest financed
- Further indicators might be reported wherever practicable





# 6. External review

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°CICERO  
Shades of  
Green

### Second Party Opinion

Landkredit has engaged Cicero Shades of Green to act as an external verifier of this Green Bond Framework and the Eligible Assets and Projects. The Second Party Opinion is publicly available on Landkredit's webpage.

### Third-Party Review

Landkredit may, on an annual basis, until maturity or until full allocation of proceeds, request a limited assurance report concerning the allocation of proceeds.



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