

Voluntary non-financial report

Report from the Management Board
on the 2019 fiscal year

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Underlying conditions, classification and methodology

Landwirtschaftliche Rentenbank is Germany's development agency for agribusiness and rural areas. Rentenbank is a public law institution and is subject to the requirements of the German Banking Act (*Kreditwesengesetz, KWG*). The premise behind its operating activities is its statutory promotional mandate, where key aspects relating to sustainability are explicitly enshrined. This includes environmental and consumer protection for agribusiness, the promotion of renewable energy and regenerative agricultural resources, the expansion of organic farming, animal welfare within agriculture and the improvement of infrastructure in rural areas. Putting this premise into practice by providing special promotional loans at favourable rates over the long term is one of Rentenbank's key tasks. As a federal promotional agency which benefits from a comprehensive government guarantee, Rentenbank is always committed to the common good and uses its distributable profit only for promotional purposes.

With staff numbering around 300 employees, Rentenbank is not subject to the requirements of Section 289b German Commercial Code (*Handelsgesetzbuch, HGB*). Nevertheless, the Bank has voluntarily produced this non-financial report which conforms with the non-financial declaration of Section 289c HGB.

The requirements therein determine what goes into this non-financial report. The Bank is planning to make a declaration in accordance with the German Sustainability Code (*Deutscher Nachhaltigkeitskodex, DNK*) in 2021.

In this year's report, non-financial aspects (environment, employee and social issues, respect for human rights and combating corruption and bribery) were examined in terms of how relevant they are to Rentenbank and the relevant issues were evaluated with regard to their significance in the sense of Section 289c (3) HGB. The results are shown in the table below.

Non-financial aspects

Environmental issues

Employee matters

Social concerns

Respect for human rights

Combating corruption and bribery

Issues defined as being of significance

Promoting the sustainable development of agribusiness as well as the expansion of renewable energy and issuing green bonds

Adequate staffing, gender equality and caring responsibilities

Promoting development of infrastructure in rural areas

Protection of personal data, freedom of assembly and freedom to unionise

Prevention of money laundering, terrorist financing and other criminal acts

Rentenbank's business model and how it is put into practice in the individual promotional segments and the operating results and financial position are described in the management report for the 2019 fiscal year. In line with the minimum requirements for risk management of banks (MaRisk), Rentenbank has set up a risk management system which is based on the Bank's business model. Rentenbank reports on this within its Risk Report.

Environmental issues

The EU Commission would like to make the European Union climate-neutral by 2050 with its 'Green Deal'. The federal government (of Germany) is also support-

ing the goal of acting by then in a broadly climate-neutral way in its 2050 climate protection plan. Agriculture and forestry are sectors with a direct link to the natural world and therefore have a significant impact on climate and environmental targets. Rentenbank supports the entire 'green sector' value chain in making its contribution to a sustainable development. Low interest promotional loans facilitate a continual modernisation. Investments which are especially good for sustainability such as those which improve animal welfare, reduce emissions or help convert to organic farming, are encouraged with an additional interest rate bonus. Through promoting innovation, Rentenbank also supports the development of climate and environmentally-friendly technologies and cultivation methods such as precision farming or the promotion of model projects towards greater biodiversity in agribusiness.

Here, we support investments in the production, storage and distribution of renewable energy in the shape of our Energy from the Countryside programme. This includes the energetic utilisation of regenerative resources or fertilisers used in agriculture or forestry through biomass or biogas plants. Furthermore, we endorse investments in wind and photovoltaic power stations. Therefore, Rentenbank is contributing to cuts in carbon emissions.

In addition, Rentenbank does initiate projects related to sustainability and climate protection. An example of this is the forest project in the district of Wetterau in the state of Hesse which launched in 2016. To this end, Rentenbank and the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben, BImA*) have concluded a framework agreement on the long-term ecological cultivation of 550 hectares of forest. BImA manages the forest and provides expert advice for the purpose of developing projects within the initiatives. In addition, we initiate projects that are beneficial to ecosystems and foster biodiversity.

As part of the Rentenbank's environmental management, our attention is currently focused on the plans for a comprehensive modernisation, expansion and energy-oriented refurbishment of our listed building. We have set ourselves the goal of preserving our architectural monument which was built in the 1950s and which will create a striking architectural ensemble with the neighbouring buildings for many years to come. It is particularly important to the Bank that energy efficiency and a reduced consumption of resources in the future is achieved in the plans. The construction work is due to commence at the end of 2020/beginning of 2021.

Rentenbank issued its first EUR 50 million Renewable Energy Bond back in 2013. Since then, the Bank has established a close connection between its sustainable promotional programmes and its funding on the international capital markets with additional issuances of green bonds. The issuances have been made as private placements up to now. In the year under review, the issuance of a green bond in the form of a public bond was prepared. These bonds are to fund loans to finance wind and photovoltaic plants based on the ICMA Green Bond Principles and the UN Sustainable Development Goals. The launch is planned for the third quarter of 2020.

Employee matters

Qualified and committed employees are key to Rentenbank's long-term success. The Bank's HR strat-

egy is derived from the business strategy. It comprises safeguarding appropriate quantitative and qualitative staffing levels, the promotion of gender equality, as well as ensuring and further developing initiatives and processes within staff management, among other things.

Rentenbank's HR policy is oriented to the long term. As a federal public law institution with a proven business model, Rentenbank offers its employees a high level of job security.

In order to ensure it has appropriate staff levels, the Bank positions itself as an attractive employer for current and future employees. To this end, the Bank runs a marketing campaign which is targeted and suited to bolstering the brand of Rentenbank as an employer.

To recruit and develop university graduates, Rentenbank benefits from its tried and tested trainee programme. The 'training on the job' programme consists of cross-divisional seminars and tailored training sessions in different departments at the Bank. In 2019, six new trainees commenced their traineeships.

Rentenbank's succession and retention management allows for talent to develop and remain in long service in an organised way. As part of this programme, high achievers and those with great potential can get ready to move up to a management position or to take on other key roles using tailored development plans.

An appropriate level of skill is ensured by providing training sessions as the need arises and recruiting in a targeted way. The usual appraisals which are regularly held offer a platform for proper feedback from the line manager on the employee's performance and the opportunity to discuss objectives and expectations of both parties. Measures to support achieving them are agreed on this basis. They can include acquiring new tasks or project responsibility.

The success of these training sessions is assessed and checked using questionnaires. Producing detailed statistics relating to training sessions is part of HR management. The number of training days per employee is one of the aims contained in the business strategy. In 2019, the average number of training days was 1.7 days per employee. Training constitutes one of the topics contained within the quarterly report produced by HR for the Management Board.

Rentenbank has appointed a gender equality officer who is closely involved in all relevant decisions, e.g. selecting and promoting staff. The gender equality

plan, which is accessible to all employees, contains targeted measures for improving equality between men and women and reconciling working and caring for family members. Some of the initiatives available include flexible and part-time working, grants for nursery places and the corporate benefits offered by 'pme Familienservice', an advisory and placement service. Furthermore, the equality plan contains specific key figures regarding the proportion of women in management positions and the allocation of remuneration for men and women according to the pay group they are in. Checks are carried out as to how the gender equality plan is being implemented on an annual basis. The proportion of women in management roles was 20% in 2019.

The ever-changing world of work with its increasing demands on time, volume and complexity of the tasks require shared values. As such, in 2019, Rentenbank updated its 'Guidelines for management and cooperation' as a result of several workshops in which employees from all divisions participated. The following six core elements were the joint output of these workshops:

- Open to change
- Working as one
- Good communication
- Making the right decisions
- Solution-oriented error culture
- Experiencing a positive management culture

Rentenbank also prioritises health management measures for employees. This includes regular health days, contributions towards memberships of gyms of the employee's choice, individual health training sessions, corporate sport groups as well as corporate integration management, among others. 'Health as a management task' forms part of the compulsory training programme for all managers.

Rentenbank's organisational structure for dealing with occupational health and safety creates the framework for protecting employees from dangers at work. Rentenbank has set up a staff safety committee which is made up of members of the staff council, the Health and Safety Officer, the representative for the severely disabled and Rentenbank's HR management, among others.

Social concerns

The creation of equal living conditions in Germany has been enshrined as a goal for government actions in the Constitution of the Federal Republic of Germany.

This constitutional goal entails equal opportunities for all citizens regardless of where they live in Germany. As a federal promotional bank for agribusiness and rural areas, Rentenbank backs investments in attractive rural areas with its promotional programmes.

It prioritises investments in rural infrastructure. With its Living in the Country promotional programme, Rentenbank supports companies and other applicants, which maintain and improve infrastructure and housing and living conditions in rural areas in Germany. In addition to the infrastructure, the Bank also promotes rural tourism such as 'Holidaying on a Farm'.

Rentenbank supports investments made by local authorities to improving the quality of housing and living conditions in rural areas with its Rural Infrastructure programme. This includes the promotion of districts and other local authorities as well as other measures and public services in rural areas. In this way, Rentenbank contributes to improving both the economic situation and the local environment.

This support goes to local authorities such as towns and communities of up to 50,000 residents, districts and special-purpose associations and firms without independent legal status run by local authorities in rural areas. The potential scope of application includes the expansion of broadband services, the expansion of electricity, gas and water networks, road and path construction, improving culture, education and leisure options or initiatives towards improving the local provision of food, goods and services in rural areas.

Respect for human rights

At Rentenbank, respect for human rights is a key standard which proceeds from the German Constitution.

All of Rentenbank's employees are employed at the main office in Frankfurt am Main. The Federal Republic of Germany has enshrined the UN human rights standards in law as well as the core employment principles of the International Labour Organization (ILO).

Through its statutory mandate as a promotional bank for agribusiness and rural areas, Rentenbank is focused on Germany and the EU. There is no material risk of violating the rights of indigenous peoples or abetting forced/child labour.

As an authority contracting within the realms of its status as a public law institution, Rentenbank tenders contracts above fixed thresholds within the framework of procurement law across Europe. Here, the applicable

legal obligations are complied with and European standards as regards human rights are safeguarded.

A Complaints Management process makes sure that the essential option to point out breaches and make complaints about the Bank is ensured. In 2019, this process was evaluated and additional steps for turning it into a standard procedure were made.

The General Data Protection Regulation (GDPR) sets out the basic right to self-determination over personal data. Rentenbank has implemented the relevant regulations. The right to self-determination over personal data across all processes and IT systems is respected. All employees are offered training on a regular basis. New starts are required to comply with these standards. Our appointed Data Protection Officer is the spokesperson and contact person for any matters relating to data protection and reports directly to the management board.

As an employer and a customer, Rentenbank respects human and employee rights. The right to freedom of association and the right to unionise are key to the protection of employment rights.

Rentenbank is a member of the Association of German Public Banks (*Bundesverband Öffentlicher Banken Deutschlands, VÖB*).

Accordingly, it applies the collective pay agreement agreed with the respective trade union for private and public banks.

Within the framework of codetermination at work, a staff council was elected based on the Federal Employee Representation Act (*Bundespersonalvertretungsgesetz, BPersVG*). It represents the interests of all employees. Employer and staff council work in consideration of the laws and pay agreements in a confidential and collaborative way. The staff council exercises its rights to participation on codetermination, cooperation and consultation.

Combating corruption and bribery

Effective corporate governance plays a pivotal role within responsible and sustainable management. In order to do justice to the statutory mandate, Rentenbank has prioritised personal integrity for persons involved. Rentenbank's Supervisory Board therefore adopted the Public Corporate Governance Code (*Public Corporate Governance Kodex, PCGK*), as agreed by the Federal Government on 30 June 2009,

on 16 July 2009. Deviations arising from the Bank's special legal status are explained in the annual report.

The members of the Management and Supervisory Boards are required to perform their duties in the best interests of Rentenbank. They are obliged to disclose any potential conflicts of interest arising from their activities to the Chairman of the Supervisory Board or the Supervisory Board. No conflicts of interest involving members of the Management or Supervisory Boards arose during the reporting year.

The public perceives Rentenbank in a special way due to its promotional mandate. It is absolutely crucial that employees' conduct is impeccable for the Bank to succeed. Rentenbank does not tolerate any form of corruption or bribery. That's why all employees are subject to a code of conduct for which has been expanded upon with additional rules.

The Bank has appointed an officer to combat corruption, money laundering, terrorist financing and other criminal acts to prevent such criminal offences. The Money Laundering Officer reports directly to the Management Board. There are company regulations which are set out in writing for all employees, from which clear guidelines can be drawn.

Carrying out identity check of contractual partners (compliance with the know-your-customer principle) is one of the most important parts of complying with the due diligence obligations required within anti-money laundering regulations. Rentenbank has put in place all the procedures and processes required to meet due diligence. Here, Rentenbank's special business model as a promotional bank in Germany and Europe and the allocation of loans in line with the principle of using local banks in order to mitigate risk are taken into account.

The special role of Compliance ensures adherence to the internal, statutory and regulatory provisions and regulations. It reports directly to the Management Board.

An elaborate reporting system keeps the Management Board informed through half-year compliance reports regarding the appropriateness and effectiveness of procedures to comply with the material regulations and provisions. Furthermore, the report contains details about potential shortcomings and proposals for measures to rectify them. Integrated compliance reporting takes place once a year. It comprises both compliance with MaRisk and German Securities Trading Act (*Wertpapierhandelsgesetz, WpHG*) and the reporting and risk analysis to prevent money laundering, terrorist financing and other criminal offences to the detriment

of the Bank. Furthermore, event-related ad hoc reporting to the Management Board occurs when compliance breaches are suspected or there are other incidents.

All security measures which are required in accordance with Section 25h KWG are implemented within the Bank. Employees and people of a comparable role can report anything suspicious or potential breaches to money laundering obligations to the Compliance Officer or the Money Laundering Officer. The option also exists for both employees and external contractors to report suspicious acts to Rentenbank's ombudsman in confidence without their identity being revealed (whistleblowing). The Bank rates the confidential treatment of the corresponding information as a high priority.

Internal Audit also forms an integral key component to the way in which it is managed internally. As a third line of defence, it regularly checks whether and to what extent the law has been correctly put into practice and applied and the internal organisational guidelines are being complied with.

The Bank creates greater awareness among its employees about the important provisions through regular compulsory training sessions, especially regarding money laundering, fraud prevention, data protection and information security. Participation is monitored.

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