



Landshypotek Bank

Sustainability Report 2019

For a richer life in the countryside

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This report is an extract from Landshypotek Bank's Annual Report 2019 where the complete sustainability report is presented in accordance with the Annual Accounts Act.

To promote sustainable development countrywide

Landshypotek Bank enables people to run companies, realise their dreams and to live countrywide. Through the strong commitment of the bank's owners, customers, investors and employees, the bank strives daily to develop our unique bank. Landshypotek Bank believes in wise, long-term investments that continue over generations. The bank has been around for more than 180 years and plans to be here for at least as long again.

The bank's contribution to sustainable development

A living countryside, where fields and forests are cultivated, creates growth and jobs. These create the preconditions for a well-developed business community and Swedish welfare across the country. Sustainable development countrywide rests on the conditions for living and working throughout Sweden. Landshypotek Bank uses sound and responsible credit granting to enable rural living and investments in rural enterprise.

This lays the foundation for a future for the cities and the countryside. In this way, the bank contributes to sustainable societal development – socially, environmentally and economically.

Agriculture and forestry fill many important functions and are of great significance to the country's development. The forest is a key link in the transition to a fossil-free society. Forest raw materials are renewable, recyclable and biodegradable, and can be used for many different products and replace fossil alternatives. Growing forests bind carbon dioxide and counter climate changes.

Swedish farms and agriculture maintain high standards for animal husbandry, environmental adjustment and food quality. Agriculture has considerable potential to contribute to reducing CO₂ emissions. The use of forests and cultivated land also contributes to biodiversity, nature management and variety in the Swedish countryside.

Being the bank for all of Sweden also means offering loans to customers wishing to buy homes outside the major cities. Together, Landshypotek Bank and its customers promote a living countryside where people live and work.

Due to the ever intensifying focus on sustainability, both internally and externally, Landshypotek Bank has also bolstered and more clearly structured its sustainability efforts since 2015. The bank is positive to the general increase in awareness and interest in the bank's operating environment.

Sweden's member-owned bank

Farming and forestry borrowers become members of Landshypotek Ekonomisk Förening and, thereby, owners of Landshypotek Bank. With some 38,000 members, the association is one of the country's largest cooperative associations.

The association's purpose is to benefit its customers and members. The owner directive sets out that Landshypotek Bank is to promote the members' financial interests by offering competitive financing for farming and forestry. The bank acts to promote a richer life countrywide. This

2015	Landshypotek Bank participates in Finansinspektionen's mapping of environmental and sustainability perspectives in credit granting to companies
2016	Landshypotek Bank participates in sector initiatives in the Swedish Bankers' Association to maintain <i>Sustainability overview for credit granting to companies</i> The CEO of Landshypotek Bank appoints a Chief Sustainability Officer who is included in the bank's Management Group
2017	Landshypotek Bank's first <i>Sustainability overview</i> is published
2018	Sustainability analysis instruction updated The sustainability report is prepared and published for the first time The bank's green bond framework is prepared and published Landshypotek Bank issues a green covered bond Landshypotek Bank participates in Finansinspektionen's mapping of environmental and sustainability perspectives in credit granting to companies
2019	Green Bond Impact Report prepared for the first time A second green covered bond is issued A first analysis of the bank's credit portfolio's impact on climate- and environment-related risks is carried out The bank starts reporting pursuant to the GHG protocol



means a direct assignment to strengthen and contribute to societal sustainability – socially, economically and environmentally. By extension, this entails the bank making it possible to provide food security, a healthy environment, well-kept forests and open landscapes through strengthening the preconditions for active farmers and foresters, entrepreneurs in the countryside and residents of rural areas.

The bank's actions in pursuit of this owner directive are reported on an ongoing basis to the Board of Directors of Landshypotek Ekonomisk Förening.

The ownership form is one of the bank's strengths. As loan customers are also the bank's owners, this creates commitment, shared responsibility and a long-term approach. The bank's profits are redistributed back to the members and to agriculture and forestry, or are used to develop operations at the bank. At Landshypotek Bank, we believe this is part of modern, progressive business practices.

Read more about Landshypotek Ekonomisk Förening in the association's annual report.

Impact on key issues

Over the year, the bank has engaged in and monitored the formulation of the EU directive on sustainable

investments and finance, and more specifically, how forestry is classified in the underlying taxonomy. The bank's assessment is that Sweden's forestry comprises a basis for sustainable investment and has therefore engaged in comments to the proposal to promote its inclusion. The bank has also published contributions in external media to showcase the significance of Sweden's forestry from a sustainable investment perspective. The bank is monitoring the negotiations regarding design and implementation since, by extension, these could impact the bank's funding. From a wider perspective, we believe that Swedish forestry must have long-term game rules to continue to develop and contribute to societal benefit, knowledge and innovation – in Sweden and internationally.

Customers and the offering

Landshypotek Bank's customers

Landshypotek Bank targets owners and entrepreneurs in agriculture and forestry, those living on farming and forestry properties, homeowners and savers. The bank's loan customers are mainly located outside of Sweden's major cities and the bank's target groups are clearly defined. Landshypotek Bank lends to customers against collateral in agricultural and forest properties or houses

in Sweden. The bank's savings customers can be found countrywide.

The bank's customers include a large portion of the country's large-scale production agriculture, many smaller farmers and foresters as well as mortgage customers since the bank widened its customer offering in 2017. For natural reasons, the customers' relationships with the bank are longstanding and often continue across generations, since farming and forestry are capital intensive, long-term businesses.

Proximity and networks

One of Landshypotek Bank's strengths is its close links to the farming and forestry industries. The bank's account managers at offices around the country often have backgrounds in agriculture and forestry, and banking and financing expertise. Moreover, the organisation is small and decentralised, which enables close customer relationships with short decision paths. Together with its elected representatives, Landshypotek Ekonomisk Förening maintains an extremely strong presence, competence and commitment across the company.

Sound and sustainable lending

Since 1836, Landshypotek Bank has endeavoured to offer sound and sustainable loans. This means contributing to customers' financial security, within the framework of the bank's credit regulations. The regulations aim to protect customers' financial positions and, at the same time, to shield the bank and owners from credit losses.

The bank promotes simplicity, clarity and transparency in its credit granting. Distribution and marketing must be responsible and moderate. Customers are to feel secure with Landshypotek Bank, and to understand the terms being offered when facing critical financial decisions.

Landshypotek Bank's operations are assessed as being critical for Sweden's financial system and are therefore encompassed by the Swedish National Debt Office's resolution planning. The bank thereby also contributes to securing the country's long-term economic stability.

The bank's focus entails natural limitations in its credit granting. The bank does not finance weapons, such as cluster weapons, anti-personnel mines, biological or chemical weapons, or the production or distribution of nuclear weapons, and the bank has no exposure to nuclear power or coal.

Credit appraisal including sustainability analysis

Landshypotek Bank's credit appraisals are based on customers' repayment capacity. A sustainability analysis is always included in the credit appraisal for large and medium-sized companies and all legal entities. A sustainability analysis is also conducted if separate environmental risks could arise or if it is deemed appropriate in

individual cases. The bank's account managers conduct a sustainability analysis to review whether operations are linked to a quality assurance system, if it is checked by a third-party, if self-assessments are conducted as well as the results of any checks performed. If these checks are missing, the bank conducts a more thorough review. Read more about risks and risk management in Note 2 in Landshypotek Bank's Annual Report 2019.

Preventive insolvency management

The bank works actively with preventive insolvency management. This entails early contact by the bank with customers who have or who could have difficulties in meeting their interest or amortisation payments. Many situations can arise in life that could change a person's repayment capacity. It is therefore important that the bank takes early contact with customers and prepares individual plans to enable them to get on top of their payments. The bank owns the entire insolvency process, which is highly material to the ability to follow customers irrespective of the situation. If the bank succeeds with early identification and can start a good dialogue, this often leads to good outcomes for our customers as well as the bank.

Investments

The bank's liquidity reserve comprises interest-bearing securities, either covered bonds with the highest credit ratings issued by Nordic credit institutions or securities issued by Swedish municipalities or county councils. Therefore, the bank's assessment is that there are no material non-financial risks linked to the bank's investment activities.

Greener funding

In 2018, Landshypotek Bank prepared a green framework for issuing green bonds. The aims included being able to promote a more sustainable financial market as well as to meet demand from the bank's investors. The bank's green bond framework is based on sustainable forestry practices, renewable energy and energy-efficient buildings. The framework is aligned with the Green Bond Principles prepared by the International Capital Market Association. The framework was awarded a Dark Green rating from the Center for International and Environmental Research – Oslo (CICERO), which is the highest rating for green bonds.

In May 2018, the bank issued its first green covered bond under the green bond framework. In 2019, the bank issued an additional green covered bond. The funds raised by the bonds are used exclusively to finance sustainable forestry. The total volume issued was SEK 8.25 billion. As per one of the obligations under the bank's green bond framework, the first impact report for green bonds was prepared and published on the bank's website during the year. Read the full report on the bank's website under investor relations.



Employees working for all of Sweden

Landshypotek Bank comprises around 198 (190) employees at 19 offices. Many of the bank's account managers, the bank's customer-facing front office, have backgrounds in agronomy, forestry, agrology or similar fields in addition to their banking expertise. The bank's account managers who work with mortgage loans have SwedSec licences. Together, the bank's staff work to promote a richer life countryside.

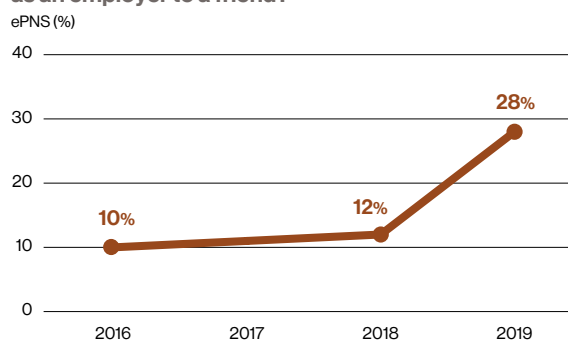
Employeehip our way

The bank's foremost assets are its employees, culture and commitment. All of the employees have participated in creating the bank's employee values (read more about these on page 50 in Landshypotek Bank's Annual Report 2019). The employees are also the bank's main brand carrier; the aim is for all employees to enjoy their daily work and feel motivated by, and pride in, their employer.

During the year, all employees were given the opportunity to respond to an employee survey aimed at capturing commitment, perspectives and views regarding the bank's development. The response rate was 87 percent, which is high and ensures that the survey

provides an accurate image of employees' views and feelings. The same survey measured the eNPS for the year and posed the following question, "How likely are you to recommend Landshypotek Bank as an employer to a friend?"

How likely are you to recommend Landshypotek Bank as an employer to a friend?



The graph shows that the likelihood of recommending the bank as an employer has risen among employees over the last few years. eNPS (%) is the portion who responded 9–10 minus those that responded 1–6 on a scale of 1–10, where 10 represents most likely. Responses in the 7–8 range are treated as neutral. The question was asked in 2017, but due to a technical fault when sending out the survey the response rate was so low that the figures are not relevant.

The insights gained from the survey comprise the foundation for the bank's continued development and shared efforts to strengthen employeeship and the culture that permeates the bank.

Small bank – Huge commitment

Each employee accounts for around half a percent of the bank, which means that each individual's commitment is highly important. Employees are involved in numerous projects and are part of how the bank is developed. Over the year, the entire bank has gathered on two occasions to discuss the bank's transition and to make new contacts within the bank. In 2019, many employees have driven and participated in a number of dialogues in conjunction with a major change project within the organisation.

Skills and development

The bank thinks widely in terms of personnel skills and development. All managers have regular dialogues with their personnel to jointly manage and develop the work group's and the individual's tasks, and to build and broaden the employee's skills in the long term. The dialogues are based on the bank's employee values. Beside development in their current roles, this could include participating in different projects, holding courses for colleagues, swapping departments for a period or studying for a formal qualification. The bank has a standing range of courses available, some of which are obligatory, for example, credit training for the bank's account managers as well as annual anti-money laundering training for all. Refer to the following table for the results.

Under the "knowledge at lunch" concept, the bank's employees are able to share their expertise while their colleagues can broaden their skillsets. Six lunches were conducted by the bank's employees during the year: external regulatory frameworks and regulatory requirements; digital marketing and presence; arable farming; covered bonds; forestry and capital adequacy.

Rights and conditions at work

Landshypotek Bank strives to be a popular, good place to work, both with regard to employment terms and conditions, and to the work environment. The employees are offered a benefits portal, loans at favourable terms and subsidised lunches for example. The bank has a collective agreement with the Financial Sector Union of Sweden and the Swedish Confederation of Professional Associations (SACO). Each of the two unions have appointed their own representative on the bank's Board.

The bank strives to achieve sound and fair pay scales that ignore background and gender. The bank adheres to the legislation in this area, which entails the bank conducting an annual salary review within the organisation with the aim of identifying, addressing and preventing unjustified salary differences between genders. The analysis found that the pay scales were fair and that no unjustified salary differences existed between genders.

The ILO's Core Conventions apply to the bank's operations:

Human rights are always respected and the bank adheres to the legislation that applies to its operations. Labour law requires that employment is voluntary and that no form of discrimination, harassment or child labour may occur. Salaries are paid directly to the employees and any overtime is always compensated. The bank's employees have the right to organise and collective agreements are always respected. The bank complies with national environmental requirements. The operations are conducted with high moral standards and ethics to ensure sound professionalism. All forms of corruption, extortion and bribes are unacceptable.

	No. of employees who underwent training		
	2019	2018	2017
GDPR training	44 (new employees and consultants)	All	–
Credit training	–	75	72
Anti-money laundering training (annual)	99.5% ¹⁾	All	All
SwedSec licencing (employees with active licences)	64	52	26
Training in credit scoring system and process (new)	93	–	–
Advanced credit training	21	51	35
Valuation training	–	77	–

Due to the implementation of a new credit scoring system, "Credit training" was replaced this year by obligatory training in the new credit scoring system and updated credit regulations for all employees who work with credit scoring at the bank.

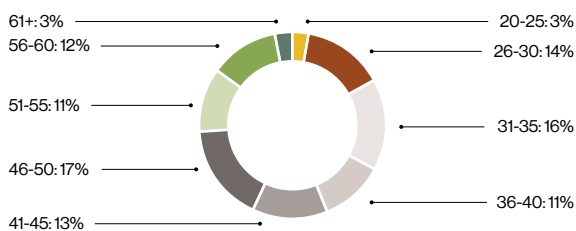
¹⁾ One employee who finished at the bank at the beginning of January 2020 did not complete the training.

Several factors contribute to the bank's shared environment, and to everyone's performance and well-being. Each manager and employee contribute on a daily basis in their manner and behaviour to creating and developing a positive working climate. In addition, there is a Work Environment Council tasked with promoting a good work environment and following up the bank's work environment efforts. The Council comprises employer and union representatives, health and safety representatives, and the bank's Risk Manager. Employees also have access to generous wellness subsidies and health checks.

The bank believes that egalitarian and diverse groups improve work and performance. The bank prioritises creating space for different perspectives, evening out gender, age and experience distribution of misaligned working groups and ensuring that no one is discriminated against or mistreated in other ways.

Age distribution

The figures are based on the total number of employees at 31 December 2019



The bank has a broad age distribution. The bank has a broad age distribution, with the most common age interval among the bank's employees being 46-50 (41-45). One in six employees are in this interval, and the youngest and oldest intervals (20-25 and 61+) are the least represented.

Gender balance in percent, women/men

The figures are based on the total number of employees at 31 December 2019



The distribution between women and men is even at the bank. At 31 December 2019, the percentage distribution between men and women was 51/49 (50/50), among managers 33/67 (40/60), in the management 13/87 (33/67) and 33/67 (50/50) on the Board. The distribution does not meet the desired gender balance among managers, management and the Board. The business is aware of the above disparity and is actively working to achieve change, particularly with new recruitments.

Business ethics and anti-corruption

Landshypotek Bank strives to achieve high risk awareness and low risk undertaking. This position is demonstrated by the bank's lending being primarily against collateral in immovable property and its focus on first lien mortgage loans for farms, forests and houses. Read more about the bank's credit granting in Note 2 in Landshypotek Bank's Annual Report 2019.

Acting ethically and correctly

Respect for human rights is essential for the conduct of sound and sustainable enterprise and something that the bank always adheres to in its own operations and in relation to customers, suppliers or other business partners. Given the operations of the bank and the bank's requirements of suppliers and business partners, the bank's assessment is that there are no significant risks linked to human rights.

Acting correctly and objectively is of great importance in all of the bank's business dealings. The bank's and the employees' extensive commitments in agriculture and forestry are a strength but also entail risks. For this reason, a structured process is in place to approve and follow up ancillary activities. Should a risk of a conflict of interest arise, the case must be transferred to another colleague. Employees' ancillary activities are notified and followed up annually.

Prevention of financial crime

Money laundering and terrorism financing comprise serious threats to society in Sweden and the rest of the world. The bank does not tolerate and does not participate in money laundering or terrorism financing. The bank takes all reasonable measures to prevent the bank being used for money laundering or terrorism financing. The Board and CEO are ultimately responsible for the bank's operations taking the necessary precautions to prevent money laundering or terrorism financing, for the bank's internal rules complying with external regulatory requirements and that said rules are appropriate, well implemented and complied with in operations. As part of its organisation to prevent money laundering and terrorism financing, the bank has created the following roles and functions: Designated Supervisor, Central Function Manager, Operational AML Manager and Independent Auditor (the function is often conducted within the bank by internal audit). The bank has also established a separate AML function at Board level. Read more about Landshypotek Bank's risks and risk management in Note 2.

Administration and internal regulatory compliance

Landshypotek Bank's ethics policy states that operations should apply sound values and professionalism; that customers', employees' and the owner's interests at an overall level should be taken into account in all decisions, and that external and internal rules should always be complied with.

The bank's policy on conflicts of interest also governs insider trading as well as gifts, rewards and other benefits. Guidance is provided here for difficult situations.

Business ethics are included in various employee training courses, including induction training for new employees. If employees are unsure about how to apply the ethics policy, the first resort is to contact their immediate manager. Furthermore, the bank's compliance function can be contacted for advice and support. Finally, the bank has a whistle-blower process. Anyone who suspects serious misconduct can use the whistle-blower service anonymously.

Landshypotek Bank also has an incident reporting system for deviations from internal or external requirements and rules.

During the year, the bank has changed to using WhistleB as the supplier of its whistle-blower service.

Suppliers and business partners

The bank has mainly outsourced activities in terms of IT. In support of the bank's outsourcing, procurement and monitoring, the bank has a number of policy documents that set requirements for the bank's outsourcing agreements. The bank is also subject to Finansinspektionen's requirements for outsourcing agreements as defined in FFFS 2014:1. The bank monitors suppliers on an ongoing basis, which also encompasses an ESG perspective. All IT equipment purchased by the bank is TCO certified (fixed-line telephones are not included as no environmental classification is in place for telephones). TCO certification means that sustainability requirements are set, which include driving social and environmental responsibility over the product's lifecycle. The requirements extend beyond the industry standards and legislation that drive the development of sustainable IT products.

Climate and the environment

Landshypotek Bank's main environmental impact is at customer level. The bank's core business is the financing of Sweden's agricultural and forestry sector. Many of the bank's core customers, run operations that affect and are affected by the climate and the environment. Climate change can have a direct and indirect impact on our customers' operations and, thus, also on the bank's credit risk.

Since the bank's core customers operate in farming and forestry, the customers' impact on the environment can be both positive and negative. Farming and forestry reduces carbon dioxide in the atmosphere, and contributes to biodiversity, renewable raw materials and food. This requires input goods that may negatively impact the environment, such as from nitrogen leaching from fields, ammonia from fertilisers and pesticides in food production. Accordingly, the bank carries out sustainability

analyses to identify environmental risks in its customer credit appraisals, see above.

Climate- and environment-related risk and opportunities within the framework of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

In 2019, Landshypotek Bank has identified climate- and environment-related risks and opportunities to be able to map these and to identify their short- and long-term effects on the bank's credit risk. The identified risks and opportunities primarily affect the bank's credit risk toward farming and forestry, which is also the segment toward which the bank has its largest exposure. In the first step, the bank has highlighted the physical risks and opportunities in its operating environment that impact the bank.

Overarching: Landshypotek Bank finances entrepreneurship and living in houses on agricultural properties. Agriculture is one of the sectors of society that is most clearly impacted by climate change. Arable farming and animal husbandry need to be constantly adapted to their environment. In the same manner, the risks and opportunities posed by a changed climate need to mark and permeate the entire bank

Governance: Climate-related risks and opportunities for the bank's operations, today and in the future, are always on the bank's customers' agendas. In the same manner, this is incorporated as a natural part of the bank's governance and operations. The bank's position is strengthened through a focus on and awareness of these risks and opportunities.

Strategy: The bank finances agriculture, forestry and houses that builds on long-standing customer relationships. The majority of the bank's lending finances agriculture – a sector of society that is clearly impacted by climate change. The bank wants to be part of the solution and provide financial solutions for transitioning and adapting agriculture to changed conditions, but also with the aim of making it more sustainable. Changes that require investment in new facilities, land and new energy solutions are areas that the bank has identified as development opportunities.

Risk management: Over the year, the bank started identifying climate-related risks, which can be categorised as: physical risks (acute and systemic) and transition risks linked to the bank's lending. The largest risks for the bank will be physical risks in terms of the collateral accepted by the bank and where customers conduct their operations, in other words farm and forest properties.

Metrics and targets: The bank's direct environmental impact is measured and will diminish over time (refer to the section covering the bank's environmental impact).

Thesis on the bank's credit portfolio's carbon footprint

In 2019, Landshypotek Bank took in a thesis student as an intern from the Royal Institute of Technology to investigate the carbon footprint from the majority of the bank's credit portfolio. The thesis aimed to examine the bank's role in a more climate-neutral economy on a deeper plane. For this purpose, the thesis contained calculations of the carbon footprint from the underlying collateral in the bank's lending against farms and forests. The calculation method used was based on the IPCC Guidelines for Greenhouse Gas Inventories and only included carbon dioxide emissions and removals linked to land use. It investigated the carbon footprint derived from the bank's lending against farms and forests, and was analysed using a sensitivity analysis to understand the bank's role in a more fossil-free economy. The study's findings showed that in the carbon footprint from lending against farms and forests, removals outweighed emissions in terms of the land use of the underlying collateral. The study also found that the calculated carbon footprint is very dependent on assumptions and delimitations, which mean that it may be difficult to attain comparability for the results. However, it was possible to note that the forests in the bank's credit portfolio generate a considerable climate benefit through binding substantial quantities of carbon dioxide.

SMHI (the Swedish Meteorological and Hydrological Institute) has been tasked by the bank with starting to identify and analyse the physical risks and climate indicators most relevant to farming and forestry and, accordingly, for the bank. Two scenarios are used in the analysis: RCP 4.5 and RCP 8.5 as defined by the UN's Intergovernmental Panel on Climate Change (IPCC). The indicators assessed by SMHI as most relevant for farming and forestry are: temperature, length of the growing season, heat waves, precipitation, total ten-year water flows, soil moisture, snow cover, sea levels, fire risk and wind gusts. The results of the analysis will be published in 2020 and included in next year's sustainability report.

Examples of climate-related risks and opportunities, agriculture: poorer harvests due to reduced or increased precipitation; lower production due to drought or flooding; plant infestations and the spread of diseases as a result of a warmer climate; increased heat stress for plants and animals as a result of a sustained high pressure; and increased competition between crops and weeds. Global market prices for agricultural products and input materials will likely fluctuate substantially as an effect of the increased frequency and intensity of natural disasters – nationally and globally. A warmer climate extends the growing season with higher and/or more harvests. Plant and climate zones move, which creates scope for more cultivation alternatives.

Examples of climate-related risks and opportunities, forestry: A warmer climate leads to a longer growing season and increased forest growth. Plant and climate zones shift, which affects the choice of tree in forestry

and means that new species create new competitive conditions. The risk of fires will increase, primarily in southern Sweden. A warmer climate improves conditions for vermin and insect pests. Mild winters and no frost will make forestry operations more difficult and increase the risk of driving damage.

Special control of coastal properties

Within the framework of identifying climate- and environment-related risks, the bank has identified coastal properties pledged as collateral in the bank's credit portfolio for farming and forestry. A coastal exposure entails a raised risk of acute (flooding) and systemic (higher sea levels) risks for the bank, since the properties' values could be affected as could the future repayment capacity. The underlying properties have been checked against Lantmäteriet's (the Swedish mapping, cadastral and land registration authority) register and SMHI's map function for future sea levels based on the IPCC's climate scenarios (2050 and 2100). The global average sea levels will have their greatest impact on sea levels in southern Sweden, where the isostatic uplift will not compensate for higher sea levels. The control shows that 2 percent of the bank's total exposure is to coastal farm and forest properties that could be affected to some degree by higher sea levels.

Swedish agriculture and forestry perform well in terms of the climate

From a global perspective, Swedish agriculture and forestry perform relatively well in terms of the climate. The main reason is good natural access to water. Access to water is the major challenge in other parts of the world as the climate warms, and which makes cultivation significantly more difficult. It is likely that we will have a warmer climate with more precipitation in Sweden. Precipitation may vary between the winter and the summer, with more precipitation during the winter. This scenario will result in drier summers and as a natural consequence, increased evaporation. A changed climate will result in extreme weather such as intense rainfall, flooding and long dry periods becoming more normal. In parallel, the growing season will become longer, which could allow more and larger harvests. This will also create scope for animals to be outside longer to graze.

Swedish agriculture produces food with a relatively low climate impact. In terms of beef and eggs, Sweden is best in class in the EU; in milk production, Sweden is second best in delivering milk with a low climate footprint. In terms of pigmeat and chicken production, emissions are slightly lower than the EU average. Sweden's arable farming is characterised by high productivity in terms of yield per hectare and per added kilogram of fertiliser (nitrogen). However, Sweden has the potential to raise yields and total harvests without using any new land (avoiding deforestation), which is one of the primary climate impacting factors that Swedish food consumption causes abroad.

Sweden's natural climate has colder winters that generally result in lower pressure from different pests. If this balance is changed, it could have negative consequences for Swedish farming, with more insect and fungal infestations. The winter and its accompanying ground frost create a natural pause in growing for crops as well as weeds. The lack of a protective snow covering increases the risk of frost damage at the same time as milder winters could lead to less damage to overwintering crops.

Expected quantities of precipitation and the lack of ground frost in the winter could lead to waterlogged soil. This would make access to fields with heavy machinery more difficult with consequent difficulties for the earlier growing season. However, in terms of autumn sown crops, such as autumn wheat and autumn rapeseed, these could benefit from changed precipitation patterns.



The bank's own environmental impact

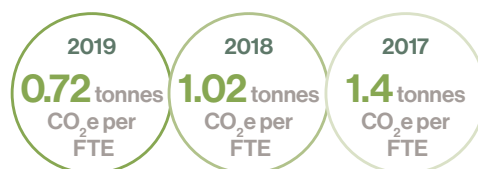
Landshypotek Bank's direct environmental impact is limited and arises mainly from the bank's premises and business travel. As the bank's customers and its 19 offices are spread across Sweden, a considerable amount of travel is required by operations. Telephone and video are the first choice for meetings and internal communication. The bank's travel guidelines include taking the environment into consideration. Overall, the bank prioritises rail travel, but many of the customers can only be reached by car. For the first time, in 2019, the bank calculated the impact of the operations on the environment pursuant to the GHG protocol. Data for the past three years has been collected to see the change over time.

Emissions broken down by scope

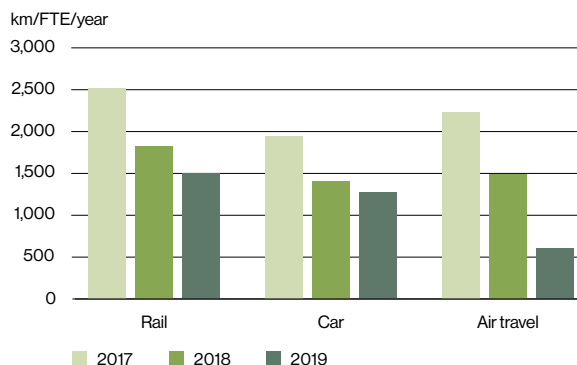
Emissions, tonne CO ₂ e	2019	2018	2017
Scope 1	0	0	0
Scope 2	63.9	76.1	84.8
Scope 3	67.1	118.1	156.8
Total	131.1	194.1	241.6

The bank's direct environmental impact has declined 32 percent year-on-year, mainly driven by less business travel (see diagram, Business travel). Emission sources included in the calculations are: district heating, district cooling and electricity consumption at office premises (scope 2) as well as business travel by rail, car and air (scope 3). The scope 2 calculations are based on real data from suppliers and pertain to the consumption at the office in Stockholm. Consumption per FTE in Stockholm, the bank's largest office, forms the basis for calculations for the bank's other offices. The electricity calculations used the Nordic residual mix (2018) for the entire consumption even though green electricity agreements are in place for many offices. The residual mix for 2018 was used as the emission factor for 2019, since the factor for 2019 is being published after the preparation of this report. The figures will be updated with the correct emission factor in next year's follow-up.

The scope 3 calculations are based on real data from the bank's travel suppliers and pertain to employee mileage allowances for business travel by car. Scope 3 does not include travel in conjunction with the bank's annual winter meeting, since these were booked by another supplier. Air travel in 2019 to and from the winter meeting in Åre were climate compensated. Scope 1 emissions were zero, as the bank has no manufacturing operations and owns no vehicles.



Business travel



Over the last three years, business travel per km per FTE and year has declined, with air travel accounting for the largest decrease.

Landshypotek Bank focuses on growth through digital channels. From an environmental perspective, this is positive at the same time as it is an effective approach for meeting customers' changing requirements and expectations. The bank's savings offering is digital and, since 2017, the bank also offers homeowner mortgages using a fully digital loan application. During the year, the bank also launched a new digital loan application for new and existing farming and forestry customers.

Next step

The bank intends to continue working with climate- and environment-related risks in 2020 and the objective is to include the risks in daily operations through, for example, the bank's credit granting. A follow-up of the stakeholder analysis completed in 2018 will be carried out to ensure the bank works in line with and to promote the expectations and demands of its stakeholders.

Policies and governance documents

The bank's most important sustainability-related policies are:

Overarching

- Sustainability Policy

General corporate governance and ethics

- Ethics Policy
- Insider Policy
- Conflict of Interest Policy
- Compliance Policy
- Policy for Counteracting Money Laundering and Financing of Terrorism
- Owner directive

Healthy credit granting and transactions

- Formal work plan for the Green Bond Committee
- Sustainability analysis instruction
- Credit Policy
- Credit Granting Guidelines
- KYC Guidelines
- Valuation Policy

Work environment, employee commitment and societal responsibility

- Remuneration Policy
- HR Policy
- Board Diversity Policy
- Guidelines for Outsourced Operations
- Guidelines for Landshypotek Bank's Work Environment Efforts

Implementation

Landshypotek Bank's policies have been established by the Board. Each manager at the bank is responsible for the implementation and observance of all rules and guidelines in daily activities.

Sustainability-related issues, particularly business ethics and anti-corruption, are included in various in-house training courses and the applicable policy documents are available to all employees. Governance documents are revised annually to ensure that they meet the requirements and expectations of our operating environment.

Landshypotek Bank's risk and compliance forum comprises representatives from the bank's business operations and individuals with process responsibility in terms of money laundering and the financing of terrorism, as well as borrowing and lending. The forum is an initial contact point for risk and compliance issues. It drives and supports the update and implementation of applicable policy documents.

Organisation

The CEO is responsible for Landshypotek Bank's sustainability initiatives and results. The bank's Chief Sustainability Officer, who is a member of the bank's management is responsible for sustainability issues. The HR Manager also has a key role in the work with sustainability issues.



