Rentenbank Green Bond Framework

June 2020

Germany's development agency
for agribusiness and rural areas

rentenbank

Contents

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1. Introduction

Established in 1949 and headquartered in Frankfurt, Landwirtschaftliche Rentenbank (hereinafter referred to as 'Rentenbank') is Germany's development agency for agribusiness and rural areas. Rentenbank's range of products is geared towards businesses operating in the agriculture, forestry, viticulture and horticulture sectors, manufacturers of agricultural production resources and enterprises and service providers which are closely connected to agriculture. In addition, Rentenbank finances projects in the food industry and the associated upstream and downstream industries, across the entire value chain of food production. Community-based projects and public-sector investments in rural areas are also promoted. Rentenbank places considerable importance on promoting sustainable investments including renewable energy and innovation.

2. Objective and strategy

Sustainability is a guiding principle within Rentenbank's promotional mandate. Agriculture, forestry, fisheries and horticulture sectors utilise around 80% of the surface area in Germany. These enterprises not only work in nature but largely with nature. Their activities have an impact on the environment and the climate and, at the same time, they themselves are specifically and directly affected by any changes. They have always aligned their business activities with a long-term approach which is passed down from one generation to the next and protects resources. In fact, the term 'sustainability', in the sense of the perpetual use of natural resources, was originally coined within German forestry in the 18th century.

Agribusiness as a 'green sector' keeps evolving and offers an enormous potential for meeting sustainability and climate protection targets. A significant amount of the greenhouse gases which damage the climate can be absorbed through sustainable cultivation of the agricultural and forest land. Promoting biodiversity in these areas also combines aspects of both ecological and economic sustainability in equal measure. Agricultural enterprises are also key players involved in the production of renewable energy. Modern and innovative production technology is increasingly lowering direct emissions such as methane from animal husbandry. In addition, the agricultural sector in Germany makes an important contribution to sustainable secure food supply in a growing world population.

Sustainability has always been an important principle for Rentenbank. Since 2002, key aspects of ecological sustainability have also been enshrined in Rentenbank's Governing Law[1] and are reflected in the promotional offering.

Rentenbank promotes sustainable investments in agribusiness with its best rates and tailored promotional programmes. As part of both the Sustainability programme and the Environmental and Consumer Protection programme, Rentenbank gives its backing to improving animal welfare and energy efficiency and to reduce emissions. Organic farming and the direct and regional marketing of agricultural products also come under these programmes. An additional priority is the promotion of renewable energy as part of Rentenbank's Rural Energy promotional programme. Here the investment focus is on the production, storage and distribution of renewable energy. In this programme, Rentenbank also promotes community wind farms, provided that local residents, companies and property

[1] Section 3 (1) sentence 2 no 3 of Rentenbank's Governing Law: https://www.rentenbank.de/en/documents/Governing-Law-of-Landwirtschaftliche-Rentenbank.pdf

owners are majority stakeholders. Overall, renewable energy accounts for the majority of Rentenbank's sustainable lending activity.

Since 2013, Rentenbank has been issuing Green Bonds in a private placement format in different currencies and is looking to expand on this with public transactions under this framework for the purpose of reaching a wider investor community.

3. Framework conditions

As a member of the ICMA Green Bond Principles (GBP), Rentenbank's Green Bond framework is presented in alignment with the June 2018 edition[2], through the following key pillars:

- Use of proceeds
- Project evaluation and selection
- Management of proceeds
- Reporting
- External review

This framework applies to all kinds of bearer bonds and registered bonds as well as promissory notes issued by Rentenbank under its debt issuance programmes or as stand-alone issuances, in EUR and other currencies (together referred to as 'Green Bonds').

The Green Bonds under this framework are 'Standard Green Use of Proceeds Bonds' as per Appendix I to the GBP and will constitute unsecured and unsubordinated obligations of Rentenbank ranking pari passu among themselves and pari passu with all of Rentenbank's other unsecured and unsubordinated obligations. Payment of principal and interest on Rentenbank's Green Bonds is based solely on Rentenbank's credit standing, and is not linked to the performance of the green projects underlying the Green Bonds. Consequently, Rentenbank's Green Bonds are expected to carry the same credit ratings as other outstanding notes issued by Rentenbank.

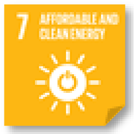
Rentenbank fully acknowledges the importance of global environmental objectives as described in the Paris Agreement and the UN Sustainable Development Goals. In addition, it takes on board the relevance of the forthcoming Sustainable Finance regulation of the European Union. Rentenbank acknowledges that the EU Taxonomy and the EU Green Bond Standard are yet to be finalised, but has already elected – on a best efforts basis – to align its Green Bond framework with the objective of climate change mitigation. The projects associated with this Green Bond framework make a substantial contribution to this environmental objective – one of six defined in the EU Taxonomy – by reducing greenhouse gas emissions.

[2] https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

4. Use of proceeds

An amount equal to the net proceeds of any Rentenbank Green Bond will be applied to finance new or refinance existing projects which have been identified as eligible within Rentenbank's Rural Energy promotional programme (hereinafter referred to as 'Eligible Green Loans'). 'Rural Energy' is the only promotional programme within Rentenbank's special Renewable Energy promotional line. Only onshore wind and solar projects are eligible. Eligible Green Loans are to be funded in whole or in part by an allocation from the proceeds of Green Bonds.

The information on the use of proceeds categories for Eligible Green Loans ('Eligible Categories') can be summarised as follows:

ICMA GBP category	Eligible Green Loans	UN SDGs[3]	Contribution to EU Environmental Objective[4]
Renewable Energy	Production, storage & distribution of **wind** and **solar** energy (e.g. wind turbines, roof-mounted solar panels)	 	• ***EU Environmental Objective (1):*** Climate Change Mitigation • ***Substantial contribution to Climate Change Mitigation (1.a):*** Generating, storing, distributing or using renewable energy in line with the Directive (EU) 2018/2001, including using innovative technology with a potential for significant future savings or through necessary reinforcement of the grid.

All Eligible Green Loans are subject to and comply with the lending standards of Rentenbank's Rural Energy promotional programme. All Eligible Green Projects are located in Germany and aim to promote electricity from renewable resources. Measures financed through the Rural Energy promotional programme may include (but are not limited to):

- Wind turbines operated by farmers or companies which are at least 50% owned by agricultural shareholders
- Community wind farms run by companies that are at least 50% owned by local residents and landowners. Sale of company shares is typically via a regionally open participation procedure, which enables local residents and property owners to acquire stakes in the wind farm.
- Wind turbines run by community wind farms within the meaning of the German Renewable Energy Sources Act 2017 (EEG-2017)
- Wind turbines owned by local rural communities (at least 50% local authority participation). The municipal participation in the wind power plants can also take place via local authority companies.
- Investments in photovoltaic installations on buildings used for agricultural purposes or formerly used for agricultural purposes
- Photovoltaic installations belonging to farmers or undertakings with at least 50% in agricultural holdings

[3] In alignment with ICMA 'Green and Social Bonds: a high-level mapping to the Sustainable Development Goals': https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainable-development-goals/

[4] In alignment with EU Taxonomy Environmental Objectives as defined in Article 6: https://www.consilium.europa.eu/media/41897/st14970-ad01-en19.pdf

- Investments in the storage and distribution of electricity from the aforementioned generation facilities

Excluded are:

- Offshore wind power projects
- Debt rescheduling

5. Project evaluation and selection

Rentenbank has defined and published detailed eligibility requirements for loans under its Rural Energy promotional programme which it extends via commercial banks to the end borrower. Borrowers do not apply directly to Rentenbank; instead they only apply for a loan from a commercial bank for projects in Germany. The commercial bank appraises the applicant's financial and business situation, takes collateral for the loan and assumes the credit risk. Rentenbank provides funding for these loans to the commercial banks. Loans provided by a commercial bank are normally collateralised by liens on real estate or other assets. Rentenbank's loans to commercial banks are usually collateralised by the assignment of the claim against the end borrower to Rentenbank. The administering of individual loans within the Rural Energy promotional programme is characterised by two separate approval processes – first, between the intermediate bank and the end borrower for the loan and secondly, between Rentenbank and the commercial bank in question regarding the re-financing of the loan. Rentenbank's approval to re-finance the commercial bank is based on its assessment that the individual loan is in compliance with the requirements set for that promotional programme.

Rentenbank has set up a dedicated Green Bond Committee (GBC) to monitor this Green Bond framework. The GBC is made up of representatives from within the Treasury, Promotional Loans and Legal departments. Rentenbank may involve additional experts internally as and when it is deemed appropriate.

Rentenbank's GBC is in charge of all decisions regarding the evaluation, selection and monitoring of Eligible Green Loans. It will approve any future updates to this Green Bond framework, including expansions to the list of Eligible Categories and will oversee its implementation. Furthermore, the European Union's forthcoming Sustainable Finance regulation (e.g. EU Taxonomy) will be closely monitored and the GBC will decide on amendments to the framework as required.

Based on legislative standards and authorisation requirements for renewable energy facilities in Germany it is to be assumed that all Eligible Green Loans described in the section entitled 'Use of proceeds' comply with official national and EU-wide environmental and social standards and local laws and regulations on a best efforts basis – including compliance with the German Renewable Energy Sources Act (EEG). Any changes to these eligibility criteria will be accounted for in updated versions of this framework.

6. Management of proceeds

The net proceeds from the issue of Green Bonds will be assigned by Rentenbank to its general corporate purposes. However, amounts equal to these net proceeds will be managed in a Green Bond portfolio approach. Upon issuance, Rentenbank will directly allocate an amount equal to the net proceeds of a Green Bond to a synoptical table used to track the allocation of funds from Rentenbank's Green Bond issuance (Rentenbank Green Bond Allocation Report, hereinafter referred to as 'Allocation Report'). This Allocation Report contains the number and the total amount of all Eligible Green Loans from the Rural Energy promotional programme (as defined in section 4) on an aggregated basis. Rentenbank will strive, over time, to maintain a level of allocation for the Eligible Green Loan portfolio that matches or exceeds the balance of net proceeds from its outstanding Green Bonds. During the course of any fiscal year, the Eligible Green Loan portfolio will maintain its dynamic structure by both adding new and removing repaid loans and by taking ongoing loan repayments into account. The Allocation Report will be updated once a year with data as at 31 December and will be made available on Rentenbank's website.
Rentenbank has the discretion to hold and/or invest the balance of net proceeds not yet allocated to the Eligible Green Loan portfolio in its treasury liquidity portfolio, in cash or other short term and liquid instruments. For transparency reasons, net proceeds not yet allocated will be disclosed in the Allocation Report of the respective year.
The maturity of Green Bonds does not necessarily match the financing of the Eligible Green Loan portfolio. However, in order to reduce mismatches in the event that the amount of the Eligible Green Loan portfolio is not sufficient to meet the amount of the net proceeds of the Green Bonds in the future, the GBC will decide on the selection of additional green loans which comply with the eligibility criteria for the Eligible Green Loan portfolio as soon as reasonably practicable.
Net proceeds of non-euro Green Bonds will be converted into euros at the current market exchange rates on the respective pricing date.
Green Bonds can be increased (tapped). In terms of management of proceeds and reporting, a tap is treated like a new issuance. A tap is immediately fungible with the outstanding bond.
The Eligible Green Loan portfolio will be monitored for as long as the Green Bonds are outstanding.

7. Reporting

Rentenbank is dedicated to affording its investors sufficient transparency upon the issuance and during the lifetime of the Green Bonds. Following the issuance, the use of proceeds from Green Bonds will be regularly monitored and reported until full allocation. Therefore, Rentenbank will publish a Green Bond Investor Report with a regular cut-off date as at 31 December on an annual basis. The reporting basis for all Rentenbank Green Bonds and other potential green funding is the Eligible Green Loan portfolio and will be aggregated for all Green Bonds outstanding.

The Green Bond Investor Report will consist of the Allocation Report and the Impact Report.

7.1 Allocation Report

The Allocation Report is prepared on a portfolio basis for each calendar year and shows aggregate data (not project-by-project data). It means a report regarding the progress of the

Eligible Green Loan portfolio (see section 4) including, but not limited to the following information:

- Percentage of Eligible Green Loan portfolio allocated to net proceeds of Green Bonds (usage)
- Percentage of net proceeds of Green Bonds allocated to Eligible Green Loan portfolio
- The total number and amount of Eligible Green Loans
- New loans in the Eligible Green Loan portfolio for the reporting year
- The total amount of Green Bonds outstanding

7.2 Impact Report

The Impact Report is prepared on a portfolio basis and shows aggregate data (not project-by-project data) for each calendar year. It means a report regarding the positive environmental impact of the Eligible Green Loan portfolio including, but not limited to following indicators:

- Total installed capacity of renewable energy (MW)
- Annual renewable energy generation (GWh)
- Annual greenhouse gas (GHG) emissions avoided (tCO_2eq)

On a best efforts basis, Rentenbank intends to align its reporting with the portfolio approach described in the handbook entitled 'Harmonized Framework for Impact Reporting' (published by ICMA in June 2019, updated in April 2020).
Due to technical implications, the Allocation Report and the Impact Report may include estimations on an ex ante calculation based on the availability of the respective data and may make references to different years within the same report.
Each Green Bond Investor Report will be made available on Rentenbank's website until all outstanding Green Bonds are redeemed.

8. External review

Rentenbank has obtained an independent expert opinion on the Green Bond framework. A Second Party Opinion (SPO) was prepared by CICERO Shades of Green (Center for International Climate and Environmental Research), a global provider of independent, research-based Second Opinions on Green Bonds.
In addition, the positive environmental impact of Rentenbank's Eligible Green Loan portfolio underlying its Green Bonds was evaluated by Center for Solar Energy and Hydrogen Research Baden-Württemberg (ZSW) – one of the leading energy research institutes in Europe.

External Review will be available in English only on Rentenbank's website.