Helaba

SUSTAINABILITY CRITERIA FOR LENDING ACTIVITIES

Werte, die bewegen.

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1. Sustainability Principles

Helaba is a public-law credit institution with a mandate to operate in the public interest and has always embraced its responsibility for society and the environment as part of its fundamental identity. The business model enjoys strong regional roots and has a long-term focus. Helaba operates throughout Germany and in selected international markets.

With a view to minimising negative effects on the environment and society and preventing reputational risk, Helaba drew up guiding sustainability guidelines applicable for the Group. These guidelines include standards of conduct approved by the Board of Managing Directors for business activities, business operations, employees and corporate social responsibility. Helaba's corporate values under the "Values with impact" slogan underline its aspirations to make a positive contribution to society and to strengthen Germany as a business location.

Helaba also signed the ten principles of the UN Global Compact. With this step, the Bank recognises international standards for environmental protection, human and labour rights, and anti-corruption measures. At both national and international levels, Helaba applies the Universal Declaration of Human Rights and the Declaration on Fundamental Principles and Rights at Work issued by the International Labour Organization (ILO) as overarching principles for all its business activities.

If Helaba is aware that a particular company or institution does not respect fundamental human rights or causes environmental damage, it will avoid working with that company or institution. Helaba provides meaningful support in the public interest in the areas of education, culture, social outreach activities, sport and science. This includes sponsorship, charitable giving and charitable foundations established by the Helaba Group.

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 have been integrated into the existing 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.

Helaba reports on its non-financial activities and key performance indicators in the non-financial group statement in the Management Report, which is prepared in accordance with the German Sustainability Code (DNK). Helaba makes key elements of its environmental profile transparent by calculating and publishing environmental indicators every year.

2. Integration in Business Strategy

Sustainability in the sense of environmental and social responsibility is an integral part of the binding Group-wide business strategy, as is sustainability in the sense of fair corporate management. Helaba is committed to tackling the challenge of climate change and endorses the objectives of the Paris Agreement and the climate objectives of the German federal government and the European Union. The exclusion criteria integrated into the risk strategy provide Helaba with an effective tool for preventing ESG risks in new business. In this way, Helaba excludes certain controversial business areas from its operations altogether.

The governance framework and the Code of Conduct document the Bank's rules on proper corporate management. Helaba sets out its basic principles for respectful and trusting interaction between employees in its Code of Conduct, which applies to all of its people.

The success of the Helaba Group depends in large part on the skills and commitment of its staff and the Bank makes a priority of ensuring all of its employees, with all of their diverse characteristics and skills, feel valued and receive the development support they need. Helaba offers attractive and secure jobs with ample opportunity for personal development and advancement. With signing the Diversity Charter Helaba commits to promoting a corporate culture that is without prejudice or discrimination.

Helaba aims to increase the percentage of women in management positions to 30 % over the medium term and will therefore take care to ensure that a balanced mix of men and women participate in all junior staff and employee development programmes for management trainees. Helaba additionally aims to further improve work-life balance and, with an eye towards inclusion, intends to ensure that employees with disabilities are given genuine development opportunities.

In response to increased demand for sustainable products, Helaba has adjusted its range of products and services accordingly. In addition to structuring projects in the renewable energy and digital infrastructure segments, Helaba is also involved in the syndication of green, social and ESG-linked finance and promissory notes.

3. Integration in Risk Strategy

3.1 ESG-Targets in Risk Strategy

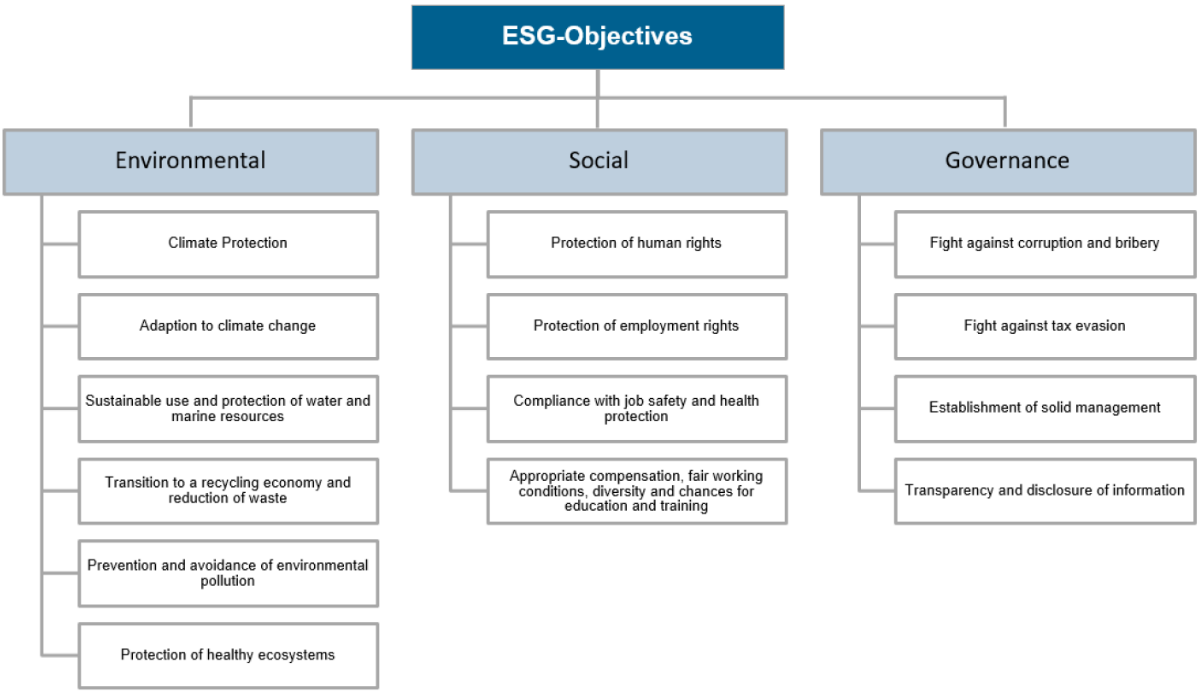
The identification and assessment of non-financial risks are an established – and continuously adapted – part of the Bank's risk management process. Reputation risks, which also encompass aspects of sustainability, are mapped entirely under non-financial risk.

One of the objectives of Helaba's sustainability focus is to appropriately manage and monitor ESG factors. Helaba defines ESG factors as environmental, social or governance factors that have an effect on the ESG objectives established with an eye towards risk management and the occurrence of which might negatively impact Helaba's net assets (including capital resources), results of operations or liquidity position.

ESG factors may occur in all risk types and must therefore be taken into account within the risk management processes of the identified risk types. In risk containment, consideration must be given to both the negative and the positive effects of ESG factors on the various ESG objectives and any conflicts between the objectives must be properly evaluated.

Achievement of environmental ESG objectives may be compromised by physical risks (risks resulting from the negative impact on or the destruction of economic activities and assets due to physical events) and transitory risks (risks resulting from the process of adapting to a low-carbon and sustainable economy, for example).

The following environmental, social and governance (ESG) objectives are stated based on the EU Taxonomy Regulation and in accordance with the BaFin Guidance Notice on Dealing with Sustainability Risks:



3.2 Sustainability criteria in lending process

The management of sustainability risks is integrated into the group-wide risk management procedures. The basis is a comprehensive and universal risk strategy derived from the business strategy. This risk strategy was drawn up on a binding basis in accordance with the German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – MaRisk). The Helaba Board of Managing Directors is responsible for all of the risks to which the Bank is exposed and for implementing the risk policy throughout the Group.

The Board of Managing Directors has also established a Risk Committee to implement and monitor Helaba's risk strategy. The Risk Committee is complemented by the Asset / Liability Management Committee and the Credit Committee of the Board of Managing Directors (VS-KA).

The MaRisk contain differentiated rules in respect of the organization of lending business, of lending processes and of the design of the methods used to identify, quantify, contain and monitor risks in lending business. The approval procedure followed by the Bank ensures that no credit risks are entered into without prior approval.

The rules of procedure for the Board of Managing Directors state that loans above a certain value require the approval of the Supervisory Board Risk and Credit Committee (VR-RKA). Commitments in amounts below this value are approved at different authorising levels (Board of Managing Directors, Credit Committee of the Board of Managing Directors, individual members of the Board of Managing Directors, staff members) depending on the amounts involved.

Loans are approved on the basis of detailed risk assessments. In accordance with the MaRisk, the loan documents in what is designated risk-relevant business always comprise two independent opinions, one from the relevant front office unit and one from the relevant back office unit. The representative of the relevant back office unit also always has a right of veto in this connection as part of an escalation process. The ultimate decision rests with the entire Board of Managing Directors.

Sustainability criteria are included for all forms of finances (e.g. corporate loans, project and export finance, guarantees, acquisition and leasing finance, real estate and asset finance) and are systematically reviewed in every credit application. The criteria are based on the ten principles of the UN Global Compact, OECD-Guidelines as well as legal requirements and sector initiatives.

Sustainability criteria are specifically defined in a way that allows the relevant front office unit to decide whether Helaba's involvement in the finance request is principally possible. Is one of the exclusionary criteria met, the lending request is usually denied at this early stage. Thus, credit risk management only evaluates inconclusive cases on an extensive level with the support of group sustainability.

Sustainability criteria are defined as requirements of business strategy with the highest level of bindingness within the risk strategy. Therefore, a lending request that does not meet these requirements can only be granted following the escalation process by VS-KA or VR-RKA, respectively, the highest committees at Helaba.

Employees in sales, product development and back-office divisions receive trainings on sustainability issues, including workshops and case studies. Inconclusive lending requests are evaluated in VS-KA. VR-RKA monthly monitors the credit risk of Helaba on an individual basis and portfolio level. All cases of breach of Helaba`s risk strategy must be reported to the supervisory board.

Helaba reviews its risk strategies annually and will adjust or expand sustainability criteria as required. For this assessment, experiences from inconclusive cases are being recognized in order to further refine the decision-making process. Helaba's supervisory board approves Helaba's risk strategy which is adopted by the management board annually.

4. Overarching sustainability requirements

Helaba will not wittingly enter into arrangements for the financing of projects that are likely to cause severe environmental damage or have a serious adverse impact on society. Circumstances in which this applies include but are not limited to:

- Abuses of human rights, including the rights of indigenous peoples
- Destruction of cultural assets, especially World Heritage Sites
- Breaches of employee rights, in particular the use of child labour or any form of forced or compulsory labour
- Damage to the environment, especially to wetlands and World Heritage Sites, illegal logging or slash-and-burn land clearance, threats to endangered species

In export finance transactions, the OECD recommendations regarding environmental and social impact assessments (OECD Common Approaches) must be complied with in conjunction with the corresponding policies and standards of the World Bank and the IFC as cover for the issues presented. Where an OECD country has ECA cover, these requirements have, in principle, already been covered. In addition, the sector-specific requirements must also be taken into account.

These overarching requirements, together with the specific stipulations set out below, are intended to help Helaba safeguard its conservative risk profile in the sense of a precautionary approach to sustainability. The aim of the stipulations is to minimise any negative effects of financing arrangements on the ESG objectives or sustainability, including the transition risks and physical risks caused by climate change. Financing for activities with a severe adverse effect on sustainability (hereinafter 'critical activities') must therefore be precluded in accordance with the stipulations set out below.

Exclusion criteria refer to the economic activities specifically to be financed by Helaba. This means that customers who possibly engage in critical activities to a small extent (non-core activities) may receive financing provided that the financing extended does not directly facilitate the critical activity. This also applies to borrowers who are part of a group of entities. When contracting, Helaba calls for the distinction from critical activities to be written into the contract documents.

Helaba generally supports customers who are undergoing or preparing to undergo a documented process to transition to a more sustainable business model. This also applies to customers with critical activities provided that they have initiated a transition process of this kind on a binding basis or it is demonstrated that the financing extended will facilitate a reduction in critical activities or their negative effects.

In principle, Helaba will consider providing financing that involves a contractually defined sustainability component (ESG-linked financing).

5. Sector-specific sustainability requirements

5.1 Energy industry

Basic principles:

- In connection with the construction and renovation of power plants, Helaba advocates the use of particularly environmentally friendly technologies as a top priority.
- Helaba believes that highly efficient gas power plants used to satisfy peak loads (peaking power plants) represent an important complementary technology on the way to greater use of renewable energy resources and should therefore be considered as an environmentally friendly technology.
- Helaba primarily finances projects in the renewable energy sector, in particular solar power plants and wind farms.
- In principle, activities to decommission power plants, including coal-fired power plants can be financed.
- Helaba's current exposures in relation to coal-based energy are being gradually scaled back.

Exclusions:

- Helaba does not generally finance any activities in the lignite power plant or oil-fired power plant segment (construction of new plants, modernisation, replacement capital investment).

5.1.1 Coal-fired power plants

Basic principles:

- Helaba will consider providing financing for replacement capital investment to ensure that existing coal-fired power plants are properly operated.
- Helaba will support the modernisation of existing coal-fired power plants only in exceptional cases, i.e. if the modernisation work means that substantial efficiency gains or better performance can be demonstrably achieved or if the improvements will lead to a noticeable and verifiable reduction in greenhouse gas emissions.

Exclusions:

- No financing of activities to construct new coal-fired power plants or to expand the capacity of existing coal-fired power plants.
- • No recommissioning of mothballed coal-fired power plants, although this does not include power plants used as hot and cold reserves.
- • No financing of new corporate clients whose business predominantly involves coal-based energy, i.e. coal mining or coal-fired power plants.

5.1.2 Dams and hydroelectric power plants

Basic principles:

- In accordance with the recommendations of the World Commission on Dams (WCD), international hydroelectric projects and plants created in or after the year 2000 can be financed if the borrower is able to furnish an audit report prepared by an expert authority accredited by UNFCCC (United Nations Framework Convention on Climate Change) or proof of the performance of an audit in accordance with the OECD Common Approaches covering compliance with WCD recommendations. Finance for power plants/projects created before 2000 is considered to be strategy-compliant in principle.

Exclusions:

- No financing of activities in protected areas (nature conservation areas and Natura 2000 sites).
- No financing of activities to construct new small-scale hydroelectric plants (<1 MW of installed capacity).

5.1.3 Nuclear power

Basic principles:

- All financing of replacement capital investment and also investment to maintain the safety of nuclear power plants is permissible.

Exclusions:

- No financing of the development or construction of nuclear power plants, or of modernisation that is not aimed at maintaining safety.
- No financing of new corporate clients whose main business activities are associated with the generation, trading or marketing of nuclear energy and/or with uranium enrichment plants, uranium mining or the reprocessing of spent nuclear fuels.

5.2 Mining

Basic principles:

- Supply chains for minerals from conflict-affected and high-risk areas: Financing provided solely for businesses that can provide documentary evidence of their compliance with the relevant due diligence requirements relating to commodities originating from conflict-affected and high-risk areas, i.e. tin, tantalum, tungsten and gold as well as their ores (EU Procedure 2014/0059/COD and OECD Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas).
- In principle, Helaba will consider providing financing for activities to decommission and renature mines.

Exclusions:

- **Coal mining:** No financing of activities directly related to the mining of power plant coal, including process chains directly and exclusively associated with this (conveyor systems, transport logistics used predominantly for coal).
- **Mountaintop removal mining:** No financing of activities in connection with mountaintop removal mining.
- **Diamonds:** No financing of activities in connection with diamonds whose origin cannot be demonstrated to be completely above board in accordance with the Kimberley Process.

5.3 Oil and gas production

The following requirements relate to financing arrangements provided in connection with natural gas, heavy fuel oil, petrochemicals, lubricants, crude oil and by-products.

Basic Principles:

- In principle, pipelines and similar infrastructure used to transport oil and gas can be financed, unless they relate directly and predominantly to the following processes to extract crude oil and natural gas.

Exclusions:

- No financing of activities related directly and predominantly to the following processes to extract crude oil and natural gas
    - Tar sands/oil sands or similar activities.
    - Arctic drilling or similar activities in the Arctic, where the Arctic is the region defined as such by the Arctic Council's Arctic Monitoring and Assessment Programme (AMAP).
    - Fracking.

5.4 Agriculture and forestry, pulp and paper industry

Basic principles:

- **Protection and development of sustainable forest management:** Financing provided only for forestry activities and businesses that have joined a certification system for sustainable forest management on a binding basis or that can provide credible evidence in the form of a documented course of action that they are preparing for such membership. This includes, for example, certification systems for sustainable forest management such as PEFC or FSC. This helps to prevent the risk of financing being provided for illegal logging.
- **Palm oil/soya**: Financing provided solely for activities and businesses that have joined a certification system on a binding basis, e.g. Roundtable on Sustainable Palm Oil (RSPO)/Round Table on Responsible Soy (RTRS) or that can provide credible evidence in the form of a documented course of action that they are preparing for such membership.
- **Animal welfare:** Financing provided only for animal product-related activities and animal product manufacturers that have joined a certification system for sustainable animal husbandry on a binding basis or that can provide credible evidence in the form of a documented course of action that they are preparing for such membership. Certification systems include the German animal welfare label or similar initiatives established on the market such as the German "Tierwohl" and "Demeter" initiatives and other EU organic products certification schemes. In the case of financing outside the EU, they include the Terrestrial Animal Health Code from the World Organisation for Animal Health in conjunction with the IFC's Good Practice Notes (GPN). Financing will not be provided in any case that contravenes EU animal welfare law. Trading companies active in the foodstuffs segment are excluded from this rule due to the complexity.

Exclusions:

- **Agricultural (soft) commodities:** Helaba does not enter into any speculative transactions involving agricultural (soft) commodities, nor does it issue investment products related to such commodities.

5.5 Armaments

Basic principles:

- Helaba recognises the right of countries to defend themselves. It is therefore possible for Helaba to support financial transactions related to armaments if an appropriate German export licence is available. In the case of any financing for weapons exports, it is imperative that the transactions comply with the requirements specified in the Political Principles Adopted by the Government of the Federal Re-public of Germany for the Export of War Weapons and Other Military Equipment and satisfy the criteria in the Principles Governing Conventional Arms Transfers published by the Organization for Security and Cooperation in Europe (OSCE).

Exclusions:

- Helaba will not have any involvement in financing related to the manufacture of, or trading in, controversial types of weapon or their key components, in particular cluster munitions, including any launching, firing or projectile systems, anti-personnel mines, minelaying or other mine systems, biological and chemical weapons, including depleted uranium ammunition, and armaments with nuclear war-heads (atomic weapons).

5.6 Gambling & pornography

Basic principles:

- Helaba only provides financing for select forms of gambling, for example those run by a government agency or a charitable organisation (national lottery).

Exclusions:

- **Controversial forms of gambling:** Helaba does not provide financing to operators of casinos or betting shops, or to manufacturers of gaming machines.
- **Online gaming:** Helaba does not provide finance for online gaming activities, which are not permitted in Germany for the time being.
- **Prostitution and pornography:** Helaba does not provide finance to operators of brothels or people engaged in prostitution, or to producers of pornographic material.

6. Own Investment

6.1 Basic Principles

Sustainability criteria as defined in Helaba's risk strategy also apply to its own investments (Depot-A). The following exclusionary criteria have been defined within the investment policy. Thus, identical sustainability standards account for Helaba's own investments as for its lending business.

Moreover, assets under management must comply with a minimum sustainability rating. Issuers of stocks and securities with a low sustainability rating are thus excluded from the investable universe.

6.2 Exclusion of

6.2.1 Energy Generation

- > 25% Revenues from coal power generation
- > 25% Revenues from nuclear power
- > 10% Revenues from uranium mining or processing

6.2.2 Oil and Gas Production / Mining

- > 10% Revenues from tar or oil sand
- > 10% Revenues from arctic drilling
- > 10% Revenues from fracking

6.2.3 Armaments

- > 0% Revenues from controversial weapons (nuclear, chemical biological, cluster munition, antipersonnel mines)

6.2.4 Agriculture

- > 0% Revenues from speculative transactions based on agricultural commodities

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