



Ringkjøbing  
**Landbobank**

# **Green Bond Framework**

**15 August 2022**

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# 1. INTRODUCTION

Ringkjøbing Landbobank (or “the bank”) is a customer-focused relationship bank which, since its inception in 1886, always has endeavoured to strike the right balance between the four principal stakeholders:

- Customers
- Employees
- Society
- Shareholders

Ringkjøbing Landbobank has around 210,000 customers and 23 branches around Denmark – primarily in West, Central and North Jutland – and including Private Banking branches in Copenhagen, Herning, Holte, Ringkjøbing, Vejle, Aalborg and Aarhus.

At the end of 2021 loans totalled DKK 41.2 billion, while deposits represented DKK 43.7 billion including pooled schemes and the equity was DKK 8.7 billion. The bank’s market value was DKK 25.5 billion. At year end 2021 the bank employed 626 people.

## 1.1 RINGKJØBING LANDBOBANK’S APPROACH TO SUSTAINABILITY

### Environment

*Ringkjøbing Landbobank has deliberately chosen to work with the environmental sector for a long time because it makes business sense.*

The bank has one of the lowest cost / income ratios in the sector, in part because optimal utilisation of only the necessary resources is part of the culture of the bank.

On the income side, the bank soon saw the potential of wind power and has funded this for more than 25 years. Loans for wind turbines have developed into a significant business area for the bank and is today one of the strong niches together with loans for biogas plants and solar energy farms.

In alignment with the bank’s business goals and the bank’s policies, Ringkjøbing Landbobank has included three UN Sustainable Development Goals (“SDGs”) (SDG7, SDG12, SDG13) regarding environmental matters in alignment with environmental efforts:

- To reduce the bank’s own negative impact on the environment as much as possible
- To increase employees’ environmental awareness
- To provide loans for the production of climate-friendly and renewable energy
- To provide loans for private individuals’ sustainable conversion - including energy renovation of homes and purchase of sustainable means of transport
- To market and advise on sustainable investment products





## Social

*From the very start more than 100 years ago Ringkjøbing Landbobank has had a social commitment by supporting the local communities where the bank has its roots.*

The bank wants to contribute positively to developing Denmark and the Danish society. The bank has considerable activities throughout Denmark but at the same time the bank is also a local bank strongly anchored in West, Central and North Jutland. The bank has always been conscious of its significance for the local communities and the bank is proud of supporting more than 1,400 local clubs, associations, initiatives and events.

The bank finance investments in local business development and generate a substantial number of knowledge-based jobs in its local areas.

At national level the bank has grown to become one of Denmark's top 100 taxpayers, contributing considerably to Denmark's common national economy.

In alignment with the bank's business goals and the bank's policies, Ringkjøbing Landbobank has included four SDGs (SDG3, SDG4, SDG8, SDG11) regarding labour matters to which the bank strives for:

- Respect and comply with employee rights
- Ensure good health and wellbeing at the workplace
- Continually offer our employees quality education
- Make our expertise in financial matters available to the surrounding community
- Contribute positively to the continued development of society – at local and national levels



## Governance

*Ringkjøbing Landbobank's governance work is carried out under the headings of integrity and responsible management. That is nothing new: it has been the case since the inception in 1886.*

The bank is managed on principles of diversity, equal opportunities for all employees, protection of the data of customers, employees and others, independence and transparency in the bank's remuneration policy and the return to the shareholders.

The bank supports justice and strong institutions, for example working closely with the Danish authorities to ensure financial stability, create transparency and facilitate public tasks within tax reporting and digitalisation.

Combating money laundering and financing of terrorism is a task for all employees in Ringkjøbing Landbobank.

In alignment with the bank's business goals and the bank's policies, Ringkjøbing Landbobank has included four SDGs (SDG5, SDG16) regarding governance matters to which the bank strives for:

- Respect human rights
- Avoid any form of corruption
- Ensure diversity and equal opportunities for all employees in the bank irrespective of gender and other background
- Ensure competitiveness and transparency in the remuneration policy for the bank's management and the return to shareholders
- Reduce society's money laundering challenges



## 1.2 ALIGNMENT WITH INTERNATIONAL AND NATIONAL INITIATIVES

### UN Global Compact and UN Sustainable Development Goals

In 2021 the bank's board of directors and general management chose to endorse the Ten Principles of the UN Global Compact regarding responsible business operation and thus also the UN Sustainable Development Goals, which the bank has been supporting for several years.

The management pledge to continue to work with the Ten Principles of the UN Global Compact and to support the Sustainable Development Goals.

### The Danish Government's Global Climate Action Strategy

The Danish Government together with various political parties and other stakeholders are aiming that Denmark shall be a green frontrunner in global climate action that inspires and encourages the rest of the world to follow.

In line with that The Danish Government has set a climate neutrality target by 2050 and interim target for 2030 to reduce carbon emissions 70%.

Ringkjøbing Landbobank supports the aim of Denmark being a green frontrunner as well as the target of archiving climate neutrality.

### Forum for Sustainable Finance and Finance Denmark

At the end of 2019 the Forum for Sustainable Finance announced 20 recommendations on how the financial sector could accelerate the sustainable transition of the economy.

One of the most central recommendations has to do with the publication of the carbon footprint of the activities that the bank helps to finance or invest in. The recommendations are voluntary, and the bank supports them.

## 2. GREEN BOND FRAMEWORK

*This Green Bond Framework (“Framework”) seeks to be aligned with market expectations, voluntary standards and recent regulatory developments. This Framework is based on the 2021 version of the **Green Bond Principles**<sup>1</sup> and will continue to monitor latest market developments.*

The four core components of the Green Bond Principles (GBP) are:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The amount equal to the net proceeds of the Green Bonds issued by Ringkjøbing Landbobank is intended to be used, directly or indirectly, to finance or refinance Green Bond Assets that have been evaluated and selected by Ringkjøbing Landbobank pursuant to this Green Bond Framework<sup>2</sup>.

### 2.1 USE OF PROCEEDS

The bank’s management and employees strive to put both the customers and the bank itself in the position to drive sustainable transformation.

To achieve the high ambitions, this Green Bond Framework is focused on the bank’s wider sustainability agenda with the aim to increase the positive or reduce the negative impact on the environment.

Eligible Green Assets are constituted by direct lending to Ringkjøbing Landbobank’s clients and subject to the definitions in the below table. No proceeds will be allocated to internal expenditures at Ringkjøbing Landbobank.











The Green Asset Categories are listed in the following table supported with examples of each category.

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<sup>1</sup> The Green Bond Principles (GBP) are published by the International Capital Markets Association (“ICMA”)

<sup>2</sup> The final terms of an issue of Green Bonds will specify the use of proceeds of that issue.

## Green Bond Asset Categories

ICMA GBP category	Project list	UN SDGs
<b>Renewable Energy</b>	Renewable Energy means generation of energy from renewable sources: <ul style="list-style-type: none"> <li>• Wind power</li> <li>• Photovoltaic solar power</li> <li>• Biogas production</li> </ul>	 
<b>Green Buildings</b>	Green Buildings means the development, construction, acquisition, maintenance, refurbishment and operation of commercial or residential buildings with at least one of the following certifications etc.: <ul style="list-style-type: none"> <li>• An energy performance certificate (EPC) of class A or B</li> <li>• DGNB "Gold" certification or higher</li> <li>• LEED "gold" certification or higher</li> <li>• BREEAM "Excellent" certification or higher</li> <li>• Nordic Swan Ecolabel</li> </ul>	  
<b>Clean Transportation</b>	Clean Transportation means lending to finance projects towards clean transportation infrastructure including <ul style="list-style-type: none"> <li>• Battery Electric Vehicles, primarily personal cars and charging stations for personal use</li> </ul>	 
<b>Sustainable Management of Living Natural Resources</b>	Sustainable Management of Living Natural Resources means projects or activities related to sustainable agriculture or forestry including the acquisition, maintenance and management of: <ul style="list-style-type: none"> <li>• Sustainable agriculture comprised of organic farming as certified in compliance with EU and national regulation, excluding livestock-related assets</li> <li>• Sustainable fisheries certified under the Marine Stewardship Council (MSC)</li> <li>• Forests certified by the Forest Stewardship Council (the FSC)</li> </ul>	  

## 2.2 PROCESS FOR PROJECT EVALUATION AND SELECTION

The evaluation and selection process for Eligible Green Assets is a key process, specified below, in ensuring that when selecting and evaluating financing within the Green Bond Asset Categories that qualify as assets to be included in the Green Bond Asset Portfolio, and specifically, the Green Bond Assets in relation to Green Bond issuances.

1. Ringkjøbing Landbobank chooses potential Green Assets from each financing that is originated by a relevant business unit according to Ringkjøbing Landbobank's financing criteria. Part of the qualification process is to determine whether the client's activities include environmental and social issues which needs further investigation.
2. Ringkjøbing Landbobank removes financing that does not qualify or is deemed ineligible (or where the customer of such financing does not qualify or where the customer of such financing is deemed ineligible) as Green Bond Assets.
3. The remaining financing is evaluated by a Green Bond Committee (defined below) within Ringkjøbing Landbobank, after which the qualifying financing is deemed as potential Green Bond Assets.

The selection of Eligible Green Assets is managed by a dedicated group, the Green Bond Committee ("GBC"). Members of the GBC are:

- The CEO or another member of the general management
- The CFO
- The Head of Risk and Analysis
- The Chief of Staff

Chairperson of the committee is Ringkjøbing Landbobank's CEO or another member of the general management.

The GBC will confer with both internal resources and / or external sustainability expertise as needed.

All decisions by the GBC are made in consensus, and that applies to the selection process of Eligible Green Assets as well.

### 2.2.1 Exclusions

The net proceeds of any Ringkjøbing Landbobank Green Bond will not be used towards financing nuclear or fossil fuel energy operations or operations that are deemed by Ringkjøbing Landbobank to be in the sectors "Weapons and Defence", "Coal Mining" or "Tobacco".

It should be noted that Green Bonds, like any other notes issued by Ringkjøbing Landbobank, will be fully subject to the application of the eligibility criteria of the Capital Requirements Regulation and the requirements of the Bank Recovery and Resolution Directive for own funds and eligible liabilities instruments and, as such, any net proceeds of the Green Bonds qualifying as own funds or eligible liabilities will be fully available to cover any and all losses arising on the balance sheet of the relevant issuer (in the same way as any other instrument not classified as Green Bonds) regardless of their "green" or other similar label.



## 2.3 MANAGEMENT OF PROCEEDS

### 2.3.1 Tracking of Green Bond Assets

Ringkjøbing Landbobank has established Green Bond Registers in relation to Green Bonds issued by Ringkjøbing Landbobank for the purpose of recording the Green Bond Asset Portfolio and the intended allocation of the net proceeds from Green Bonds to Green Bond Assets.

The amount equal to the net proceeds of the Green Bonds issued by Ringkjøbing Landbobank will be deposited in the general funding accounts, but can be identified in the Green Bond Registers.

It is the intention of the bank to allocate, directly or indirectly, an amount equal to the net proceeds in accordance with the principles set out in this Green Bond Framework.

The composition and amount of Green Bond Assets will be reviewed quarterly by the GBC to account for any repayments and bonds drawn and compare those records with the allocations detailed in the Green Bond Registers.

The Green Bond Registers will contain relevant information to identify each Green Bond and the Green Bond Assets relating to it, including the category and nature of the Green Bond Assets.

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

### 2.3.2 Temporary holdings

It is Ringkjøbing Landbobank's intention to maintain an aggregate amount of assets in the Green Bond Asset Portfolio that is at least equal to the aggregate net proceeds of all Ringkjøbing Landbobank's Green Bonds that are concurrently outstanding.

In practice, this means that whenever Ringkjøbing Landbobank issues a new Green Bond, the aim is to allocate the proceeds of that specific bond to the Green Bond Asset Portfolio at the time of issuance.

However, there may be periods when a sufficient aggregate amount of Green Bond Assets has not yet been allocated to the Green Bond Registers to fully cover the proceeds of each Green Bond, either as the result of changes in the composition of Green Bond Assets or the issuance of additional Green Bonds.

Any portion of the net proceeds of Green Bonds not allocated to Green Bond Assets in the Green Bond Registers will be held in green bonds, alternatively cash.

## 2.4 REPORTING

Ringkjøbing Landbobank will annually publish on its website a Green Bond Report that provides:

- the amount of net proceeds allocated within each Green Bond Asset Category and, when possible and relevant, further information related to the type, number and location of the Green Bond Assets included in each Green Bond Asset Category
- the remaining balance of net proceeds not yet allocated to Green Bond Assets
- where appropriate and subject to confidentiality arrangements, examples of Green Bond Assets that have been financed or refinanced by the net proceeds of Green Bonds
- Examples and case studies of the relevant Eligible Green Assets

In each annual Green Bond Report, Ringkjøbing Landbobank will also include information on the environmental impacts etc. of the Green Bond Assets or Green Bond Portfolio for each Green Bond Asset Category.

Ringkjøbing Landbobank aims to include in the reporting the indicators outlined in the table on the next page, subject to the availability of information and baseline data.

The impact reporting will include a description of the applied methodology.

Ringkjøbing Landbobank will publish an annual Green Bond Report within a year from the issuance of the first Green Bond.

Ringkjøbing Landbobank aims at aligning the timing of the Green Bond Reporting with other investor directed publications of the bank such as the Annual Reports and ESG Reports.

ICMA GBP category	Primary reporting metric
<b>Renewable Energy</b>	Estimated avoided CO2e emissions
<b>Green Buildings</b>	<b>For EPC A and B</b> Estimated avoided CO2e emissions
	<b>All other buildings</b> Number of certified m2
<b>Clean Transportation</b>	Estimated avoided CO2e emissions
<b>Sustainable Management of Living Natural Resources</b>	<b>For agriculture or forests</b> Number of certified hectares
	<b>For sustainable fisheries</b> Loans to fisheries with MSC certification

### 3. EXTERNAL REVIEW

To confirm the transparency and robustness of this Framework, Ringkjøbing Landbobank has engaged Sustainalytics to act as an external verifier of this Green Bond, by way of a Second Party Opinion. The Second Party Opinion is publicly available on Ringkjøbing Landbobank's website.

Post-issuance, Ringkjøbing Landbobank will endeavour to include a Third-Party Audit of the allocation of bond proceeds.

## DISCLAIMER

The information and opinions contained in this Framework are provided as at the date of this document and are subject to change without notice.

Ringkjøbing Landbobank A/S does not assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise, or to notify any recipient of this Framework if any information herein changes or subsequently becomes inaccurate.

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Any decision to purchase any Ringkjøbing Landbobank A/S-bonds should be made solely on the basis of the information to be contained in any offering document produced in connection with the offering of such bonds.

Nothing in this Framework constitutes legal, financial, accounting or tax advice. Prospective investors are required to make their own independent investment decisions.

No representation is made as to the suitability of any Ringkjøbing Landbobank A/S-bonds to fulfil environmental and sustainability criteria required by prospective investors.

Each potential purchaser of Ringkjøbing Landbobank A/S-bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such Ringkjøbing Landbobank A/S-bonds regarding the use of proceeds and its purchase of Ringkjøbing Landbobank A/S-bonds should be based upon such investigation as it deems necessary.

Ringkjøbing Landbobank A/S has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and investor reporting, in connection with Ringkjøbing Landbobank A/S-bonds. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any Ringkjøbing Landbobank A/S-bonds if Ringkjøbing Landbobank A/S fails to adhere to this Framework, whether by failing to fund or complete Eligible Projects or to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise.

In addition, it should be noted that all of the expected benefits of the Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in Government policy (whether with a continuity of the Government or on a change in the composition of the Government), changes in laws, rules or regulations, the lack of available suitable projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives.

In addition, each environmentally-focused potential purchaser of Ringkjøbing Landbobank A/S-bonds should be aware that Eligible Projects as defined by this Framework may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. On this basis, all and any liability, whether arising in tort, contract or otherwise which any purchaser of Ringkjøbing Landbobank A/S-bonds or any other person might otherwise have in respect of this Framework or any Ringkjøbing Landbobank A/S-bonds as a result of any failure to adhere to or comply with this Framework is hereby disclaimed. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution.

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