

Policy statement by Landesbank Hessen-Thüringen Girozentrale on the German Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains (Act on Corporate Due Diligence in Supply Chains (LkSG))

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Table of contents

1	Introduction	3
2	Application of the LkSG at Helaba	3
3	Protected positions under the LkSG and Helaba’s expectations of employees and suppliers	4
4	Due diligence obligations under the LkSG	7
4.1	Conduct of risk analyses	7
4.2	Preventive measures in our own business area	7
4.3	Preventive measures via-à-vis suppliers	7
4.3.1	Direct suppliers	7
4.3.2	Indirect suppliers	8
4.4	Remedial action	8
4.5	Complaints procedure	8
4.6	Documenting and reporting	9
5	Annual and ad hoc effectiveness reviews	10
6	Risk analysis in the 2023 financial year	10
6.1	Risk analysis in our own business area	10
6.2	Risk analysis in relation to direct suppliers	10
6.3	Risk analysis in relation to indirect suppliers	12
7	Continuous further development	12

This document is the policy statement by Landesbank Hessen-Thüringen Girozentrale (hereinafter referred to as “Helaba”) on the German Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains dated 16 July 2021, which has been in force since 1 January 2023 (hereinafter referred to as “this policy statement” and the “LkSG” respectively).

This policy statement was adopted by Helaba’s Executive Board on 12 December 2023.

1 Introduction

The LkSG aims to protect human and environment-related rights and has been binding on Helaba since 1 January 2023. The act stipulates that enterprises must identify, avoid, minimise or end human rights and environment-related risks and fulfil related due diligence obligations. Helaba is aware of its corporate responsibility to respect human and environment-related rights. It undertakes to respect them in its own business area and in its supply chain and to give those affected by violations of human and environment-related rights the opportunity to report relevant risks/breaches of the law as part of an appropriate complaints procedure. Achievement of that objective is ensured by compliance with the LkSG and the international standards specified in it and in this policy statement.

Helaba is committed to corporate sustainability in the sense of economic, ecological and social responsibility for human and environment-related rights. Acting responsibly and sustainably is a core component of Helaba’s strategic agenda: Its focus is on the obligation to comply with nationally and internationally recognised regulations and principles for respecting human and environment-related rights. In particular, Helaba’s membership of the UN Global Compact and commitment to uphold the Universal Declaration of Human Rights and comply with the fundamental conventions of the International Labour Organization (hereinafter referred to as the “ILO”) within its own sphere of influence are testimony to that. When it comes to implementing these in its business processes, Helaba follows the Guidelines for Multinational Enterprises of the OECD (Organisation for Economic Co-operation and Development) and the UN Guiding Principles on Business and Human Rights (hereinafter referred to as the “UNGPs”). Helaba’s understanding of human and environment-related rights is documented in its human rights strategy, its ESG (environment, social and governance) principles, its conduct guidelines (hereinafter referred to as the “Code of Conduct”) and its Supplier Code and is published on its homepage www.helaba.com.

2 Application of the LkSG at Helaba

This policy statement relates to Helaba’s own business area and the supply chain:

For the purposes of fulfilling its due diligence obligations under the LkSG, Helaba considers all of its locations in Germany and abroad as well as its legally dependent divisions, LBS Hessen-Thüringen and Wirtschafts- und Infrastrukturbank Hessen. As part of application of the LkSG, Helaba also includes the following subsidiaries over which it exercises a decisive influence:

- BMH Beteiligungs-Managementgesellschaft mbH
- Frankfurter Bankgesellschaft Holding AG
- Frankfurter Sparkasse

- GWH Immobilien Holding GmbH
- Helaba Asset Services UC
- Helaba Digital GmbH & Co. KG
- Helaba Gesellschaft für Immobilienbewertung mbH
- Helaba Invest Kapitalanlagegesellschaft mbH
- Helaba Representação Ltda.
- HP Holdco LLC
- Montindu S.A./N.V.
- OFB Projektentwicklung GmbH
- Sparkassen-Immobilien-Vermittlungs-GmbH.

In terms of content, the supply chain within the meaning of the LkSG covers all goods and services of an enterprise and includes all steps in Germany and abroad that are necessary for the production of goods or the provision of services. Helaba distinguishes between direct and indirect suppliers, whereby a direct supplier is understood to be a party to a contract for the supply of goods or the provision of services. When examining its direct suppliers, Helaba initially assumes a broad definition of the term “supplier” and then specifies that more precisely in a second step: All suppliers are initially included in the annual risk analysis, regardless of the type and content of the contractual service and the volume of the contract. However, suppliers with whom there is not a permanent or recurring contractual relationship are excluded from the examination. Indirect suppliers are examined on an ad hoc basis if there is substantiated knowledge of a violation of a human rights-related or an environment-related obligation.

Helaba’s Executive Board is unreservedly committed to taking full responsibility for protecting and enforcing human and environment-related rights in its own business area and in the supply chain. Helaba’s human rights strategy aims to identify human rights and environment-related risks in all material business processes relevant to the LkSG and to prevent, minimise the extent of or end violations of human rights-related or environment-related obligations in accordance with the provisions of the LkSG. Helaba has established the position of Human Rights Officer Helaba Group to discharge that task. Helaba’s Human Rights Officer, who was appointed to this position in the 2023 financial year, acts as a standard setter and supervisory authority at the beginning and end of the LkSG process and is the first point of contact for internal and external inquiries. In addition, two posts of human rights coordinator were created in the units Human Resources (for our own business area) and Procurement (for suppliers). Helaba thus ensures comprehensive application of the LkSG in its own business area and in the supply chain for all the specified units.

3 Protected positions under the LkSG and Helaba’s expectations of employees and suppliers

Helaba fulfils its due diligence obligations under the LkSG and the conventions referred to in it in accordance with the protected positions specified in the LkSG and relating to the protection of human and environment-related rights. This policy statement constitutes a building block in implementing the LkSG at Helaba and explains Helaba’s mission to live up to its own corporate responsibility to protect human and environment-related rights. It complements the human rights strategy and the environment-related requirements stated in the company profile: Respecting human and environment-related rights by fulfilling corporate due diligence obligations in our own business operations and in the supply chain is an important, necessary and urgent contribution to improving the human and environment-related rights situation throughout the financial sector’s global supply chains.

In line with its statutory obligation to further its public mandate (mission to operate in the public interest pursuant to Article 9 of the Hesse-Thuringia Treaty in conjunction with section 5 (9) of Helaba's Charter) and its brand claim "Values with impact." Helaba emphasises its approach of making a positive contribution to society. Proceeding from this profile, Helaba monitors in particular compliance with the Code of Conduct and the Supplier Code so that the protection of human and environment-related rights stipulated by the LkSG and described in detail in it is ensured by employees in its own business area and by suppliers:

- Prohibition of child labour

Helaba strongly condemns all forms of child labour within the meaning of the LkSG, the German Protection of Young Persons Act, the United Nations Convention on the Rights of the Child (CRC) and the ILO's fundamental conventions. Practices that violate the rights of children in any form and/or endanger their freedom and development through harmful working conditions are explicitly prohibited.

- Prohibition of forced labour and all forms of slavery

Helaba does not tolerate forced labour, compulsory labour or (modern) slavery within the meaning of the LkSG and the ILO's fundamental conventions. The focus is on preventing the risk of people being employed in forced labour, for example by withholding wages, restricting freedom of movement, withholding identity documents, creating unacceptable working and living conditions as a result of work under dangerous conditions or unacceptable accommodation provided by the employer, excessive overtime and the use of intimidation, threats and/or punishments. Other forms of forced labour/slavery such as debt bondage, serfdom, human trafficking and sexual exploitation are also strictly rejected and condemned.

- Upholding labour rights and occupational safety

Protecting and promoting the health of employees is Helaba's top priority. The standard of due diligence to be applied is defined by prevailing occupational health and safety legislation, compliance with which is continuously monitored and ensured by Helaba in combination with the strict application of location-, workplace- and work equipment-related safety standards. Helaba ensures compliance with these standards when selecting suppliers outside its own business area.

- Safeguarding the right to organise, freedom of association and collective action

Helaba protects and promotes the right to freedom of association. In particular, it respects the right to form/join a trade union and the right to strike and collective bargaining and keeps open the options for exercising these rights insofar as they are within Helaba's sphere of influence.

- Prohibition of discrimination

Helaba does not condone or tolerate discrimination or unequal treatment on the basis of national and ethnic origin, social origin, health status, disability, sexual orientation, age, gender, political opinion, religion or belief, either in its own business area or in the supply chain. Helaba aims to ensure that all forms of discrimination are investigated, clarified and dealt with.

- Adequate remuneration for work
Helaba lives up to its responsibility by declaring that payment of a fair and decent wage on time so as to enable people to earn a living is an indispensable core element of employment. Helaba believes that a fair wage must comply with the principle of equal pay for equivalent work and is based on the provisions of the applicable laws, such as minimum wage legislation at the respective location (if there is such legislation) and the standards of relevant international conventions.
- Protection of the environment
Helaba focuses strongly on operating in a responsible, sustainable manner. In particular, it observes the prohibition of causing harmful soil, water and air pollution as well as noise emissions and excessive water consumption that impair or prevent the preservation and production of food, access to safe and clean drinking water and sanitary facilities or harm human health.
- Safeguarding land rights
The unlawful taking of land, forests and waters in violation of human rights, thereby threatening the livelihoods of people or communities, is strongly condemned as an expression of the ruthless pursuit of profit and is incompatible with Helaba's values.
- Use of private and public security forces
Helaba ensures at all times that the security forces deployed respect human rights and do not act unlawfully. In particular, the requirement for the security forces includes the prohibition of torture and unlawful degrading treatment as well as the right to protection of life and physical integrity, and upholding the right to organise and freedom of association.

Helaba has the following expectations of its employees and suppliers with regard to respect for human and environment-related rights in line with the above-mentioned protected positions that are observed by Helaba:

- A documented and practised corporate culture of respect among more than 6,000 employees is at the heart of Helaba's identity. It recognises that upholding and promoting human and environment-related rights of and by its own employees is a core component of its corporate responsibility and due diligence obligations. All employees worldwide are required at all times to heed and actively promote the above-mentioned protected positions, the principles in the Code of Conduct and our corporate culture based on mutual respect. We ensure that these expectations are met by continuously raising employees' awareness about human and environment-related rights, for example by providing information on the homepage, specifying requirements for processes, offering training courses and dialogue with Helaba's Human Rights Officer.
- Helaba has almost 8,000 suppliers in the 2023 financial year. Helaba expects its suppliers to fully respect and promote human and environment-related rights, so that dialogue on the fundamental aspects of Helaba's understanding of human and environment-related rights is nurtured as part of every business relationship. Suppliers are obligated to comply with Helaba's Supplier Code. Helaba also expects suppliers to comply with its standards for the protection of human and environment-related rights further along their supply chain. Compliance with the standards specified by Helaba is continuously reviewed as part of risk management. Violations are analysed and clarified and may result in termination of the business relationship in individual cases if other, less severe measures are ineffective or inappropriate.

4 Due diligence obligations under the LkSG

Helaba takes the following steps to identify, prevent, minimise and end violations of human and environment-related rights and thus implement its due diligence obligations:

4.1 Conduct of risk analyses

Helaba conducts risk analyses in its own business area and at its suppliers in accordance with section 5 LkSG. They are conducted once a year and on an ad hoc basis.

In order to fulfil the obligation to obtain appropriate information, potential human rights and environment-related risks are first identified in an abstract analysis using defined risk factors. The abstract risk analysis (risk mapping) is carried out by comparing information and sources on human rights and environment-related risks within the meaning of section 2 (2) and (3) LkSG with information on the company's own sectors, the countries in which it operates and procurement processes.

If an abstract risk is identified, a concrete risk analysis is instigated and the identified risks are prioritised and assessed. Risks are identified, weighted and prioritised transparently, comprehensibly and using a consistent system. The probability of the occurrence of a violation and its severity are assessed individually. The concrete risks identified are systematically documented along with details of the risk description, responsibility, weighting, preventive measures and remedial action.

4.2 Preventive measures in our own business area

Helaba takes appropriate preventive measures in its own business area in accordance with section 6 (3) LkSG, in particular:

- The implementation of the human rights strategy;
- The implementation of the Code of Conduct and updating of it as required;
- The development and implementation of appropriate procurement strategies and purchasing practices that prevent or avoid potential risks;
- The delivery of training in the relevant units; and
- The implementation of risk-based control measures to verify compliance with the human rights strategy contained in this policy statement in its own business area.

4.3 Preventive measures vis-à-vis suppliers

4.3.1 Direct suppliers

Helaba takes appropriate preventive measures vis-à-vis a direct supplier in accordance with section 6 (4) LkSG, in particular:

- Due regard to human rights-related and environment-related expectations when selecting a supplier;
- Binding signing of the Supplier Code by the direct supplier; the Supplier Code contains, among other things, contractual assurances that the supplier will comply with human rights and environment-related requirements;
- Agreeing on appropriate contractual control mechanisms and implementation of initial and further training measures to implement the contractual assurances made by the direct supplier;
- The implementation of risk-based control measures based on the agreed control mechanisms to verify compliance with the human rights strategy.

4.3.2 Indirect suppliers

If Helaba gains substantiated knowledge within the meaning of section 9 (3) LkSG of a potential violation at indirect suppliers, the following measures in particular are taken on an ad hoc basis:

- Conduct of a risk analysis;
- Laying down of appropriate preventive measures vis-à-vis the party responsible;
- Drawing up and implementation of a concept to minimise and avoid violation of a human rights-related or environment-related obligation.

4.4 Remedial action

If Helaba discovers that a violation of a human rights-related or an environment-related legal position is imminent or has occurred, it takes appropriate remedial action in accordance with section 7 LkSG to prevent a violation that is imminent, to end a violation that has occurred or minimise its extent. In its own business area in Germany, Helaba takes remedial action that is appropriate and is suited to prevent or end the breach of the law without undue delay. In its own business area abroad, Helaba takes measures that are appropriate and usually suited to prevent or end the breach of the law without undue delay. With regard to suppliers, the measures to be taken are determined with the responsible departments at the suppliers; consideration is given to appropriate measures that are suited to prevent, end or minimise the extent of a breach of the law, in particular the drawing up of concepts for ending or minimising breaches of the law, joint corrective action plans, mergers with other companies, and the temporary suspension or termination of business relationships.

4.5 Complaints procedure

In order to learn about human rights and environment-related risks at an early stage and to be able to offer support and take remedial action in good time, Helaba has established a complaints procedure in accordance with section 8 LkSG that enables persons to report human rights or environment-related risks as well as violations of human rights-related or environment-related obligations that may arise due to the economic actions in its own business area or of a direct supplier. Helaba's complaints procedure has been set up in accordance with number 29 et seq. of the UNGPs and is characterised by the following core elements:

- Legitimacy: Helaba's complaints mechanism guarantees a fair procedure; all users can rely on its legitimacy and effectiveness when they use it;
- Rights compatibility: Helaba ensures that all procedures, all outcomes and measures accord with internationally recognised standards at all times;

- Accessibility: Helaba's complaints procedure is publicly accessible to everyone on its homepage. Helaba ensures that, if there are barriers to its use, support is also provided in individual cases in order to facilitate access to the procedure;
- Predictability: Helaba provides clarity at all times and on an ad hoc basis about the procedure, the possible remedial actions and redress measures and monitoring of the measures taken;
- Transparency: The parties are comprehensively informed about all steps as part of the procedure;
- Equity: As part of the complaints procedure, Helaba is committed to ensuring that the parties to the procedure are given access to all information and advice (in particular expertise) necessary for them to engage in the procedure on fair, informed and objective terms;
- Individual redress/appropriate remedial action: Helaba's complaints procedure is based on dialogue and is designed to provide individual redress on a case-by-case basis. The focus is on dialogue-based conflict management;
- The unit handling the report is impartial, independent and not bound by instructions from other bodies: Reports relating to the LkSG are forwarded to Helaba's Human Rights Officer. The Human Rights Officer initiates handling of the report, manages the procedure and documents the outcomes.

Helaba uses its existing whistleblower tool WhistProtect® for the complaints procedure. The whistleblower tool can be accessed from Helaba's homepage (<https://www.whistprotect.com/en/helaba/> and <https://www.bkms-system.com/bkwebanon/report/clientInfo?cin=8dbh4&c=-1&language=eng>) and ensures confidentiality and anonymity by an ombudsman being appointed as the recipient of relevant reports. It is ensured that the whistleblower is protected against discrimination and punishment. The Rules of Procedure are publicly available in text form on Helaba's homepage (<https://nachhaltigkeit.helaba.de/media/docs/de/nachhaltigkeit/verfahrensordnung-zum-beschwerdeverfahren-lksq.pdf>).

The aim of each procedure is in particular to formulate a joint solution with the whistleblower and to implement the agreed remedial action/redress measures and monitor their effectiveness. Helaba's handling of complaints and the knowledge gained from them ensures a constant learning process with regard to increasing its own social responsibility in the area of human and environment-related rights.

4.6 Documenting and reporting

The measures taken by Helaba to comply with its human rights and environment-related due diligence obligations are regularly documented in accordance with section 10 (1) LkSG. As part of that, it prepares an annual report on the fulfilment of its due diligence obligations in the previous financial year and makes it publicly available on its homepage no later than four months after the end of the financial year for a period of seven years. This report is also sent every year to the German Federal Office for Economic Affairs and Export Control (BAFA).

5 Annual and ad hoc effectiveness reviews

Helaba reviews the effectiveness of the preventive measures and remedial action taken and the complaints procedure annually and on an ad hoc basis, thereby fulfilling the requirements of Sections 6 (5), 7 (4) and 8 (5) LkSG. If necessary, measures and actions are repeated, adapted appropriately and/or developed further.

6 Risk analysis in the 2023 financial year

6.1 Risk analysis in our own business area

The risks pursuant to the LkSG were analysed according to the nature and extent of Helaba's business activities for its own business area and the process was documented extensively. First of all, an abstract risk analysis was conducted in accordance with the risk analysis guidance from the German Federal Office for Economic Affairs and Export Control (BAFA). This revealed that certain human rights risks are relevant for Helaba and mainly relate to the area of employee concerns.

The further risk analysis was based on a catalogue of questions aimed at identifying concrete human rights risks in accordance with the LkSG. It was completed by experts from Helaba's Human Resources sub-division (HR Services and Business Partnering, Human Resources Policy and Controlling, Talent Acquisition and Development). This did not reveal any risks requiring more detailed consideration or remedial action. The units included in the risk analysis did not identify any risks and confirmed compliance with and observance of human rights-related issues in accordance with the LkSG. The robustness of this result is additionally confirmed by the fact that there were no violations of relevant protected positions in the past, either.

Based on the findings of the risk analysis for the 2023 financial year, there are therefore no concrete risk exposures in our own business area. Given this result, there is no acute need to take any action. The preventive measures already taken will be continued, particularly with regard to continuous dialogue with all units and ongoing instruction on matters relating to the LkSG. Numerous preventive measures have already been implemented in existing processes at Helaba, since they are already necessary to comply with the requirements of other national and international regulations. These include checking the age of recruits so as to avoid child labour, a commitment to the banking collective agreement to ensure the payment of fair and decent wages, the appointment of employee representative bodies and the council for employees with disabilities and of anti-discrimination officers. Based on the current risk assessment, it is not necessary to implement additional preventive measures. Remedial action is defined individually when a risk/potential violation becomes known.

6.2 Risk analysis in relation to direct suppliers

In accordance with the requirements of the LkSG and based on the risk analysis guidance from the German Federal Office for Economic Affairs and Export Control (BAFA), a comprehensive risk analysis was conducted at our direct suppliers. First of all, an abstract analysis of risks was carried out in order to identify risky suppliers. The suppliers were reviewed on the basis of established indices and statistics with regard to country and sector/industry and the associated potential risks for protected legal positions within the meaning of the LkSG.

In addition, the suppliers were screened as part of a media analysis in order to uncover further possible infringements of protected legal positions.

After completing the abstract risk analysis, Helaba applied a three-stage methodology to interpret the results for the concrete risk analysis:

- Weighting of the analyses among each other: In evaluating the suppliers after the risk analysis, it is initially assumed that the microeconomic (= concrete) risk outweighs the macroeconomic (= abstract) risk;
- Weighting in the abstract analysis: The abstract analysis is accorded a greater weighting if there is both a country-based and a sector-based risk. This is because the sector-based analysis looks at both country and industry risks and therefore has a higher degree of detail;
- Weighting of the analysis steps: The risks are weighted in ascending order according to the underlying degree of detail.

Using the traffic-light warning system, the assessment matrix is thus as follows:

- If there are no risks, the supplier is indicated by green;
- If there is at least one country risk or one sector risk, the rating is amber;
- Media risks always automatically result in a red rating, regardless of whether a further country or sector risk has been identified.

Based on the methodology presented above, the risk analysis and assessment of the direct suppliers in the 2023 financial year revealed the following key data:

- Number of suppliers (total): 7,808;
- Number of suppliers without identified risks (green): 7,335;
- Number of suppliers with identified macro and media risks (suppliers with a country or sector risk and a media risk (red)): 20; the concrete risk analysis and assessment revealed that most of the issues have already been concluded or no direct link can be made to the specific supplier, meaning there are six concrete risks relevant to Helaba and a need for action in this category;
- Number of suppliers with media risks only (red): 178; 121 duplicates were corrected; the concrete risk analysis and assessment revealed that most of the issues have already been concluded or no direct link can be made to the specific supplier, meaning there are concrete risks relevant to Helaba and a need for action in this category at 18 out of 57 suppliers;
- Number of suppliers with only country or sector risks (amber): 275, with six duplications corrected, meaning that the relevant number of suppliers with only a country or sector risk is 269; the concrete risk analysis and assessment revealed that
 - o They include 34 suppliers with a sector risk whose further analysis is not relevant for compliance with the LkSG, as the risk flagging is based on a more extensive application of the Minamata Convention on Mercury than prescribed by the LkSG;
 - o A further 184 suppliers were filtered out, as the risk flagging was due to a lack of recognition/ratification of certain international conventions in the country under review and therefore represents a legal risk that cannot be influenced;

- The country risk was not prioritised for the member states of the European Union (13 suppliers), meaning that there are concrete risks and a need for action in this category at a total of 38 suppliers.

The risk analysis of suppliers in the 2023 financial year therefore identified a low number of risks. The human rights and environment-related risk level can therefore be assessed as pretty low. The identified risks can be categorised as belonging mainly to the following risk groups:

- Environmental pollution;
- Violations of labour and occupational health and safety standards.

On the basis of these findings, Helaba works closely with the units concerned and the suppliers to take appropriate preventive measures and remedial action to prevent potential human rights and environment-related risks and to minimise or end the extent of identified violations of human rights-related and environment-related obligations.

6.3 Risk analysis in relation to indirect suppliers

Risks in relation to indirect suppliers, i.e. suppliers with whom there is no contractual business relationship, are analysed in accordance with the provisions of the LkSG on an ad hoc basis if there are actual indications of risks to human and environment-related rights. Helaba does not currently have any information that could prompt it to conduct a risk analysis for an indirect supplier.

7 Continuous further development

This policy statement is updated annually and on an ad hoc basis in accordance with the results of the risk analyses and effectiveness reviews. Helaba's Executive Board is responsible for implementing and updating this policy statement.