



Landshypotek Bank

Sustainability Report 2020



For a richer life in the countryside

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This report is an extract from Landshypotek Bank's Annual Report 2020 where the complete sustainability report is presented in accordance with the Annual Accounts Act.

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 and employees, the bank strives daily to develop our unique bank. Landshypotek Bank believes in wise, long-term investments that continue over generations. More than 180 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 – socially, environmentally and economically.

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 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 in recent years. 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 37,000 members, the association is one of the country's largest cooperative associations.

2016	The CEO of Landshypotek Bank appoints a Chief Sustainability Officer who is included in the bank's Management Group
2017	Landshypotek Bank's first Sustainability overview is published
2018	The Sustainability Report is prepared for the first time The bank's green bond framework is prepared Landshypotek Bank issues a green covered bond
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
2020	Green Bond Impact Report prepared for the second time The issue of a second tranche of the second green covered bond is completed The bank continues to analyse risks and opportunities from a climate perspective for the bank's credit portfolio and customers



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 countryside. This 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 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, 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 continued to engage in and monitor the formulation of the EU directive on sustainable investments and finance, and more specifically, how farming and forestry is classified in the underlying taxonomy. In particular, 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 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 and its customers.

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 countryside.

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 2020.

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 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.

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 and a further tranche of the second bond in 2020. The funds raised by the bonds are used exclusively to finance sustainable forestry. The total volume issued was SEK 10.75 billion. As per one of the obligations under the bank's green bond framework, the second 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 204 (198) 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.

Employee-ship our way

The bank's foremost assets are its employees and culture as well as its employees' 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. All employees are equally important irrespective of their role. During the year, all employees participated in defining the behaviour and actions that distinguish employees of Landshypotek Bank. The process was conducted through two digital employee days during which staff worked on and described our approach in four areas – safe and secure bank, employee-ship, customer meetings and external marketing – in which all employees work in at least one area.

Small bank – Huge commitment

Each employee accounts for 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 two 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.

Employee survey

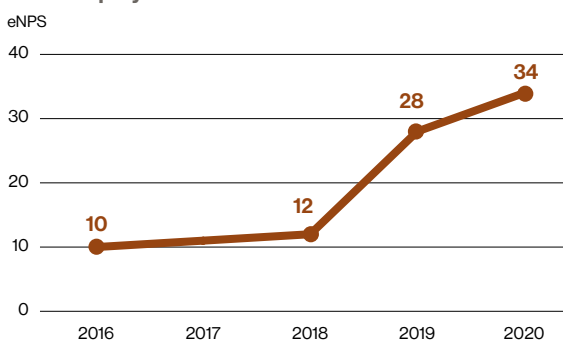
During the year, all employees were given the opportunity to respond to an employee survey aimed at capturing commitment, perspectives and views regarding the bank's development. The response rate was 94 percent, which is high and ensures that the survey provides an accurate image of employees' views 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?" Commitment is a key factor in modern working life and a central metric for Landshypotek Bank. Committed employees have a positive behaviour and approach, are proud of their work, seek opportunities to grow and develop, feel recognised and share their ideas. These comprise just a few of the positive effects of high commitment.

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

Our ways

- contribute and leverage vicinity
- smile and greet
- help and request help
- share knowledge
- go the extra mile
- evaluate
- give feedback
- respect others' work and time
- question to gain understanding
- open to new ideas

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.

Coronavirus pandemic

The effects of the pandemic that struck society in 2020 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. Over the year, the bank has asked employees about the impact on work during this extraordinary year.

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 decreased 16 percent in 2020 (average 0.9 FTE) compared with 2019 (average 1.1 FTEs) and declined 8 percent for long-term sick leave from already low levels (average 1.2 FTEs in 2020 and 1.3 FTEs for 2019).

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 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. Two lunches were held with the bank's employees during the year: Covid-19 and its impact on the economy, financial markets and Landshypotek as well as the bank's digital journey.

Gender equality and diversity

The bank prioritises diversity and equal treatment and that 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.

When recruiting, the bank prioritises creating space for different perspectives and evening out the gender, age and experience distribution of misaligned working groups and ensuring that no one is discriminated against or mistreated in other ways.

During 2019 and 2020, Landshypotek Bank participated in the focused survey of the financial industry by the Swedish Bankers' Association and the Employer's Association of the Swedish Banking Institutions. The survey's overriding objective was to clarify the conditions and needs within the sector's operations to be able to

	No. of employees who underwent training			
	2020	2019	2018	2017
Cyber security training (new)	99.5%			
GDPR training	54 (new employees and consultants)	44 (new employees and consultants)	All	–
Anti-money laundering training (annual)	All	99.5% ¹⁾	All	All
SwedSec licencing (employees with active licences)	68	64	52	26
Advanced credit training	–	21	51	35
Annual skills update (formerly credit training)	111	–	75	72

The annual skills update has replaced the previous credit training and is intended for everyone at the bank who works with credit granting (direct to customers, in a control function or decision-making capacity).

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

create organisations where individual employees are not subjected to harassment. The results from respondents at Landshypotek Bank are in line with the results for the sector as a whole, with a few deviations. Among other things, a slightly lower incidence of behaviour that could be considered sexual harassment at Landshypotek Bank. Compared with the financial industry in general, the results for vulnerability were also lower at Landshypotek Bank. The perceptions of managers are aligned with the financial industry in general.

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.

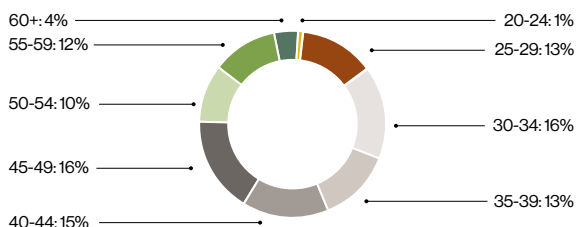
The bank strives to achieve sound and fair pay scales that ignore background and gender. The bank adheres to the legislation in this area, which entails the bank conducting an annual salary review within the organisation with the aim of identifying, addressing and preventing unjustified salary differences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

The bank's Work Environment Council is 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, health checks, support dialogues and extra financial compensation when on parental leave.

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

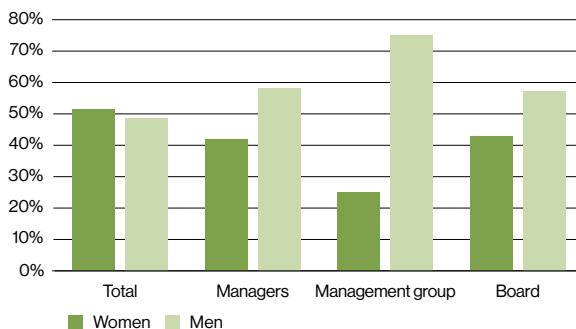
The figures are based on the total number of employees at 31 December 2020



The bank has a broad age distribution, with the most common age intervals among the bank's employees being 30-34 and 45-49. A total of one third of the bank's employees are within those intervals. 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 2020



The distribution between women and men is even at the bank. At 31 December 2020, the percentage distribution between men and women was 51/49 (51/49), among managers 42/58 (33/67), in the management 25/75 (13/87) and 43/57 (33/67) on the Board. The distribution meets the bank's goal of an even gender balance for all groups except the management. Some improvement was made during the year but it remains unbalanced.

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.



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 risk management in Note 2 in Landshypotek Bank's Annual Report 2020.

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 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, which 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.

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 in Landshypotek Bank's Annual Report 2020.

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. The bank uses an external supplier, WhistleB, to provide this service.

Landshypotek Bank also has an incident reporting system for deviations that entail a risk of adversely impacting the bank's internal or external procedures, requirements 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 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 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.

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

In 2020, Landshypotek Bank continued to identify 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. 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 continued to identify 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).

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.

Physical risks and opportunities for farming and forestry

Indicator	Systemic risk/opportunity	Acute risk
Temperature	The temperature increases across the country.	No acute risks but will lead to higher risk of other acute events such as drought or heatwaves.
Length of growing season	The length of growing season increases across Sweden in pace with temperature increasing and growing zones moving northward. This could result in larger harvests of certain crops and enable new crops to be grown. However, conditions could deteriorate for other crops. A longer growing season also benefits forest growth.	An early spring raises the risk of spring frosts, which can harm harvests.
Heatwaves	Increased frequency and duration of heatwaves across the country.	Impacts animal husbandry where heat stress is a risk. Heat waves can lead to increased risk of stress for crops due to drought.
Precipitation	Annual precipitation increases across Sweden, mainly in the winter and spring and in the north and west of the country. Number of intense precipitation events expected to increase.	Raised risk of flooding and extreme precipitation, which can destroy crops. Wet ground increases the risk of windthrow and rutting damage.
Fire risk	Systemic risk in the form of increased risk of forest fires across the country.	Fire is primarily an acute risk for forestry.



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 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.

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.

Svensk Kolinlagring – pilot project

Landshypotek Bank has financed farming and forestry for almost two centuries. The bank is convinced that farming and forestry are part of the future and part of the solution to the climate challenges we face. During the year, Landshypotek has provided funding for Svensk Kolinlagring's (Eng: Swedish Carbon Capture) pilot study into how farmers can increase carbon capture in their arable land. The bank is proud to participate in these efforts to increase agriculture's benefits and contribution to a sustainable society – whereby Swedish farmers can combine improved soil quality and increased carbon capture with increased profitability. Landshypotek looks forward to following Svensk Kolinlagring and its journey toward more climate-friendly and profitable agriculture.

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

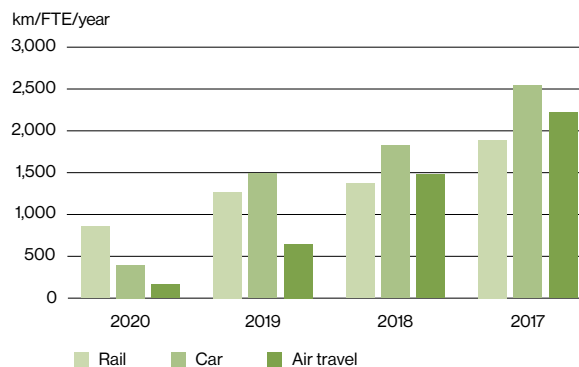
Landshypotek Bank's direct environmental impact is limited and arises mainly from the bank's premises and business travel. As the bank's customers and its 19 offices are spread across Sweden, a considerable amount of travel is required by operations. Telephone and video are the first choice for meetings and internal communication and comprise areas that developed vigorously in 2020 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 second time, in 2020, the bank calculated the impact of the operations on the environment pursuant to the GHG protocol.

Emissions broken down by scope

Emissions, tonne CO ₂ e	2020	2019	2018	2017
Scope 1	0	0	0	0
Scope 2	41.9	30.5	38.7	44
Scope 3	28.90	67.8	118.1	156.8
Total	70.8	98.3	156.8	200.8
Per FTE	0.37	0.54	0.82	1.16

The bank's direct environmental impact has declined 28 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 (2019) 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 2019 was used as the emission factor for 2020, since 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 decrease was substantial this year compared with last year due to the ongoing pandemic and travel restrictions.

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 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. From 2019, the bank also offers digital loan applications to new and existing farming and forestry customers. The digital service offering in the online bank was expanded during the year to enable existing customers to safely manage their transactions as and when it suited them best.

Next step

The bank intends to continue working with climate- and environment-related risks within the framework of the TCFD's recommendations in 2021 and to implement the work in reporting to the Board, among other actions. The expected changes pertaining to non-financial reporting in 2021 and the completion of the first parts of the EU's taxonomy work will also be prioritised areas.

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.

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.

