



Landshypotek Bank



Sustainability Report 2021

For a richer life in the countryside

Sustainability Report

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To promote sustainable development countrywide

Landshypotek Bank helps people to run companies, realise their dreams and to live countrywide. Through the strong commitment of the bank's owners, customers, investors, suppliers and employees, the bank strives daily to develop our unique bank. Landshypotek Bank believes in wise, long-term investments that continue over generations. Almost 200 years ago, the first building society was founded that evolved into Landshypotek Bank as it stands today, and we plan to continue offering competitive financing and safe savings to countryside entrepreneurs and households 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 as well as the prerequisites for an evolving business community and welfare across the country. Sustainable development countrywide rests on the possibilities for living and working throughout Sweden. Landshypotek Bank uses sound and responsible credit granting to enable investments in rural enterprise and housing, both in and outside of cities. This lays the foundation for a future for the cities and the countryside. In this way, the bank contributes to sustainable societal development – economically, environmentally and socially.

Meaningful for development across the country

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 achieve net zero emissions. 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 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, the bank and its customers promote a living countryside where people live and work.

In the past few years, Landshypotek has also strengthened and structured the bank's sustainability efforts

as part of living up to the expectations of the business environment. A Chief Sustainability Officer has been part of the bank's Management Group since 2016 to ensure that these issues are pushed and permeate the entire operation.

Sweden's member-owned bank

Farming and forestry borrowers become members of Landshypotek Ekonomisk Förening and, thereby, owners of Landshypotek Bank. With some 36,000 members, the association is one of the country's largest cooperative associations.

The association's purpose is to benefit its members. The owner directive states that the bank is to contribute to long-term societal development by creating the preconditions to live and work in the Swedish countryside. By offering competitive financing, the bank will strengthen its competitiveness as well as that of the cooperative association's members. The bank's actions in pursuit of this owner directive are reported on an ongoing basis by the CEO 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, and are used to develop operations at the bank. This is part of modern, progressive business practices.

Impact on key issues

Over the year, the bank has continued to engage in and monitor the formulation of the EU directive on sustainable investments, and more specifically, how farming and forestry is classified in the underlying taxonomy. The bank has engaged in comments to the proposal to promote forestry's inclusion and design for several years, and has in 2021, been active in how the interpretation and implementation of regulations is to be



carried out without a disproportionate reporting burden on smaller companies. During the year, the bank has actively taken part in the design of the industry-wide climate roadmap that was produced within the Swedish Bankers' Association.

Customers and the offering

Landshypotek Bank's customers

Landshypotek Bank targets owners and entrepreneurs in agriculture and forestry, those living on agricultural 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 homeowners. 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.

Landshypotek Bank strives to achieve high risk awareness and low risk undertaking in its credit granting and deposits operations. 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 risk management in Note 2.

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, for example,

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. In 2021, a review of the sustainability analysis was conducted and a new revised version that better captures climate and environmental risks will be implemented in 2022. Read more about risks and risk management in Note 2.

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. 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 in SEK issued by Nordic credit institutions or securities issued by Swedish municipalities or regions. The bank's green bond framework and its Sustainability Policy stipulate that the bank is to ensure responsible investments by integrating sustainability aspects in its investment decisions. As part of this objective, the bank has decided that investments in the liquidity portfolio may not include operations with a focus on fossil-based energy production, nuclear power, research or development of weapons, potentially environmentally harmful extraction of resources (for example, rare earths or fossil fuel), gambling or tobacco. 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.

The bank has issued green covered bond at a volume amounting SEK 10.8 billion. The funds raised by the bonds are used exclusively to finance sustainable forestry. As per one of the obligations under the bank's green bond framework, the third impact report for green bonds was prepared and published on the bank's website in 2021. Read the full report on the bank's website under investor relations. The bank's green bonds comprise 14.2 percent of the bank's total volume of issued covered bonds.

Employees working for all of Sweden

Landshypotek Bank comprises 225 employees at 19 offices. Many of the bank's account managers, those meeting customers in the front office, have backgrounds in agronomy, forestry, agrology or similar fields in addition to their banking and financing 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 countrywide.

Small bank – Huge commitment

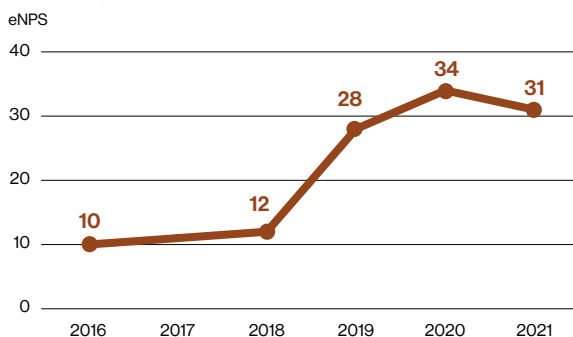
The bank's foremost assets are its culture, its employees and their commitment. The employees are also the bank's main brand carrier; the aim is for all employees to feel committed, enjoy their daily work and feel motivated by, and pride in, their employer and their daily tasks. Each employee accounts 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. At the year's three digital employee meetings, staff were given opportunity to jointly discuss the bank's transition journey, make new contacts and work together in new compositions and constellations.

During the year, employee commitment was evaluated in many ways. In the spring, each employee responded to questions based on a commitment index called the sustainable employee engagement (SEE) index. Evaluating SEE captures the motivation of employees and the prerequisites they have for offering their best for the organisation. It also captures the extent to which employees feel self-fulfilled and recognise personal development in their work, which is positive both for the individual and for the organisation. SEE provides an indication of the extent to which employees understand their organisation's overall objectives and how their own contributions meet these objectives. The SEE index consists of nine questions in three areas: motivation, leadership and strategic management. The results of this year's survey show that we have healthy prerequisites for sustainable employee engagement as employees have provided average value scores of over four on a scale of one to five.

Employee survey

During the year, all employees were given the opportunity to respond to three employee surveys. The surveys had different focuses and aims. In the first survey, questions were posed about how employees perceived their close and everyday work with questions based on the SEE index. In the second survey, questions were posed concerning the work environment and unequal treatment, and in the third, questions were posed about how employees perceived the bank's overall development during the year. The results of the first survey were shared with all managers for ongoing dialogue and reflection in each working group. The results of the second survey were managed by HR and the Management

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, but that it declined slightly in 2021. The value for 2021 is an average of the three measurements. 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 value is on a scale of -100 and +100.

Group as a basis for ongoing work and potential actions to be taken. The third survey that was conducted at the end of the year will be shared with the organisation at the first employee meeting of 2022.

All surveys measure the bank's employee net promoter score (eNPS) by posing the question "How likely are you to recommend Landshypotek Bank as an employer to a friend?" The average value of the eNPS was +31, which is very high on the scale of -100 to +100 in which values above 0 are favourable and indicate a positive attitude and feeling toward the bank as a workplace.

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

Coronavirus pandemic

The effects of the pandemic that have impacted society in the past two years have impacted working life at Landshypotek Bank. The pandemic has entailed remote working from home, new ways to collaborate and shared responsibility for community and collaboration between different work groups and departments. During the year, the bank has continued to regularly ask employees about how the pandemic is impacting their work situation. Dialogue between employees and managers has been central this year, and concerned how work is organised given the prevailing situation, the planning of activities and collaboration in and between groups at the bank.

Sick leave

A work-life balance is crucial for everyone's well-being. A good work environment and climate promotes lower absence due to illness. Accordingly, it is important to regularly measure, follow up and take initiatives to prevent ill health and illness. The bank regularly measures and follows up sick leave to be able to implement timely initiatives. The bank's sick leave figures are low for both short-term (1–14 days absence) and long-term (<15 days absence) sick leave. Short-term sick leave was unchanged in 2021 (average 0.9 FTEs) compared with 2020 (average 0.9 FTEs) and long-term sick leave declined 25 percent from already low levels (average 0.9 FTEs in 2021 and 1.2 FTEs for 2020). Total sick leave (short- and long-term) in 2021 declined 14 percent compared with total sick leave in 2020.

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. 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, anti-money laundering training, and IT and information security.

During the year, the bank's employees both arranged and were invited to digital inspirational meetings and lunch seminars. These were occasions to source new inspiration and gain knowledge or tips for the home office or the next customer meeting.

Leadership programme

The bank is continuing to invest in committed employees and leadership development. Together, this enables a workplace that is attractive and in which employees are given the preconditions for performance. During the year, the bank's managers worked on developing their leadership roles. Collective information, follow-ups and feedback on leadership was strengthened. A leadership framework was developed containing information on the expectations of managers and a programme for tools and dialogue for what it means to be a manager at Landshypotek Bank was launched.

Gender equality and diversity

The bank values diversity and equal treatment. All employees are provided the same opportunities irrespective of gender, gender identity, gender expression,

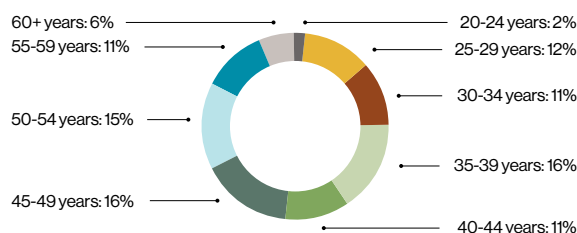
ethnic origin, religion or belief, disabilities, sexual orientation or age. It is therefore central for the Bank to actively identify, avert and prevent all types of harassment and discrimination. Experience and knowledge of Swedish farming and forestry is important as a player in the sector, but an equally central success factor to promote a richer life countryside entails having a differentiated workforce in terms of experience, competence and background.

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.

Perceptions of the organisational and social work environment are measured annually in one of the three employee surveys. Questions are posed concerning unequal treatment, and the results of this year's survey

Age distribution

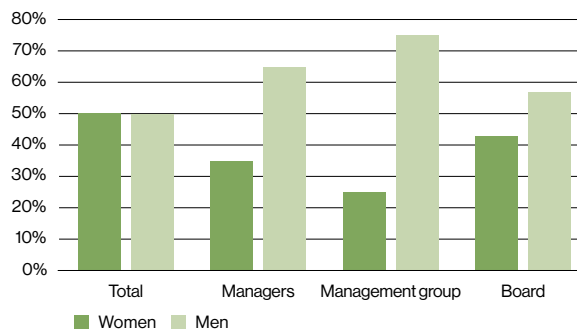
The figures are based on the total number of employees at 31 December 2021



The bank has a broad age distribution. The most common age intervals among the bank's employees are 35-39 and 45-49. The interval from 20-24 is the least common, which reflects the educational and experience requirements for many positions at the bank.

Gender balance in percent, women/men

The figures are based on the total number of employees at 31 December 2021



In total, the percentage distribution between men and women was 50/50 (51/49), among managers 35/65 (42/58), in the management 25/75 (25/75) and 43/57 (43/57) on the Board. The total distribution, that is entirely equal between women and men, is not reflected in the other groups. On the other hand, the Board lives up to the bank's target for equal groups.

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.



demonstrate that the bank's goal of zero tolerance is yet to be achieved. The bank is working actively with these issues. The same survey demonstrated that the absolute majority of employees believe that the bank treats such issues seriously.

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 loans at favourable terms, profit sharing 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 bank's Work Environment Council is tasked with promoting a good work environment and following up on 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, health checks, support dialogues and extra financial compensation when on parental leave.

Business ethics and anti-corruption

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. The bank's sustainability efforts comprise the entire operation. As such, it is important for the bank that its suppliers also take responsibility for the promotion of sound and sustainable development. Respect for human rights, the environment and business ethics permeate the entirety of the bank's supply chain.

As part of this work, the bank has prepared a Code of Conduct for suppliers in which the bank's expectations are described in detail. 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 ethically and correctly

The bank's and its employees' knowledge of, and compliance with, business ethics and anti-corruption is a prerequisite for Landshypotek remaining active in the market and retaining its confidence. This knowledge is secured through annual compulsory training courses.

Acting correctly and objectively is of great importance in all of the bank's business dealings. The bank applies a zero-tolerance policy toward corruption. This means that no employee may provide, promise or offer any inappropriate benefit. Nor may any employee receive or request such a benefit or reward, or recommend or enable a customer to receive or request such a benefit or reward.

The bank's and its employees' extensive commitments in agriculture and forestry are a strength but also entail a risk of conflicts of interest and bias. A structured process is therefore in place, inter alia, to approve and follow up the ancillary activities of employees. Employees' ancillary activities are notified and followed up annually. Should a risk of bias or other conflict of interest arise, the case must be transferred to another colleague at the bank.

The bank's compliance department regularly carries out – at least once per year – a risk analysis concerning the bank's corruption risks and conflicts of interest. The risk analysis identifies the likelihood and consequence of the risk being realised. Based on this, mitigating measures are drawn up.

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, and the Board and CEO have the ultimate responsibility for these issues. The Board and CEO are also ultimately responsible for the bank's operations taking necessary measures, 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: Designated Supervisor, Central Function Manager, Operational AML Manager and Independent Auditor (the function is often conducted within the bank by internal audit). The bank also has a separate AML function at Board level with a focus on regulatory compliance. 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 and annual training in business ethics. If employees are unsure about how to apply the ethics policy or other policies, 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 that entail a risk of adversely impacting the bank's internal or external procedures, customers and regulatory compliance.

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 them). 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 reduce carbon dioxide in the atmosphere, and contribute 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.

The bank's other customer group that has grown in the past few years is mortgage customers who live in houses or own holiday homes in Sweden. Homes with heating and energy consumption impact the climate. As a bank, we have an opportunity to be part of the transition to more energy efficient and sustainable homes by enabling investments in cleaner energy and heating sources and investing in initiatives for more energy efficiency.

Climate change and its impact on farming and forestry

Climate change will result in higher average temperatures in Sweden. Temperature zones will shift north, which will impact the length of the growing season and crop selection. Heatwaves will increase in frequency, resulting in heat stress for animals and vegetation.

Precipitation will increase in all seasons but mainly in the winter and at most in northern and western parts of the country. Flows will change in watercourses, increasing in the south and decreasing in the north. Sea levels are expected to rise with a consequent effect on southern Sweden, where land uplift will not compensate for higher sea levels.

Swedish agriculture and forestry perform relatively 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 graze for longer.

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.

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

The 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 on the basis of 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. These are changes that require investment in new facilities, land and new energy solutions are areas that the bank has identified as development opportunities.

Risk management: The bank's mapping of 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).

Physical risks and opportunities for farming and forestry

The climate indicators that will have the greatest impact on Landshypotek Bank's exposure to farming and forestry are temperature, length of growing season, heatwaves, precipitation and fire risk. Some of the indicators present opportunities and some present risks, while some present a combination of the two.

Temperature: The systematic physical risk and likelihood is that the temperature will rise nationwide. There is no acute physical risk connected to an increase in temperature but this may lead to higher risk of other acute events such as drought or heatwaves.

Length of growing season: The systematic physical risk and likelihood is that the length of growing season will increase nationwide in pace with the temperature increasing and growing zones moving northward. This could result in larger harvests of certain crops and enable new crops to be grown in geographical locations. However, conditions could deteriorate for other crops. A longer growing season also benefits forest growth, even if this can lead to consequences in the form of increased pressure from vermin. An acute physical risk with a longer growing season with an earlier spring raises the risk of spring frosts, which can harm harvests.

Heatwaves: The systematic physical risk is an increased frequency and duration of heatwaves across the country. The acute physical risk that could arise is heat stress for animals and plants as a result of high, sustained temperatures without precipitation.

Precipitation: The systematic physical risk is that annual precipitation will increase nationwide, mainly in the winter and spring and in the north and west of

the country. Number of intense precipitation events expected to increase. The acute physical risk is a raised risk of flooding and extreme rainfall, which can destroy crops. Wet ground and flooding also increases the risk of windthrow and rutting damage and presents challenges for using machinery on land.

Fire risk: The systemic physical risk is an increased risk of forest fires nationwide. The acute physical risk is mainly a risk for forestry with destroyed forests and lost growth.

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 and external communication and comprise areas that developed vigorously during the past few years due to travel restrictions resulting from the ongoing pandemic.

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 third time, in 2021, the bank calculated the impact of the operations on the environment pursuant to the GHG protocol.

Emissions broken down by scope

| Tonnes CO ₂ e | 2021 | 2020 | 2019 | 2018 | 2017 |
|--------------------------|-------------|-------------|-------------|--------------|--------------|
| Scope 1 | 0 | 0 | 0 | 0 | 0 |
| Scope 2 | 50.2 | 44.9 | 30.5 | 38.7 | 44 |
| Scope 3 | 29.9 | 28.9 | 67.8 | 118.1 | 156.8 |
| Total | 80.1 | 73.8 | 98.3 | 156.8 | 200.8 |
| Per FTE | 0.39 | 0.39 | 0.54 | 0.82 | 1.16 |

The bank's direct environmental impact increased just over 8 percent year-on-year, even if emissions per FTE were unchanged year-on-year. 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

Control of the bank's lending based on climate risks

SMHI (the Swedish Meteorological and Hydrological Institute) has completed its assignment by the bank 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, heatwaves, precipitation, total ten-year water flows, soil moisture, snow cover, sea levels, fire risk and wind gusts.

Based on this analysis, the bank has continued work with the climate indicators with the greatest impact on the bank's current credit portfolio. These indicators comprised temperature, length of the growing season, precipitation and fire risk. Based on these four indicators, the bank has simulated ECL levels based on the expected development of RCP 4.5 and RCP 8.5. The bank's credit portfolio has been broken down by asset type (arable land, pasture and forest) and by municipality to illustrate the geographic effect based on the two scenarios for the respective indicators.

Temperature: An assumed average temperature rise to over 9 degrees will adversely impact agriculture, animal production and forestry in the form of drought and weather-related stress. The bank's exposure to operations where the risk of drought and heat-related stress will increase may result in higher credit loss levels due to customers having difficulty in meeting their undertakings to the bank.

Length of growing season: An assumed prolongation of the growing season to beyond 250 days per year will positively impact agriculture and forestry in the form of larger and more harvests. Credit loss levels are expected to decrease.

Precipitation: An assumed increase in precipitation to over 804 mm per year will adversely impact agriculture as flooding increases, which can result in damage to land and crops. Credit losses are expected to increase due to customers having difficulty in meeting their undertakings to the bank.

Fire risk: An assumed increase in fire risk to over 44 days per year will adversely impact forestry as the risk of uncontrolled fires increases. Credit losses are expected to increase due to customers having difficulty in meeting their undertakings to the bank.

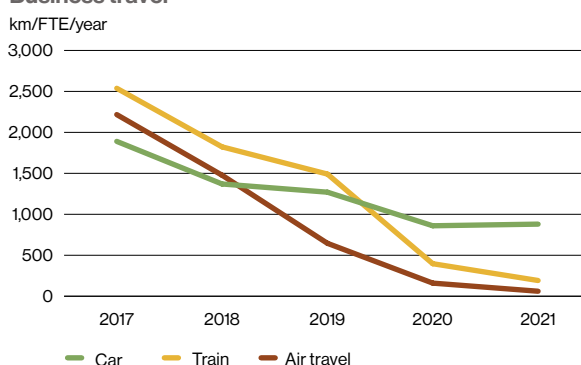
(Scope 3). The Scope 2 calculations are based on real data from suppliers and pertain to the consumption at the office in Stockholm. Consumption per FTE in Stockholm, the bank's largest office, forms the basis for calculations for the bank's other offices. This approach means that total Scope 2 emissions increased between 2020 and 2021 as the number of employees at the bank's other offices increased during the year. The electricity calculations used the Nordic residual mix (2020) for all offices apart from the Stockholm office where actual emission factors were used. Green electricity agreements are in place for many offices. The residual mix for 2020 was used as the emission factor for 2021, since the factor for 2020 is being published after the preparation of this report. 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 1 emissions were zero, as the bank has no manufacturing operations and owns no vehicles.

Landshypotek 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. At the same, it places requirements on security, accessibility and a sustainable IT infrastructure. The bank offers a digital savings offering to the general public, as well as a digital mortgage offering and a digital application for farming and forestry customers.

Taxonomy reporting

The bank's exposures to taxonomy-eligible economic activities are presented below. Landshypotek Bank is not covered by reporting requirements, but elects to disclose these at this time, in accordance with the

Business travel



Over the last four years, business travel per km per FTE and year has declined, with air travel accounting for the largest decrease. The levels for 2021 are essentially the same as 2020. The levels are low as a result of the ongoing pandemic and subsequent travel limitations.

Swedish Bankers' Association jointly established reporting template, to increase comparability for the bank's and the market's shareholders.

| Assets | Share of total assets, % |
|--|--------------------------|
| Exposure to taxonomy-eligible economic activities. | 17 |
| Exposure to taxonomy-non-eligible economic activities. | – |
| Exposure to central governments, central banks and supranational issuers | – |
| Derivatives | 1 |
| Exposure to undertakings not encompassed by the NFRD ¹⁾ | 71 |
| Trading portfolio | – |
| On-demand interbank loans | 0 |

¹⁾NFRD = the EU Non-Financial Reporting Directive that contains requirements for sustainability reporting for some major companies with more than 500 employees.

Explanation of the reporting

In the table above, Landshypotek Bank has chosen to report the bank's exposures to taxonomy-eligible economic activities. Taxonomy-eligible operations are assessed on whether they are environmentally sustainable pursuant to certain criteria. To date, the European Commission has only established technical criteria for a small number of sectors, and banks will not be obligated to report the extent to which their exposures to taxonomy-eligible economic activities meet the sustainability criteria until 2024. On the first row of the table, the bank reports its exposures to taxonomy-eligible economic activities. The figure includes the bank's retail exposure in the form of the bank's mortgage portfolio that is encompassed by the EU taxonomy regulation. On the second row, the bank reports its exposure to taxonomy-non-eligible economic activities. The bank has no exposure to central governments, central banks and supranational issuers or to companies encompassed by the NFRD.

Next step

In 2022, the bank will develop a climate strategy with the aim of establishing guidelines for the bank's operations. In conjunction with the design of the strategy, a portfolio analysis based on a climate perspective will be made to highlight the bank's starting point. In addition, the bank will implement the changes in non-financial reporting that will be implemented in the years ahead. The design of the Taxonomy is one of the regulations that will be followed to ensure that the strategy is designed in a favourable manner.

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
- Landshypotek's Code of Conduct for suppliers

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 and Instructions for Outsourced Operations and Contract Management
- 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 regularly revised to ensure that they meet the requirements and expectations of our operating environment.

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 and Chief Risk Officer also have key roles in the work with sustainability issues.

