

Rentenbank Green Bond Framework

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Germany's development agency
for agribusiness and rural areas


rentenbank

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1. About Rentenbank

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. Importance of the agricultural sector for Climate change mitigation and adaption

Agriculture, forestry, fisheries and horticulture sectors utilise around 80% of the surface area in Germany. These enterprises not only work in nature but largely together 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.

Agribusiness as a sector with large environmental potential keeps evolving and offers enormous potential for meeting sustainability and climate protection targets. A significant amount of greenhouse gases can be absorbed through sustainable cultivation of agricultural and forest land. Promoting biodiversity in these areas also combines aspects of both ecological and economic sustainability in equal measure.

Agricultural enterprises are key in the production of renewable energy: In Germany, the agricultural sector is one main driver of the 'Energiewende' (the transition of the energy sector). Hence, the German Federal Ministry of Food and Agriculture emphasises the role of agriculture embedded in the German Renewable Energy Directive: Renewable Energy projects offer great potential not only for the energy transition but also for the development of rural areas, thus being a significant opportunity for farmers.¹ 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 amidst a growing world population.

3. Sustainability - a guiding principle

Sustainability is a guiding principle within Rentenbank's promotional mandate. Since 2002, key aspects of ecological sustainability have also been enshrined in Rentenbank's Governing Law² and are reflected in the promotional offering as well.

Rentenbank supports sustainable investments in agriculture with our special promotional programmes and an interest rate subsidy (best terms). With its 'Sustainability', 'Environmental and Consumer Protection', and 'Forestry' programmes, Rentenbank supports a wide range of measures to improve animal welfare, energy efficiency, and emissions reduction. The

¹ Press statement of the German Federal Ministry of Food and Agriculture, 6 April 2022: <https://www.bmel.de/SharedDocs/Pressemitteilungen/DE/2022/41-osterpaket.html>

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

expanded use of energy from renewable sources is promoted by the 'Energy from the Countryside' programme ('Energie vom Land'), which is particularly focused on the promotion of farmers' investments in photovoltaic, biogas, and wind power generation, as well as civic wind farms in rural areas. Overall, renewable energy accounts for the majority of Rentenbank's sustainable lending activity.

Rentenbank is committed to the sustainability goals of the Federal Republic of Germany, the European Union, and the international community as well as the Sustainable Development Goals (SDGs) of the United Nations and the goals of the Paris Agreement. Against this background, a high-level 'SDG-mapping' entered into force starting from the business year 2021.³ The internal mapping methodology is based on the 169 sub-targets of the Agenda 2030 and Germany's Sustainable Development Strategy.

Rentenbank's first Sustainability Report was published in 2021 as part of the internal ESG project.⁴ The report is aligned with the German standard for sustainability reporting, the Sustainability Code (Deutscher Nachhaltigkeitskodex - DNK) offering insights into the carbon reduction policy and underlying targets into the spectrum of environmentally friendly promotional loans as well as into social and governance-related topics.

Rentenbank's Sustainability Guidelines (Nachhaltigkeitsleitlinien) serve as a reference document in order to demonstrate current and future actions, focussing on sustainable corporate governance, sustainable development business, sustainable human resources operations, and sustainable banking operations.⁵ The guidelines offer support when it comes to the integration of ESG-related topics and parameters into the own business model by providing essential guidance.

The above-mentioned measures taken by Rentenbank as part of the internal development about the ESG topic are supported by a set of further commitments that underline the high level of ambition and credibility:

- Code of Conduct (Verhaltenskodex): Rentenbank's Code of Conduct forms the basis for an ethically oriented sustainable corporate culture to which Rentenbank is deeply committed both internally and externally.⁶
- German Diversity Charter (Charta der Vielfalt): This initiative became a non-profit association in 2010, starting to operate in 2011 and is now under the aegis of the current German chancellor. Rentenbank signed the official commitment to this initiative in November 2020 together with the Minister of State in the Federal Chancellery and Federal Government Commissioner for Migration, Refugees and Integration, thus fostering the recognition, appreciation and integration of diversity in business culture.⁷
- International Labour Organisation (ILO): Rentenbank commits to the United Nation Universal Declaration of Human Rights within the scope of its public promotional mandate as well as to the International Labour Organisation (ILO).⁸
- Rentenbank Sustainability Programme 2022 (Nachhaltigkeitsprogramm 2022): For a better overview about Rentenbank's measures taken when it comes to ESG-related topics, the Sustainability Programme 2022 ('Nachhaltigkeitsprogramm 2022') was published. It

³ Rentenbank SDG Mapping: <https://www.rentenbank.de/export/sites/rentenbank/dokumente/nachhaltigkeitsbericht/2021/sdg-mapping-2021.pdf>

⁴ Rentenbank Sustainability Report and Declaration on the German Sustainability Code: https://www.rentenbank.de/export/sites/rentenbank/dokumente/Nachhaltigkeitsbericht_2020.pdf

⁵ Rentenbank Sustainability Guidelines: <https://www.rentenbank.de/export/sites/rentenbank/dokumente/nachhaltigkeitsbericht/2021/nachhaltigkeitsleitlinien.pdf>

⁶ Rentenbank Code of Conduct: <https://www.rentenbank.de/en/documents/publications/Code-of-Conduct-LR.pdf>

⁷ Rentenbank Declaration on the Charta der Vielfalt: <https://www.rentenbank.de/export/sites/rentenbank/dokumente/Charta-der-Vielfalt.pdf>

⁸ Rentenbank's Declaration on Respect for Human Rights and the ILO Core Labour Standards: <https://www.rentenbank.de/export/sites/rentenbank/dokumente/Erklaerung-Menschrechte.pdf>

includes a list of measures taken (and to be taken), underlying targets as well as a time frame to achieve the respective goals.⁹

4. Basis of the framework

Rentenbank has been issuing Green Bonds in a private placement format in different currencies since 2013. With the publication of the first Green Bond Framework in 2020, Rentenbank started a new era, paving the way for benchmark-sized green transactions in EUR as well as further issuance in different maturities and currencies. The rationale of updating the Green Bond Framework was to i) take account of recent developments of the standards in the sustainable finance market, ii) provide an overview of Rentenbank's recent initiatives in terms of sustainability, and iii) expand the use of proceeds categories.

In alignment with the ICMA Green Bond Principles ('GBP') June 2021 edition (with June 2022 Appendix 1)¹⁰, the Framework is presented through the following four core components and the recommendation for an external review:

- Use of proceeds
- Process for 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. As such, they are covered by the statutory guarantee by Germany for our 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 sustainable finance regulation of the European Union. Although Rentenbank's Green Bond Framework is based on the ICMA Green Bond Principles, Rentenbank decides to align it as far as feasible with the EU Taxonomy for Sustainable Economic Activities¹¹ and the European Green Bond Standard. In detail, all projects to be (re)financed by Rentenbank Green Bonds contribute to the EU Environmental Objective 'Climate Change Mitigation' and aim to reduce the emission of greenhouse gases. Furthermore, Rentenbank is following closely both the ongoing public discussions about and the developments of the EU Taxonomy and the EU Green Bond Standard.

⁹ Rentenbank Sustainability Programme 2022 ('Nachhaltigkeitsprogramm 2022');

<https://www.rentenbank.de/export/sites/rentenbank/dokumente/nachhaltigkeitsbericht/2021/nachhaltigkeitsprogramm-2022.pdf>



¹⁰ The Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1): https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

¹¹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

5. Use of proceeds

An amount equal to the net proceeds of Rentenbank Green Bonds will be applied to finance new or refinance existing projects, in part or in whole, which have been identified as eligible within Rentenbank’s Energy from the Countryside promotional programme (hereinafter referred to as ‘Eligible Green Loans’). ‘Energy from the Countryside’ is the only promotional programme within Rentenbank’s special Renewable Energy promotional line. Onshore wind, solar, and biogas projects are eligible.

All Eligible Green Loans are subject to and comply with the lending standards of Rentenbank’s Energy from the Countryside promotional programme and are located in Germany:

ICMA GBP Project Category	Eligible Green Loans	UN SDGs ¹²	Contribution to EU Environmental Objective (1): Climate Change Mitigation
Renewable Energy	<p>Generation, storage, and transmission of:</p> <ul style="list-style-type: none"> • Onshore wind energy, including: <ul style="list-style-type: none"> - 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 since 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. • Solar energy: <ul style="list-style-type: none"> - Solar panels; - Photovoltaic installations belonging to farmers or undertakings with at least 50% in agricultural holdings. • Biogas-based energy: <ul style="list-style-type: none"> - Biogas plants for electricity generation and for local heating networks, plants for the production of biogenic fuels - Investments in active participations in bioenergy production companies. 	 	<p>EU economic activity: Climate Change Mitigation¹³</p> <ul style="list-style-type: none"> • 4.1 Electricity generation using solar photovoltaic technology • 4.3 Electricity generation from wind power. • 4.8 Electricity generation from bioenergy

¹² In alignment with the ICMA Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals: https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Mapping-SDGs-to-GSS-Bonds_June-2022-280622.pdf

¹³ Delegated Act on the climate objectives, Annex I

Exclusions:

- The acquisition of company shares with the sole aim for a financial investment.
- Offshore wind power projects.
- Debt rescheduling.

6. Process for project evaluation and selection

Rentenbank has defined and published detailed eligibility requirements for loans under its Energy from the Countryside 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 Energy from the countryside promotional programme is characterised by two separate approval processes – first, between the commercial 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 the promotional programme.

Rentenbank has set up a dedicated Green Bond Committee (hereinafter referred to as 'GBC') to monitor this Green Bond Framework and is made up of representatives from within the Treasury, Promotional Loans Department, Legal Department, and the Sustainability Team.

Rentenbank's GBC is in charge of all decisions regarding the evaluation, selection, monitoring and reporting of Eligible Green Loans and responsible for:

- approving any future updates to this Green Bond Framework, including expansions to the list of Eligible Categories and will oversee its implementation.
- monitoring the European Union's sustainable finance regulation and updating 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 comply with official national and EU-wide environmental and social standards and local laws and regulations – including (where legally applicable) compliance with the German Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG), the Immission Control Law (Bundesimmissionsschutzgesetz), the Major Accidents Ordinance (Störfallverordnung); the Biomass Sustainability Ordinance (Biomassestrom-Nachhaltigkeitsverordnung) and the German Federal Building Code (Baugesetzbuch).

7. 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 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 Energy from the Countryside promotional programme (as defined in the 'Use of Proceeds' section) 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.

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.

8. Reporting

Rentenbank will publish a Green Bond Investor Report annually, with data as of 31 December as long as its Green Bonds are outstanding. The Green Bond Investor Report will consist of the Allocation Report and the Impact Report. On a best effort 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 June 2022)¹⁴.

The Allocation Report is prepared on a portfolio basis for each calendar year and shows aggregate data (not project-by-project data) and will include:

- The total amount and number of the identified Eligible Green Loans, per each type of renewable energy financed
- 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
- New loans in the Eligible Green Loan portfolio for the reporting year
- The total amount of Green Bonds outstanding

The Impact Report is prepared on a portfolio basis and shows aggregate data (not project-by-project data) for each calendar year. The report may include the following indicators:

- Capacity of renewable energy plant(s) constructed or rehabilitated (MW)
- Annual renewable energy generation (GWh)
- Annual greenhouse gas (GHG) emissions avoided (tCO₂eq)

9. External review

This framework has been reviewed by CICERO Shades of Green (Center for International Climate and Environmental Research), which has issued a Second Party Opinion (SPO).

In addition, the positive environmental impact of Rentenbank's Eligible Green Loan portfolio is evaluated annually by Center for Solar Energy and Hydrogen Research Baden-Württemberg (ZSW).

¹⁴ ICMA Handbook – Harmonised Framework for Impact Reporting (June 2022): https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022-280622.pdf

10. Documents and websites

Information on Rentenbank' Green Bond Programme is available on the following link: <https://www.rentenbank.de/en/investor-relations/funding/green-bonds/relevant-documents/index.html> and include:

- Green Bond Framework 2023
- CICERO's Second Party Opinion on Rentenbank's Green Bond Framework 2023
- Green Bond Investor Report
- ZSW Impact Analysis

Further information around Rentenbank's internal approach towards sustainability is available under: <https://www.rentenbank.de/en/about-us/rentenbank/sustainability/>