

SECOND-PARTY OPINION

Landesbank Hessen–Thüringen’s Sustainable

Summary

Sustainable AG holds the view that Helaba's Sustainable Lending Framework is consistent with its sustainability strategy and, where applicable, with the fundamental principles of relevant market standards.

The framework in the context of the sustainability strategy

- + Commitment to international climate targets and advocacy for decarbonization strategies in CO₂-intensive sectors as part of sustainability linked loans
- + Close integration of risk strategy and lending supports the effective management of ESG criteria
- + Alignment of the loan portfolio with the Sustainable Development Goals (SDGs), including quantitative targets
- To strengthen alignment with the framework, the sustainability strategy should also be linked to the SDGs
- The new framework amends the potential volume for sustainable financing, necessitating an adjustment of existing targets

The framework in the context of relevant market standards

- + Clear definition for sustainable financial products
- + Well-documented selection process for financing categories, with defined responsibilities
- + Comprehensive ESG integration in the lending process
- + Evaluation of non-earmarked financing is linked to two criteria – SDG contribution and orientation towards the common good
- Allocation for non-earmarked financing contributing to the SDGs is not fully verifiable
- Target group for social business activities is not always clearly defined
- Reporting does not fully follow the requirements of the market standards. Impact indicators should be developed and be clearly presented in the framework

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1. Background

In response to an increasing focus on sustainability in financing strategies and regulatory requirements, Landesbank Hessen–Thüringen (Helaba) updated its Sustainable Lending Framework, initially introduced in 2022, in 2024. This framework serves as a guideline for the integration of environmental, social and governance (ESG) criteria into lending, and helps Helaba to promote the financing of sustainable projects and companies.

To ensure the credibility and transparency of the framework, Helaba commissioned Sustainable AG Unternehmensberatung (sustainable AG) to prepare a Second Party Opinion (SPO). The aim of the SPO is to provide an independent assessment of the Sustainable Lending Framework and confirm its compliance with current market standards and international guidelines, such as the Green and Social Loan Principles, the Sustainability Linked Loan Principles and the Sustainable Development Goals of the United Nations (SDGs).

In the following, sustainable AG evaluates Helaba's Sustainable Lending Framework in two dimensions:

1. Evaluation of the framework in the context of the holistic sustainability strategy
2. Assessment of Helaba's framework and criteria against relevant market standards for sustainable finance

2. Sustainable Lending Framework – sustainable AG's assessment

a. The framework in the context of the sustainability strategy

Description of the sustainability strategy

Helaba's sustainability strategy is firmly embedded in its corporate governance and reflects the bank's clear commitment to environmental, social and corporate responsibility. The bank is committed to actively contributing to the protection of the environment, society, and future generations. In doing so, it aligns with the goals of the Paris Climate Protection Agreement and with the climate targets set by the German government and the European Union.

A key element of Helaba's strategy is its decarbonization approach, which focuses on monitoring and reducing greenhouse gas emissions both within its own operations and in its loan portfolio. In particular, CO₂-intensive sectors such as energy production and real estate are targeted. Helaba has set a goal of achieving greenhouse gas neutrality by 2050 and is developing decarbonization pathways to ensure a gradual reduction in emissions.

Helaba is continuously expanding its range of sustainable products to support the transition to a sustainable economy. These include green bonds, social bonds and ESG-linked financing. In 2021, the bank also set a target of increasing the proportion of sustainable financing from 43% to 50% by 2025. This enables Helaba to actively support its customers on their path to sustainability.

In the area of risk management, Helaba integrates ESG factors (environmental, social and governance) as a key component of its risk management. ESG factors are systematically incorporated into the lending process to identify and minimize potential risks at an early stage. Exclusion criteria ensure that particularly critical business areas are consistently excluded to avoid reputational and sustainability risks.

Helaba is also committed to comprehensive sustainability management within its own business operations. Helaba aims to achieve climate neutrality in its banking operations by 2035. Measures such as reducing CO₂ emissions by using low-emission energy sources and converting the

company car fleet to electric vehicles underline these ambitions. Helaba is also strongly committed to its region and supports projects in the areas of education, culture, social affairs and science.

Transparency and governance play a central role in Helaba's sustainability strategy. The bank is guided by international standards such as the Global Reporting Initiative (GRI) and the EU's Corporate Sustainability Reporting Directive (CSRD), and regularly reports on its sustainability performance. Overall responsibility for the sustainability strategy lies with the Board of Managing Directors, which is supported by a comprehensive governance system to ensure that the ESG targets are achieved.



Illustration 1: Illustration of the Helaba Group's ESG objectives; source: Helaba sustainability strategy



Illustration 2: ESG Key Performance Indicators of the Helaba Group; Source: Helaba Sustainability Strategy

More detailed information can be found [in Helaba's sustainability strategy](#)¹.

¹ Status: October 2024

Statement on the sustainability strategy

Helaba's sustainability strategy provides a solid basis for integrating ESG factors (environmental, social and governance) into the Group's business and risk strategy. Its clear commitment to international climate targets is particularly noteworthy. In addition, Helaba's lending exposure in the areas of renewable energies and sustainable infrastructure makes an important contribution to the implementation of projects aimed at responsible and sustainable development. Furthermore, Helaba's risk strategy is closely linked to the lending process and thus forms a solid basis for integrating sustainability aspects into risk management. By implementing ESG criteria (environmental, social and governance) and clearly defined exclusion criteria, the bank creates a structured approach to identifying, assessing and managing potential risks that could result from environmental and social factors. By regularly reviewing and adjusting its risk strategies, Helaba ensures that current developments in the ESG area are considered and integrated into the decision-making process. This contributes significantly to the long-term stability of the credit portfolio and supports the overarching goal of minimizing ESG risks in the long term.

Despite these positive initiatives, there are areas where the sustainability strategy could be further refined to enhance its focus on sustainable finance. While the Sustainable Lending Framework provides an important foundation, there is no clear link between the overarching strategy and the framework's guidelines. For example, it is not clear which of the 17 United Nations Sustainable Development Goals (SDGs) and their sub-goals are explicitly pursued and to what extent the financed projects specifically contribute to these goals. In line with the [Principles for Responsible Banking²](#), sustainable considers it desirable to integrate the SDGs into the overarching business and sustainability strategy. To this end, sustainable AG recommends an analysis of the key SDGs, e.g. using the [SDG Compass³](#), in order to identify the bank's strategic areas of action and align these with the Sustainable Lending Framework. In this way, priorities of the financing strategy could be more clearly identified to better define priority sectors and investment areas. This would enable a stronger focus on sustainable projects. A transparent presentation of the currently financed volume of sustainable activities and the introduction of concrete quantitative targets for the future would also increase the transparency and traceability of progress and make the success of sustainability measures more measurable.

² Status: October 2024

³ Status: October 2024



Illustration 3: SDG Compass; Source: UN Global Compact

Regarding the defined exclusion criteria in relation to potential ESG risks, it can be stated that these cover a variety of material ESG risks, such as environmental pollution, human rights violations and ethically questionable business practices. Exclusion criteria have a direct impact by preventing capital from flowing into activities that could potentially have a negative impact on the environment, society or corporate governance. This minimizes the risk of financing companies or projects that are exposed to long-term regulatory or reputational risks. However, the effectiveness of the exclusion criteria depends on how strictly and comprehensively the criteria are applied. If they allow too many exceptions, critical ESG risks could be overlooked. On the other hand, if the criteria are too narrow,

it could limit the ability to finance companies transitioning to more sustainable business models.

Helaba avoids the second risk with the following approach:

Excerpt from the framework: [...] *Helaba generally supports customers who are in a documented transformation process towards a more sustainable business model or are preparing for this. This also applies to customers with critical activities, provided that they have bindingly started such a transformation process, or the financing granted demonstrably serves to reduce the critical activities or their negative effects. [...]*

Sustainable AG takes an extremely positive view of this approach by Helaba, as a focus on exclusion criteria alone would not be very effective. It is of central importance to continue to support companies that are in the process of transforming towards more sustainable business models, rather than withdrawing financing from them. A sustainable bank should therefore not only act as a supervisory body, but also as a reliable partner that accompanies companies on their path to further development – on the condition that they continuously transform themselves towards sustainability.

Overall, it can be said that Helaba has created a solid foundation with its sustainability strategy. The strategy's comprehensive focus on decarbonization targets, which encompass not only Helaba's operations but also its loan portfolio, deserves special mention. In this context, the bank has already begun to consider how decarbonization can be managed in various sectors across all industries. This shows a certain connection between the sustainability strategy and the framework. By including CO₂-intensive sectors in the sustainability concept and calling for a well-founded decarbonization strategy as part of Sustainability Linked Loans, Helaba is demonstrating a holistic approach that aligns the lending strategy with the business strategy in terms of environmental objectives.

With the introduction of its first Sustainable Lending Framework, Helaba has taken a significant step towards sustainable financing. The 43% volume share of sustainable finance in the first year, as reported in the 2021 Sustainability Report, provides a solid foundation for the future development of the overall volume. According to the 2023 Sustainability Report, the target of increasing the share to 50% by 2025 was achieved two years in advance. In view of the expansion of attributable financing activities through the new framework, it is recommended that the target be adjusted based on the current volume.

Helaba's sustainability strategy forms a solid basis for the integration of ESG factors into the business and risk strategy. The commitment to international climate targets and the call for decarbonization strategies for CO₂-intensive sectors as part of Sustainability Linked Loans, which strengthen

the strategic focus of lending, should be highlighted as positive. The close integration of risk strategy and lending supports the effective management of ESG criteria. However, there is a lack of strategic alignment with the SDGs for a clear link between the sustainability strategy and the Sustainable Lending Framework.

b. Review of the framework against relevant market standards

Description of the framework

Helaba's Sustainable Lending Framework (also referred to as the "framework") was further developed in 2024, based on the initial version of 2022. The framework represents Helaba's method for classifying and managing sustainable lending business in a uniform manner. According to Helaba, it is therefore a key instrument for driving sustainability in its core business. It refers to the Group and includes financing that is processed by Frankfurter Sparkasse, LBS or WIBank.

Helaba applies the following standards:

Excerpt from the framework: [...] *In defining sustainable finance, Helaba is guided by nationally and internationally established standards, frameworks and principles. These are, in particular, the EU Taxonomy for Sustainable Economic Activities, the European Banking Authority's (EBA) Guidelines on Lending and Supervision, the United Nations Sustainable Development Goals (SDGs), the German Sustainability Strategy and frameworks for ESG products, including in particular the Green Loan Principles, the Social Loan Principles and the Sustainability Linked Loan Principles of the Loan Market Association (LMA) [...].*

Regarding the (above) stated international standards, the Green, Social and Sustainability-Linked Loan Principles, in particular, are predominantly for specific transactions and less for a comprehensive sustainable finance strategy such as Helaba's Sustainable Lending Framework. Nevertheless, they provide an authoritative international framework that enables all market participants to clearly understand the characteristics of a social or green loan based on the following four core components:⁴

1. Use of proceeds
2. Selection and evaluation of projects
3. Management of proceeds
4. Reporting

This also applies to the Sustainability-Linked Loan Principles, which provide a standard that enables all market participants to clearly understand the characteristics of a Sustainability Linked Loan (SLL). The SLL Principles are based on the following five core components:⁵

1. Selection of KPIs (Key Performance Indicators): Definition of the key performance indicators that measure the borrower's sustainability performance.
2. Calibration of SPTs (Sustainability Performance Targets): Definition of the sustainability targets that the borrower must achieve.
3. Loan characteristics: Determination of the specific characteristics of the loan that are linked to the achievement of the SPTs.
4. Reporting: Regular reporting on progress in achieving the SPTs.
5. Verification: Independent verification of reporting and achievement of SPTs.

Sustainable AG has therefore based its assessment of Helaba's Sustainable Lending Framework primarily on the core components defined by these standards due to their international relevance.

Use of proceeds

Helaba defines four categories in its framework, with each financing being assigned to a maximum of one of these categories.

⁴ APLMA, LMA and LSTA Green and Social Loan Principles (February 2023)

⁵ APLMA, LMA and LSTA Sustainability Linked Loan Principles (February 2023)

Excerpt from the framework: [...]

1. **ESG product:** The loan is an ESG product.
2. **Taxonomy-aligned activity:** The activity financed meets the criteria of the EU taxonomy.
3. **Activity with a contribution to SDGs:** The activity financed contributes to achieving the UN SDGs and the German Sustainable Development Strategy.
4. **Borrowers oriented towards the common good from economic sectors that contribute to SDGs:** The borrower comes from an economic sector that makes a substantial contribution to achieving the SDGs and the German Sustainable Development Strategy and is oriented towards the common good. [...]

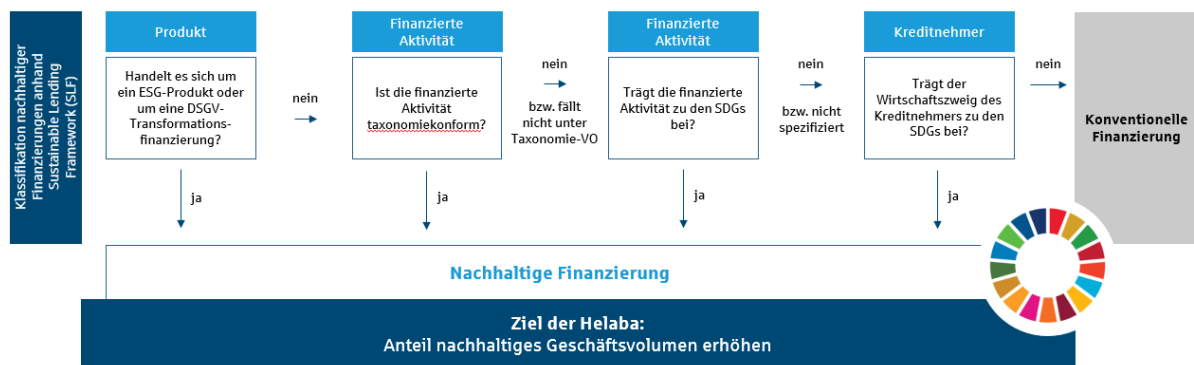


Illustration 3 Classification of sustainable financing; source: Helaba

An **ESG product** can be structured both as use-of-proceed and non-use of proceed instrument. According to the Sustainable Lending Framework, the former category includes green and social loans, green and social promotional loans and green financing in accordance with the financing framework of the Savings Banks Finance Group (SFG). Financing defined as an ESG product, which is not based on a specific financing purpose, is a sustainability-linked loan. Financing that is classified as an ESG product does not necessarily have to be aligned with the categories listed under "Classification step 3" in the Sustainable Lending Framework. They can be based on their own frameworks, which are to be regarded as independent of this Sustainable Lending Framework.

Taxonomy-aligned activities comprise all financing of taxonomy-aligned economic activities in the form of debt securities where the use of proceeds is both known and unknown.

Financing that is assigned to the category "**Activity contributing to the SDGs**" is financing with a purpose that is intended to contribute to the achievement of the Sustainable Development Goals (SDGs). When selecting projects, Helaba distinguishes between environmental and social business activities or objects that are assigned to the various SDGs and are defined in the form of positive criteria ("suitability criteria") and in some cases in the form of topic-specific thresholds, relevant sustainability certifications and specific technologies. In some cases, criteria also refer to the operationalized EU Taxonomy Regulation, e.g. for new construction, renovation of existing buildings and equipping buildings with charging points for electric vehicles. In addition, ecological exclusion criteria are sometimes applied.

Furthermore, non-earmarked financing can be classified as sustainable if the **borrower is oriented towards the common good** and comes from an economic sector that makes a substantial contribution to achieving the SDGs. For the classification of sustainable economic sectors, the environmental and social activities defined in "Classification step 3" were used according to their contribution to the SDGs. The economic sectors of the financed institutions are weighted with an "SDG factor", which means that some sectors are only included in the sustainable credit volume on a pro

rata basis. The weighting is based on the indicator set for the German Sustainability Strategy of the Federal Statistical Office.

sustainable AG's opinion: Use of proceeds

In its Sustainable Lending Framework, Helaba provides a clear definition of the characteristics that sustainable financing must have within its business activities to be classified as such.

In the category of **earmarked financing**, which can be ESG products, taxonomy-aligned loans and earmarked financing that contributes to an SDG, eligibility criteria were defined. Furthermore, exclusion criteria were also defined in some cases. The criteria for verifying taxonomy conformity are evident from the relevant legal provisions in accordance with the applicable legal situation. In the area of ESG products, in the case of green and social financing and promotional loans in accordance with the framework, care is taken to ensure that their intended use can be assigned to the list of activities (see framework: chapter classification of sustainable financing: (3) activity with a contribution to the SDGs) that support an SDG. For transformation activities, reference is made to the financing framework of the Sparkassen-Finanzgruppe (DSGV framework). From sustainable AG's perspective, this creates a robust framework that provides transparency on the benefits for the environment or people in the case of earmarked financing. This is in line with international guidelines such as the Green and Social Loan Principles, which require a clear environmental benefit for the designated project categories or, in the case of social projects, aim to address or mitigate a specific social problem and/or achieve positive social outcomes, including for a target population (but not only for this population). It should be noted at this point that the individual activities deliver or contribute to varying degrees. A detailed assessment can be found under "Overview of environmental and social project categories". There would be potential for improvement in terms of transparency if the DSGV criteria were listed or at least a link to them were provided, giving users of the framework an easy way to access and view them.

In the category of loans without special purpose, a robust procedure is in place for the classification of taxonomy-aligned non-earmarked loans in accordance with EU legislation. Furthermore, sustainability-linked loans (recognized as ESG products) fall under the category of loans without special purpose. For this type of ESG product, Helaba relies on the Sustainability-Linked Loan Principles (SLLP) for its classification as sustainable financing in accordance with the framework. When selecting the KPIs to be defined in accordance with the SLLP, the bank draws on international sustainability reporting frameworks. Specifically, these are the following standards: Sustainability Accounting Standards Board (SASB), the reporting standards of the Global Reporting Initiative (GRI), the German Sustainability Strategy and the European Sustainability Reporting Standards (ESRS). In principle, sustainable AG classifies this approach as positive, as they can be used in the context of the respective corporate reporting to determine the extent to which they support the company's sustainability strategy. Helaba also emphasizes in its framework that the agreed targets should reflect the key sector-specific challenges and the customer's sustainability and transformation strategy (medium and long-term targets, broken down into annual interim targets where possible). The framework also requires reporting and validation of target achievement by independent third parties. In principle, sustainable AG therefore considers compliance with the core components required by the SLLP to be a given. However, based on the internal guidelines/process descriptions provided to sustainable AG, limited information is available on the extent to which the ambition level of the KPI setting has been verified. Sustainable therefore sees certain weaknesses regarding core component 2 of the SLLP – calibration of SPTs. Clear processes for fulfilling the requirements of the SLLP would be desirable here, particularly to be able to guarantee an appropriate level of ambition when setting targets. Sustainable AG considers the additional requirement that Helaba has defined for customers from CO₂-intensive sectors to be positive: in accordance with the framework, they must have a credible plan for reducing their CO₂ emissions as part of

sustainability-linked financing. The customer's status quo and ambition level are reviewed, and an assessment is made by Helaba's Sustainable Finance Advisory Team as to the extent to which the customer is in line with the climate target for Helaba's loan portfolio. In view of the decarbonization of the loan portfolio, sustainable AG sees this as a valuable additional requirement. Helaba has developed a transparent methodology for loans to borrowers from sectors that contribute to the SDGs, i.e. borrowers whose economic sector contributes to the SDGs, which specifies the proportion of the eligible amount of loan. According to the framework, these shares were determined using the indicator set for the German Sustainability Strategy of the Federal Statistical Office. Sustainable AG considers the methodology to be moderately reliable when it comes to the contribution of the financed borrowers to the SDGs. Sustainable AG sees limitations here in terms of the extent to which a borrower who is eligible for a loan product according to this list of criteria is involved in sustainable activities. This applies in particular to some sectors of the economy for which an SDG factor of '1' has been set. However, the indicators used from the German Sustainability Strategy are also suitable to a limited extent: The selected indicators only have a limited connection to the specified economic sectors in the framework or are used in accordance with the German Sustainability Strategy to measure objectives where a connection between the possible contribution of the specified economic sectors is not necessarily given from sustainable AG's perspective. Sustainable AG considers the criteria for non-earmarked financing to borrowers for the common good to be sound when it comes to ensuring that other environmental or social objectives are not compromised, as an ESG risk assessment is carried out in accordance with the EBA guidelines for lending and monitoring. In addition, the Group policy centrally excludes practices and activities that contradict the sustainability goals.

Selection and evaluation of projects

The Green and Social Loan Principles call for a transparent process to be disclosed so that users of the framework understand how the practical implementation of sustainable lending ensures that the projects financed meet the goals of sustainable development. Among other things, the procedure should take the following aspects into account:

1. It should be explained as to which positive environmental or social effects are expected. In the case of social projects, the target group of the social impact should also be defined.
2. There must be a systematic process for evaluating projects to ensure that they meet the defined criteria. This could include an internal review or the involvement of external experts.
3. The projects should not only offer short-term benefits, but also have a long-term, sustainable impact on the environment and society.
4. Possible risks associated with the projects should be identified and mitigated to ensure that the financed projects achieve the desired effects.

These requirements ensure that the financial resources are used efficiently and make a positive contribution to the defined objectives.

Regarding sustainability linked loans, which can be classified as sustainable financing in accordance with the framework, reference should be made here to the first calibration of SPTs, i.e. the definition of the sustainability targets that the borrower must achieve.

In Helaba's case, it is particularly relevant that appropriate governance mechanisms are established to ensure that the various product categories defined in the framework are correctly allocated. Compliance with the respective criteria must also be ensured. In the case of sustainability linked loans, this relates to ensuring that appropriate KPIs are used that are of strategic importance to the borrower regarding sustainability aspects.

Excerpt from the framework[...]

The classification of a loan as sustainable financing in accordance with the Sustainable Lending Framework takes place over several instances:

1. as part of the lending process, the front office units use the analysis steps and decision criteria defined in the Sustainable Lending Framework (see classification of sustainable financing, decision criteria 1 to 4) to check whether the financing is to be assessed as sustainable.

Sustainability Data Management (SDM) provides support in carrying out the audit. SDM is Helaba's application system in which all sustainability-relevant data is recorded. SDM ensures that the audit steps are recorded using a predefined process and considering all relevant documents and information.

The decision as to whether financing can be classified as sustainable in accordance with the Sustainable Lending Framework is based on the "four-eyes-principle". The audit result is stored in the SDM and documented as part of the loan submission and serves as an assessment criterion in the cross-functional loan approval and decision-making process.

- 2 In the event that financing cannot be clearly classified as sustainable based on the Sustainable Lending Framework, a plausibility check is carried out. One person from each business division is responsible for this.

A plausibility check is required if the activity is classified as sustainable by the business area but is not yet included in the Sustainable Lending Framework or if there are conflicting objectives that make classification difficult. The person responsible draws up a proposal as to whether the financing should be classified as sustainable or not.

Extended verification process for loans for which issue proceeds from the green bond are used

For loans in connection with renewable energy projects for which the issue proceeds from the green bond are used, there is an additional, more extensive review procedure. Helaba has established a Green Bond Committee for this purpose. It ensures the evaluation and selection of eligible loans and coordinates the proper implementation and further development of the Green Bond Framework.

Sustainable AG's opinion: Selection and evaluation of projects

Sustainable AG considers the selection process to be sufficiently documented and comprehensible. Responsibilities and competencies of the persons involved in the credit process are defined. In our view, internal process descriptions and documents reviewed by sustainable AG underline control mechanisms to ensure the correct selection and evaluation of products and criteria. We consider the process described in the framework to evaluate an activity not yet listed in the framework as sustainable during the plausibility check as part of the next update of the framework to be positive and comprehensible.

Sustainable AG considers Helaba's comprehensive description of how sustainability aspects are generally incorporated into the lending process to be particularly valuable. In addition to cross-sectoral requirements, Helaba has also defined sector-specific principles and exclusions that also reduce risks regarding sustainable lending and ensure that the projects financed achieve the desired effects. We based this assessment only on publicly available documents and internal guidelines, concepts and process descriptions and did not take random samples.

Management of proceeds

In the case of special-purpose financing, it must be ensured that mechanisms are established to ensure the correct allocation of proceeds over the entire term of the loan.

Excerpt from the framework [...]

The sustainability criteria and exclusion conditions for Helaba's lending (see chapter Classification of sustainable finance: Sustainability criteria in lending) are integrated into the existing risk process and risk management and are systematically reviewed for each loan application. The Board of Managing Directors is responsible for all risks at Helaba and is responsible for ensuring compliance with the risk strategy throughout the Group. A Risk Committee has also been set up to implement and monitor the risk strategy.

Helaba's risk strategies are reviewed annually and adjustments or extensions to sustainability criteria are introduced where necessary, including with regard to findings from borderline cases.

[...] For loans in connection with renewable energy projects for which issue proceeds from the Green Bond are used, there is an additional, more extensive review procedure. Helaba has established a Green Bond Committee for this purpose. It ensures the evaluation and selection of eligible loans and coordinates the proper implementation and further development of the Green Bond Framework.

Sustainable AG's opinion: Management of financial resources

Helaba has established central structures to integrate ESG factors into risk management processes throughout the term of the loan. All loans must meet the Bank's comprehensive sustainability criteria, which are integrated into Helaba's general risk management processes and regularly reviewed. For certain financing categories refinanced through green bonds, there are separate verification mechanisms in place to ensure the correct use of proceeds. Sustainable AG would welcome an extension of these review mechanisms to all earmarked financing issued under the framework.

Reporting

ESG product: Regular reporting is required both by the Green and Social Loan Principles and in accordance with the Sustainability Linked Loan Principles.

The GLP and SLP recommend reporting a list of the green or social projects for which the proceeds from the green loan were used, as well as a brief description of the projects, the amounts allocated and their expected and, where possible, achieved impact. Given the size of Helaba's portfolio, this is not practicable. In the event of a large number of projects, GLP and SLP recommend limiting the scope of the information provided. The information should be presented in general terms or on an aggregated portfolio basis (e.g. percentage allocated to specific project categories). It is also recommended to define and publish performance indicators or, where possible, key performance indicators (e.g. reduced/avoided GHG emissions) to gain an understanding of the impact achieved.

Taxonomy-aligned loans: Comprehensive reporting is required by law and must be published in the management report.

Sustainability Linked Loan: An annual review of target achievement is recommended by the SLLPs. As a rule, validation is carried out by independent third parties.

Excerpt from the framework: [...] *The volume and share of sustainable financing determined on the basis of this framework are included in Helaba's sustainability reporting. The indicators (volume and share of sustainable financing) are published on Helaba's website. Reporting is carried out transparently in accordance with the method for identifying sustainable finance as described in the section on the classification of sustainable finance. Helaba creates a positive impact with its sustainable financing. In future, this will also be reflected in the reporting system by means of an impact measurement.*

Sustainable AG's opinion: Reporting

In sustainable AG's view, the reporting requirements are currently not fully met. At this point, sustainable AG suggests developing a methodology and defining quantitative impact indicators for the various categories to be able to assess the impact of sustainable lending on environmental and social goals and the SDGs. Regarding sustainability-linked loans, it can also be shown at least at portfolio level whether everyone is on their target path or whether there are borrowers who have deviated from the target path and therefore must accept a deterioration in loan conditions. Sustainable AG recommends that the impact indicators identified in the future be specified in the framework in accordance with international guidelines when the present framework is revised.

Overview of ecological and social project categories

In 2015, the international community adopted 17 global Sustainable Development Goals (SDGs) with the United Nations 2030 Agenda. These goals aim to ensure a decent life worldwide while protecting natural resources in the long term. The SDGs are further substantiated by 169 specific sub-goals ("targets").

Helaba bases its definition of sustainable finance on this internationally recognized framework for sustainable development. To this end, environmental and social business activities have been defined in certain areas that Helaba believes contribute to achieving the SDGs. Financing that is consistent with these activities is classified as sustainable by Helaba.

Activities with an environmental impact	Activities with a social impact
<ul style="list-style-type: none"> - Energy - Transport and mobility - Resource efficiency - Water and wastewater - Sustainable food and agriculture - Climate change adaptation - Biodiversity 	<ul style="list-style-type: none"> - Education - Infrastructure - Inclusion - Healthcare - Economic development - Safeguarding against the risk of poverty - Public administration and international development co-operation


Illustration 4 Classification of activities; source: Helaba



Based on the activities and projects financed under the Sustainable Lending Framework, the contribution of these activities to the UN SDGs is assessed below by sustainable AG. The assessment is based on a 4-level scale:

Significant contribution	Adequate contribution	Limited contribution	No contribution
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Evaluation of the financing of ecological business activities

Energy


Subtopic/SDG	Contribution to SDG	Reasoning
Energy generation, distribution and storage 	Significant contribution	Contribution to SDGs 7.2 and 7.3 and to indicators 7.2.1 and 7.3.1 Renewable energy plays a crucial role in the transition to a low-carbon economy. However, renewable energy projects can also have a negative impact on the local environment and local communities. The exclusion criteria only address this to a limited extent. Renewable energy projects are also often associated with high emissions during their construction (cement, steel, fuel-powered machinery and equipment, etc.). Sustainable AG also considers it necessary to adapt the exclusion criteria for hydropower to the requirements of the EU taxonomy, which stipulates that the power density of the power generation plant should be > 5 W/m ² . Further exclusion criteria could reduce potential impairments of activities on SDG 14 and SDG 15.

<p>Building energy efficiency: activities and properties and acquisition</p>	<p>Significant contribution</p>	<p>Contribution to SDG 7.3 and indicator 7.3.1</p> <p>Properties that meet the Efficiency House 55 or the Efficiency House/Efficiency Building 40 standard are particularly energy efficient. The Efficiency House 40 requires only 40% of the energy of a reference building. An Efficiency House 55 has an annual primary energy requirement of only 55% of that of a reference building. Alignment with the NZEB satisfies the DNSH criterion for climate protection. Regarding the labels as a selection criterion, sustainable AG considers it positive that the highest and second-highest levels were selected. Nevertheless, it should be noted that these are points-based rating systems that cover many environmental factors, but do not require a low climate impact or better energy efficiency than specified by regulations.</p>
		
<p>Building energy efficiency: conversion, modernization and refurbishment</p>	<p>Adequate contribution</p>	<p>Contribution to SDG 7.3 and indicator 7.3.1</p> <p>Regarding the labels as a selection criterion, sustainable AG considers it positive that the highest or second-highest levels were selected. Nevertheless, it should be pointed out that these are points-based rating systems that cover many environmental factors, but do not require a low climate impact or better energy efficiency than specified by regulations.</p> <p>Sustainable AG considers the orientation towards the criteria of the EU taxonomy for the renovation of buildings to be positive. However, sustainable AG does not consider the "substantial improvement" criterion of the ECORE value to be sufficiently precise.</p>
		


Transportation and mobility

Subtopic/SDG	Contribution to SDG	Reasoning
<p>Local and long-distance public transport and sustainable private transport</p>	<p>Significant contribution</p>	<p>Contribution to SDG 11.2 and indicator 11.2.1.</p> <p>The requirements for this category are based on the requirements for a significant contribution to climate protection in accordance with the EU taxonomy. Loans that meet these criteria not only contribute to SDG 11, but also have a significant environmental impact in terms of climate protection.</p>
		
<p>Freight transport and air traffic</p>	<p>Significant contribution</p>	<p>Contribution to SDG 9.1 and SDG 9.4, as well as to indicators 9.1.2 and 9.4</p> <p>The requirements for this category are based on the requirements for a significant contribution to climate protection in accordance with the EU taxonomy. Loans that meet these criteria not only contribute to SDG 11, but also have a significant environmental impact in terms of climate protection.</p>
		



Resource efficiency

Subtopic/SDG	Contribution to SDG	Reasoning
Circular economy 	Significant contribution	Contribution to SDG 12.5, 12.2, and to the indicator 12.5.1 12.2.2 The activities listed above make a significant contribution to the circular economy.



Water and waste water

Subtopic/SDG	Contribution to SDG	Reasoning
Water supply and wastewater treatment and disposal 	Adequate contribution	Contribution to SDG 6.3, 6.a and 6.b As the level of maintenance of existing infrastructure in the water and wastewater sector is, in general, too low, maintenance work, whenever planned, can be considered urgent for reasons of public health and climate resilience. However, it is not verifiable for the project categories listed whether the plants are potentially operated with fossil fuels or connected to the electricity grid and the district heating network. The projects should aim to minimize emissions from the construction phase and the supply chain (e.g. from cement production). Requirements for improved energy efficiency should also be viewed positively.


Sustainable food, agriculture and forestry

Subtopic/SDG	Contribution to SDG	Reasoning
Sustainable Food and agriculture 	Significant contribution	Contribution to SDG 2.3, 2.4 and 2.a These activities contribute to the productivity and income of small-scale food producers and to the preservation of ecosystems through resilient agricultural practices.
Sustainable Forestry 	Significant contribution	Contribution to SDG 15.2, 15.b and indicator 15.2.1 The activities listed above make a significant contribution to target 15.2, i.e. to promote sustainable management of all types of forests, halt deforestation, restore degraded forests, and substantially increase afforestation and reforestation worldwide. On the one hand, European countries are leading the way in many areas of sustainable forest management, but challenges such as illegal logging, monocultures and the effects of climate change should not be underestimated. Increased monitoring, compliance with certification standards and sustainable planning are crucial to safeguard positive developments and minimize negative incidents. With the application of the EUDR, there should be further improvement in Europe. Sustainable AG considers the seals selected for verification to be appropriate and the allocation of activities to be comprehensible thanks to the clear specifications.

Adaptation to climate change


Subtopic/ SDG	Contribution to SDG	Reasoning
Adaptation to and insurance of climate change impacts and warning systems 	Significant contribution	Contribution to SDG 13.1 The activities listed strengthen resilience and adaptability to climate-related hazards and natural disasters.
Innovative processes 	Significant contribution	Contribution to SDG 13.2 and indicator 13.2.2 The activities listed in the context of CO ₂ storage make a significant contribution as a supplement to the reduction of GHG emissions to make industries with unavoidable residual emissions greenhouse gas neutral. The criteria listed ensure that negative impacts from CSS are minimized as far as possible and that lock-in effects from activities depending on fossil fuels are prevented.

Biodiversity




Subtopic/ SDG	Contribution to SDG	Reasoning
Green roofs and facades 	Significant contribution	Contribution to SDG 15.5 and 15a The activities listed can reduce the deterioration of natural habitats and counteract the loss of biodiversity.

Evaluation of the financing of social business activities



Education

Subtopic/SDG	Contribution to SDG	Reasoning
Education 	Significant contribution	Contribution to SDG 4 The activities listed focus primarily on buildings and infrastructure that are geared towards education and training. This makes an appropriate contribution to SDG 4.a. sustainable AG assesses the additional criteria that underline a full alignment with goal 4.a as positive. For example, accessibility etc. The additional focus on energy efficiency criteria is also rated positively to strengthen the overarching goal of the Green Deal.



Infrastructure

Subtopic/SDG	Contribution to SDG	Reasoning
Urban infrastructure and urban development 	Adequate contribution	Contribution to SDG 11, SDG 11.7 and indicator 11.7.1. With the criteria listed, sustainable AG sees an adequate contribution to achieving SDG 11. Socially desirable and/or publicly accessible facilities can make at least a limited contribution to SDG 11.7. The expansion of transport infrastructure makes a significant contribution to SDG 11.2
Security and order 	Significant contribution	Contribution to SDG 16.1 and 16.3 The listed activity makes a significant contribution to SDG 16.
Digital infrastructure 	Significant contribution	Contribution to SDG 9.b and 9.c and to indicators 9.b.1 and 9.c.1 The activities listed make a significant contribution to SDG 9


Inclusion

Subtopic/SDG	Contribution to SDG	Reasoning
Affordable and appropriate housing 	Limited contribution	Contribution to SDG 11.1.1 SDG 11.1 aims, among other things, to ensure adequate, safe and affordable basic housing for all. The activities listed only make a limited contribution to SDG 11. This is due to some vague formulations that allow a certain amount of flexibility in assigning activities to this category. Most of the criteria listed ensure that the funding benefits socially disadvantaged target groups. However, there are weaknesses, as the definition of "affordable housing" includes residential property and publicly owned buildings that are not classified as "social housing". No clear link can be established to indicate that the promotion of these forms of housing contributes significantly to reducing the "housing cost overload". Although new construction and acquisition are linked in point 2 to the receipt of state subsidies and thus to an income limit (€35k/year), new construction and acquisition of residential property is defined as "affordable" in point 1 without any restriction on an income limit. This is not consistent and allows the classification of any real estate loan.
Financial inclusion 	Significant contribution	Contribution to SDG 1.2. and indicator 1.2.1 SDG 1 aims to reduce poverty in both the international and national context. The activities listed make a significant contribution to SDG 1.2 and indicator 1.2.1.


Health

Subtopic/SDG	Contribution to SDG	Reasoning
Healthcare facilities, products and services 	Significant contribution	Contribution to SDG 3.8 The activities listed make a significant contribution to SDG 3.8.
Food security 	Adequate contribution	Contribution to SDG 2.3 The activities listed directly and indirectly support the achievement of SDG 2.3. To ensure a significant contribution, the first criterion according to SDG 2.3 should be specified in more detail, e.g. to small food producers, family farms, etc., analogous to point 2.


Economic development

Subtopic/SDG	Contribution to SDG	Reasoning
Local economic development 	Significant contribution	Contribution to SDG 8.3 The activities listed above make a significant contribution to the formalization and growth of micro, small and medium-sized enterprises, including through access to financial services The promotion of "groups affected by discrimination" makes a significant contribution to SDG 10.2.

Protection against poverty risks

Subtopic/SDG	Contribution to SDG	Reasoning
Protection against poverty risks 	Adequate contribution	Contribution to SDG 1.2, SDG 1.3. and to indicators 1.2.1, 1.2.2, 1.3.1 Some of the activities listed are related to old-age provision and can therefore contribute to the achievement of SDG 1.2. However, target group-specific measures should be implemented here so that the financial resources contribute to reducing the risk of poverty in old age.

Development cooperation

Subtopic/SDG	Contribution to SDG	Reasoning
Development cooperation 	Significant contribution	Contribution to SDG 17.3 and to indicators 17.3.1 and 17.3.2 Financing for international development banks makes a significant contribution to SDG 17

3. Methodology

Part 1: Evaluation of the framework in the context of Helaba's sustainability strategy

The Second Party Opinion (SPO) begins with an assessment of Helaba's Sustainable Lending Framework in the context of the Bank's overarching sustainability strategy. It analyzes the consistency of the strategy with the defined environmental and social business activities and the Sustainable Development Goals (SDGs). The extent to which the framework supports the achievement of the ESG goals in Helaba's business strategy is assessed. In addition, the relevance and effectiveness of the defined exclusion criteria in relation to potential ESG risks are examined.

Part 2: Review of the framework against relevant market standards and assessment of the criteria

Part 2 assesses the alignment of the Sustainable Lending Framework with international market standards. Specifically in relation to the APLMA, LMA and LSTA Green and Social Loan Principles (February 2023) and APLMA, LMA and LSTA Sustainability Linked Loan Principles (February 2023). In addition, in addition to an assessment of the framework, other publicly available documents that are directly related to the framework are also included in the assessment. Internal documents, such as process descriptions or guidelines, are also included in the assessment in order to examine the robustness of the processes described in the framework in greater depth. Discussions with employees can also be included in the assessment. The specified business activities that are eligible for classification as sustainable financing are qualitatively assessed for their contribution to the SDGs listed.

4. Disclaimer

This Second Party Opinion (SPO) was commissioned by Landesbank Hessen-Thüringen Girozentrale, Helaba for short, and prepared by sustainable AG. This SPO does not constitute financial or investment advice and should not be construed as such. Investors should conduct their own research and analysis before making any investment decisions. This SPO is also not a credit rating and should not be considered a substitute for one. It is intended solely as an independent assessment of the sustainability criteria used by Helaba to classify sustainable financing instruments in accordance with the Sustainable Lending Framework.

Sustainable AG accepts no liability for any loss or damage resulting directly or indirectly from the use of this SPO. In particular, sustainable AG assumes no liability for the completeness, accuracy and timeliness of the information contained in this SPO. The information in this SPO is based on the data available at the time of preparation and is subject to change. The SPO is based on a review of the framework as well as documents provided by the client, which shed light on internal policies and processes gathered during meetings, conference calls and email correspondence. The assessments are based on the subjective models and interpretations of those persons who were entrusted with carrying out the analysis and on the state of knowledge at the editorial deadline. Personal formulations such as "customers", "investors" etc. apply to all genders, unless explicitly stated otherwise.

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Validity: The present SPO remains valid as long as no significant changes are made to the Sustainable Lending Framework. Sustainable AG recommends updating the SPO after three years, however, as the topicality and validity of the reviewed content are no longer fully ensured.

5. Sustainable AG

Sustainable AG is the leading management consultancy in the field of sustainability in German-speaking countries, based in Munich, Berlin and Hamburg. With over 15 years of experience and a team of more than 120 experts, we support companies on their path to a sustainable future. With our holistic consulting approach, we support clients in effectively implementing sustainability in their companies and achieving a positive impact on the environment and society.

As part of our Sustainable Finance Services, we advise companies on how to effectively integrate their sustainability strategy into their financial management. This includes selecting the right projects and defining relevant and robust criteria in order to create a transparent framework.

As recognized experts in the field of sustainability, sustainable AG also carries out ESG due diligences, verify the correct use of proceeds for sustainable investments and review frameworks for sustainable financial products regarding their alignment with international standards (e.g. ICMA Green Bond Principles, APLMA, LMA and LSTA Sustainability Linked Loan Principles, etc.).

Our aim is to enable companies to respond positively to environmental and social challenges and thus contribute to sustainable development. We offer more than just advice - we create sustainable impact.

Further information can be found on our website:

<https://www.sustainable.de/de/unsere-services-im-ueberblick/sustainable-finance>