Helaba | Ṡ

Sustainability criteria in lending activities

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1. Sustainability principles

Helaba sees it as its corporate duty to take responsibility for the environment, society and the lives of current and future generations. Acting sustainably is a core element of the Bank's strategic agenda. The focus is on the sustainable alignment of business operations, especially in terms of supporting customers in the necessary transition towards a climate-neutral circular economy. Helaba is committed to the objectives of the Paris Agreement and the climate objectives of the German federal government and the European Union.

Lending business is one of Helaba's core activities and represents its main impact on the environment and society. Helaba takes this responsibility very serious and strives to minimising sustainability risks associated with its lending business, including transition and physical risks caused by climate change.

Helaba has developed sustainability and exclusion criteria for lending with the aim of minimising negative effects from financing operations. These criteria are part of Helabas risk process and risk containment activities and apply throughout the Group. Thus, sustainability criteria receive the highest level of bindingness. Helaba reviews its risk strategies annually and publish them on Helaba's website. Thus, it is transparent for all stakeholders, for which purposes Helaba provides finances and which sustainability principles it adheres to.

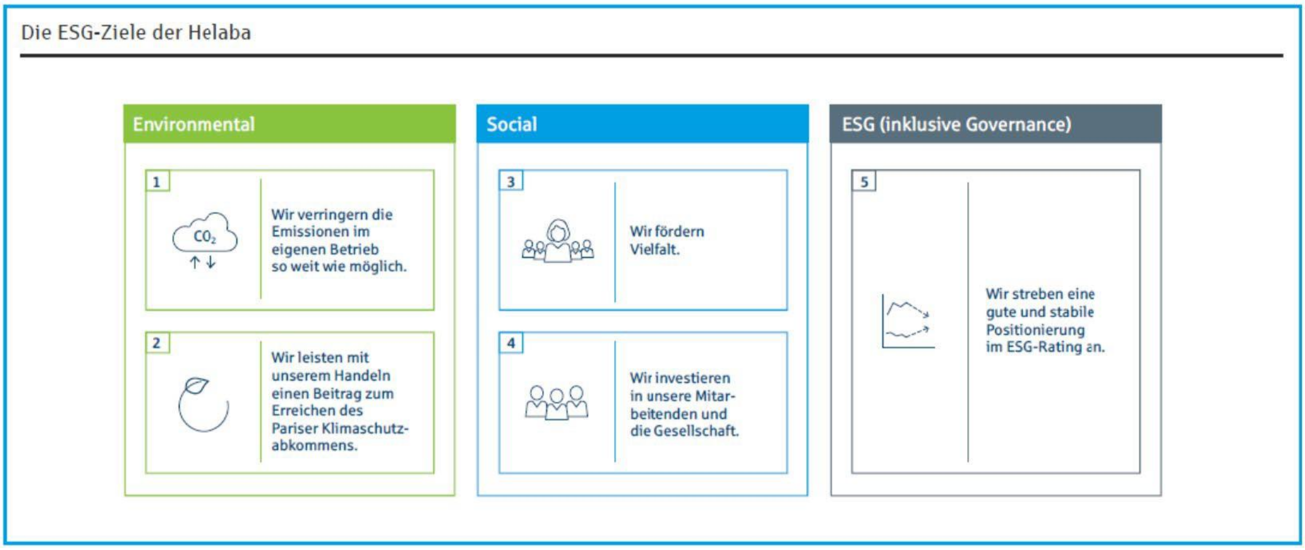
The social aspects of the sustainability criteria are addressed through Helaba's membership of the UN Global Compact. Helaba also upholds the principles of the United Nations Universal Declaration of Human Rights and the fundamental conventions of the International Labour Organization (ILO) within its sphere of influence. When it comes to implementing these in its business processes, Helaba follows the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. If Helaba is aware that a particular company or institution does not respect fundamental human rights or causes environmental damage, it will not work with that company or institution. To monitor compliance with human rights and observance of the requirements contained in the German Act on Corporate Due Diligence in Supply Chains (Lieferkettensorgfaltspflichtengesetz – LkSG), Helaba created the position of a Human Rights Officer.

In Helaba's sustainability strategy, comprehensive information about the principles of sustainability is outlined, including specific goals, indicators, and measures for implementation aimed at reconciling ecological, social, and economic aspects.

2. Integration of sustainability in risk strategy and lending process

2.1 ESG-Targets in risk strategy

The sustainable and fair orientation of its business activities is a key corporate obligation of Helaba. Helaba fulfils this obligation through its sustainability strategy, which forms an integral part of its business strategy. This strategy defines sustainability goals in the area of 'Environment', 'Social' and 'Governance'.



ESG-targets of Helaba

To ensure that the defined sustainability goals are achieved, they are operationalised using corresponding key performance indicators (KPIs) in the sustainability strategy. In addition, business-related key performance indicators are included in the multi-year plan and incorporated into the target agreements of the market divisions. The achievement of objectives is regularly monitored and reported.

In addition to the sustainability goals, Helaba defines ESG factors[1] as events or conditions from the divisions of 'climate and environment', 'social' or 'corporate governance', the occurrence of which may have a negative impact on the financial position (including capitalisation), financial performance, cash flows or liquidity.

ESG factors can therefore act as potential risk drivers for all existing risk types and are not considered a separate risk type. ESG factors must therefore be taken into account within the respective risk management processes of the identified risk types. The scope of the necessary risk management and monitoring measures is aligned with the relevance of the ESG factors in the individual risk types. Climate and environmental factors are divided into physical and transitory risk drivers. Physical risk drivers are those that have a potentially negative financial impact on Helaba or its customers due to climate change (e.g. more frequent occurrence of climate-related extreme weather events and gradual climate change) or environmental changes (e.g. environmental degradation in the form of air and water pollution, land pollution, water stress, loss of biodiversity and deforestation). Transitory risk drivers exist when an institution incurs financial losses directly or indirectly in connection with the process of adapting to a lower-carbon and more environmentally sustainable economy (for example, due to the sudden adoption of policy measures to protect the climate and the environment, technological progress or changes in market sentiment and preferences).

2.2 Helaba regularly analyzes and highlights its business environment in relation to transitional and physical factors.Sustainability in lending process

Helaba carries out an annual comprehensive risk inventory to assess the materiality of existing risks (overall risk profile). The risk inventory is carried out in the following process steps:

[1] Helaba subsumes under the terminologies "ESG risks or sustainability risks" used in various regulatory publications, ESG factors that can act as risk drivers affecting the existing material risk types of Helaba.

- Determination of the scope of inclusion of the risk inventory [divisions of Helaba's individual institution (including LBS and WIBank), Group companies]
- Enquiry and identification of risks and possible risk concentrations within the scope of inclusion by means of questionnaires
- Consideration of internal bank risk profile changes (e.g. the results of the new product process)
- Assessment of the materiality of risks
- Review of the risk type classification
- Integration of the results into risk management at Group level

The divisions of Helaba's individual institution and Helaba's Group companies are analysed with the aim of identifying the material risks at the level of the respective Group companies and Helaba. The following table shows this regarding the risk type-specific inclusion of Helaba's individual institution and the Group companies in accordance with the current risk inventory.

<table>
<tr><th rowspan="2"></th><th colspan="7">Inclusion in the risk management at Group Level</th></tr>
<tr><th>Counterparty and Credit Risk</th><th>Market Price Risk</th><th>Liquidity and Refinancing Risk</th><th>Non-financial Risk</th><th>Real Estate Risk</th><th>Business Risk</th><th>Equity Investment Risk (Counterparty and Credit Risk)</th></tr>
<tr><td>Helaba Single Entity Institution (incl. LBS and WIBank)</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td rowspan="8">X</td><td rowspan="8">X</td></tr>
<tr><td>Helaba Invest</td><td></td><td>X</td><td></td><td>X</td><td></td></tr>
<tr><td>Frankfurter Sparkasse</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td></tr>
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<tr><td>Real Estate Group Entities (Montindu)</td><td></td><td></td><td></td><td></td><td>X</td></tr>
<tr><td>Other Group Entities</td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

Risk type-specific inclusion of Helaba's individual institution and companies belonging to the Group

In addition, an annual materiality assessment is carried out to assess the extent to which the respective material risk types are affected by ESG-related risk drivers.

The 'Group Risk Control' division is responsible for the design and implementation of the risk inventory. The risk inventory process is regulated in the internal instructions.

3. Overarching guidelines for sustainability

Helaba excludes the knowing financing of projects if these cause severe environmental damage or severe social damage. This is particularly the case in the following topic areas:

- Overarching sustainability requirements Helaba knowingly excludes the financing of projects if they cause serious environmental or social damage. This is particularly the case in the following areasHuman rights violations, including the rights of indigenous peoples and minorities
- Destruction of cultural assets, especially world heritage sites
- Violation of employee rights, in particular child labour and forced and compulsory labour
- Environmental damage, in particular wetlands and other protected areas, World Heritage Sites, illegal slash-and-burn, illegal logging, threats to endangered species and ecosystems

In the case of export financing, compliance with the OECD recommendations on environmental and social impact assessments ("OECD - Common Approaches") in conjunction with the corresponding guidelines and standards of the World Bank and IFC is deemed to cover the topics described. In principle, these requirements are already covered as part of an OECD country's ECA cover. In addition, the respective sector-specific requirements in the following chapters on the divisions must be taken into account. In the case of granular transaction business in Trade Finance (small-scale and short-term letters of credit, guarantees, collections) with savings banks and in the small-scale meta-credit business (only applies in the MetaPlus Digital process), a case-by-case review of the requirements in the "sub-risk strategy of the divisions" can be dispensed with and instead it can be assumed that the savings bank ensures general conformity with the sustainability principles.

These overarching requirements and the specific requirements set out below serve to ensure Helaba's conservative risk profile in line with the precautionary principle of sustainability. The aim of the requirements is to minimise any negative impact on ESG objectives and sustainability, including transitory and physical risks triggered by climate change. Financing of activities with a very high negative impact on sustainability (hereinafter referred to as critical activities) is therefore excluded in accordance with the requirements set out below.

Exclusion criteria and principles relate to the specific economic activities to be financed by Helaba. This means that customers who may be involved in critical activities on a small scale (small scale is defined as ancillary activities of a company that may be related to the main business purpose and thus the main sources of income of the company, but are not its core focus) may receive general corporate finance, provided that the finance granted does not directly serve the critical activity. This also applies to borrowers that are part of a group of companies. As part of the contractual implementation, Helaba is in favour of specifying the distinction from critical activities in the contractual documents.

Helaba actively supports its customers in the transformation towards a low-carbon, circular economy. The transformation process must include measurable, verifiable, relevant and ambitious targets and be based on the legal framework, such as the EU environmental targets or similar. This also applies to customers with critical activities, provided they have bindingly started such a transformation process or the financing granted demonstrably serves to reduce the critical activities or their negative effects.

Financing that includes a contractually stipulated sustainability component ("ESG-linked" financing) is generally possible.

4. Sector-specific sustainability requirements

4.1. Energy industry

Principles:

- Helaba prioritises the use of particularly environmentally friendly technologies in the construction and modernisation of power plants.
- Helaba regards highly efficient gas-fired power plants for balancing peak loads (peak load power plants) and for local and district heating by means of combined heat and power generation as an important complementary technology on the way to greater utilisation of renewable energy sources.
- Helaba primarily finances projects in the 'Renewable Energies' division, in particular solar and wind power plants and energy storage facilities.
- The financing of activities to dismantle power plants, including coal-fired power plants, is possible in principle

Exclusions:

- As a matter of principle, Helaba does not finance any activities in the oil-fired power plant division (new construction, modernisation, replacement investment)

4.2 Coal energy

Principles:

- Helaba's current exposure in the coal energy division will be gradually reduced, also taking into account the possibility of selective prolongations of existing financing..

Exclusions:

- As a matter of principle, Helaba does not finance any activities for the construction of new coal-fired power plants or for capacity expansion or replacement investments and modernisation of existing coal-fired power plants.
- No upgrading of coal-fired power plants that have already been decommissioned.
- No financing of new corporate customers whose business activity (>33% share of turnover or >33% share of electricity generation) is in the generation, trading and marketing of coal energy, i.e. coal-fired power generation, and who have not started a binding transformation process.

4.3 Dams and hydropower plants

Principles:

- In accordance with the recommendation of the World Commission on Dams (WCD), financing for international hydropower projects and plants built from the year 2000 onwards is possible if the borrower can present an audit report by an expert body accredited by the UNFCCC (United Nations Framework Convention on Climate Change) or an audit in accordance with the "OECD - Common Approaches" on compliance with the WCD recommendations. Financing for power plants / activities built before this date is generally considered to be in line with the strategy.

Exclusions:

- No financing of activities in protected areas (nature conservation and Natura 2000 areas)
- No financing of activities for the construction of small hydropower plants (<1 MW installed capacity)

4.4 Nuclear energy

Principles:

- All financing of replacement investments and, in addition, all investments that serve to maintain the safety of nuclear power plants are permitted.

Exclusions:

- No financing of the development or construction of nuclear power plants or their modernisation that does not serve to maintain safety.
  No financing of new corporate customers whose business activity (>33% share of sales or >33% share of electricity generation) is in the production, trading and marketing of nuclear energy and/or the reprocessing of nuclear fuels, uranium enrichment plants or uranium mining.

4.5 Mining

Principles:

- Supply chains for minerals from conflict-affected and high-risk areas: Only financing from companies that can provide documented evidence of compliance with the relevant due diligence obligations for conflict minerals, i.e. tin, tantalum, tungsten and gold and their ores (EU Regulation on Conflict Minerals [2014/0059(COD)] and OECD Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas).
- The financing of activities to dismantle and renaturalise mines is possible in principle.

Exclusions:

- Coal mining: No financing of activities directly related to the mining of steam coal, including directly and exclusively associated process chains (conveyor technology, transport logistics for the predominant use of coal).
- Mountaintop Removal Mining: No financing of activities related to mountaintop removal mining as a form of surface mining.
- Diamonds: No financing of activities in connection with diamonds whose origin cannot be proven beyond doubt in accordance with the Kimberley Process.
  No financing of new corporate customers whose direct business activity (>5% direct share of sales) is in coal mining and who have not started a binding transformation process.

4.6 Oil and gas production

The following requirements relate to financing in the natural gas and natural gas (including LNG), heavy oil, petrochemicals, lubricants, crude oil and other by-products divisions.

Principles:

- Helaba generally only finances activities relating to the infrastructure for transporting oil and natural gas (pipelines, networks, storage facilities, terminals, etc.) if this supports the desired 'transition' of the industry and the infrastructure can be converted or is capable of transporting biogases or hydrogen in addition to natural gas or increases the flexibility of the transport infrastructure. The financing of expansions to regional distribution networks and replacement investments to maintain the safety and proper operation of existing Infrastructure are possible in principle.

Exclusions:

- As a matter of principle, Helaba does not finance any activities involving the extraction of oil and natural gas for energy production. The exploration of new oil and natural gas fields using controversial extraction methods (tar sands, oil sands, arctic drilling, fracking) is excluded.
- No financing of new transport infrastructure for oil (pipelines, tanks, etc.) or directly and exclusively associated process chains.

4.7 Agriculture incl. animal welfare and fisheries as well as forestry

Principles:

- Protection and development of sustainable forest management: When financing forestry activities and companies, they must have bindingly joined a certification system for sustainable forest management or demonstrate through documented measures that they are preparing for membership. These include, for example, certification systems for sustainable forest management such as PEFC (Programme for the Endorsement of Forest Certification) or FSC (Forest Stewardship Council). This ensures compliance with FSC core labour standards and avoids the risk of illegal logging and unsustainable forest management.
- Sustainable cultivation of agricultural crops (palm oil, soya, cocoa, coffee, tea, cotton): When financing cultivation activities and companies with significant cultivation activities of their own, they must have bindingly joined a certification system, e.g. Fairtrade, Rainforest Alliance, UTZ, Roundtable for Palm Oil/ Soya (RSPO/ RTRS), 4C (Common Code for the Coffee Community) for coffee, Better Cotton Initiative for cotton or, through documented measures, make it credible that they are preparing for membership.
- Sustainable fishing: When financing fishing activities and companies, they must have bindingly joined a certification system such as MSC (Marine Stewardship Council) or other equivalent certifications for sustainable fishing or demonstrate through documented measures that they are preparing for membership.
- Animal welfare: When financing activities and manufacturers of animal products, livestock farmers and animal transport companies, they must have bindingly joined certification system for sustainable animal husbandry or prepare bindingly documented membership or monitor compliance in their supply chain. These include, for example, national animal welfare labels or comparable initiatives established on the market such as the German animal welfare initiatives, Demeter and other EU organic certification systems and, in the case of financing outside the EU, the Terrestrial Animal Health Code from the World Organization for Animal Health in conjunction with the IFC's Good Practice Notes (GPN). For fish farming, this also includes the ASC (Aquaculture Stewardship Council) seal and comparable certification systems. Furthermore, no financing is provided if it violates applicable EU Legal Services in the Animal Welfare division. Due to the underlying complexity, trading companies in the food industry are not affected by this regulation.

Exclusions:

Agricultural commodities: Helaba does not engage in speculative trading in agricultural commodities. Helaba does not issue investment products relating to agricultural commodities.

4.8 Armour

Principles:

- The financing of activities and companies related to armaments (armaments according to the export lists of the Federal Office of Economics and Export Control - BAFA) is generally possible. This includes, in particular, equipment for the police and the Bundeswehr to ensure the internal and external security of the Federal Republic of Germany.

- The financing of deliveries of defence equipment abroad is restricted to the EU, NATO countries and selected individual countries (Switzerland, as well as the NATO allies Australia, New Zealand, Japan and South Korea). The customer must confirm in a suitable form that it has a corresponding export licence from Germany at the time of export. The requirements of the "Political Principles of the Federal Government for the Export of War Weapons and Other Military Equipment" and the criteria of the "Principles Governing the Transfer of Conventional Arms" adopted by the OSCE must be complied with.

Exclusions:

- Helaba does not finance any activities and companies in connection with the manufacture of and trade in controversial types of weapons and their key components, in particular cluster munitions, including possible launching, firing and throwing systems, anti-personnel mines, mine-laying systems and other mine systems, fully autonomous weapons (LAWS) and biological and chemical weapons, including uranium munitions, as well as weapons equipped with nuclear warheads (nuclear weapons).

4.9 Gambling & Pornography

Principles:

- Helaba only finances forms of gambling in exceptional cases, i.e. if they are operated by a state or non-profit body or organisation (state lottery).

Exclusions:

- Controversial forms of gambling: Helaba does not finance any activities in connection with the operation of casinos or betting shops or the manufacture of gaming machines.
- Online gambling: Financing of online gambling activities is excluded.
  Prostitution & pornography: Helaba does not finance any operators of brothels and similar prostitution businesses or producers of pornographic content.

5. Own-account investing activities

The general exclusion criteria for own-account in-vesting activities are geared towards Helaba’s credit risk strategy and are presented in the table below.

Helaba Invest’s own-account investing activities are exempt from these requirements. Helaba Invest invests its own resources in proprietary funds, which is why the requirements relating to asset management are relevant to that. The requirements of this framework for asset management also apply to own-account investing activities that are managed by Helaba Invest on behalf of Helaba.

Business segments	General exclusion criteria for own-account investing
Agricultural commodities	
Speculative transactions involving agricultural com-modities	Excluded in principle.
Armaments	
Production of controversial weapons (cluster muni-tions, land mines and biological, chemical and nuclear weapons)	Excluded in principle.
Gambling	

Controversial forms of gambling	Operators of casinos or betting shops and manufacturers of gaming machines are excluded in principle.
Online gambling	Online gambling activities are excluded.
Pornography	
Pornography	Producers of pornographic content are excluded in principle.
Power generation	
Coal mining and coal-based power generation	No investments in enterprises whose main business activities are associated with coal-based energy.
Nuclear power	No investments in enterprises whose main business activities are associated with nuclear power.
Uranium	No investments in enterprises whose main business activities are associated with the uranium enrichment plants, uranium mining or the reprocessing of spent nuclear fuels.
Oil and gas production/mining	
Oil and tar sands	Excluded in principle.
Arctic drilling	
Fracking	

Abbildung 3: Summary of general exclusion criteria for Helaba's own capital investments

The general exclusion criteria for own-account in-vesting activities are reviewed annually. If the exclusions are violated, the investment is disqualified from potential new business. Existing investments are subject to a critical review if the general exclusion criteria are violated.