Helaba

ESG Criteria in Risk Management

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Table of Contents

1	**Integration of ESG factors in risk strategy and lending process**	**3**
1.1	Organisation of risk management	3
1.2	Comprehensive risk inventory	3
1.3	ESG factors in risk management	4
2	**ESG factors in the lending process**	**5**
2.1	ESG Risk Classification and Instruments	5
3	**Portfolio guidelines**	**7**
4	**Sector-specific requirements**	**8**
4.1	Energy industry	8
4.2	Coal energy	8
4.3	Dams and hydroelectric power plants	9
4.4	Nuclear energy	9
4.5	Mining	9
4.6	Oil and gas production	10
4.7	Agriculture, including animal welfare and fisheries, as well as forestry	10
4.8	Security and defense industry	11
4.9	Gambling & pornography	11
4.10	Aircraft	11

1 Integration of ESG factors in risk strategy and lending process

1.1 Organisation of risk management

The Executive Board is responsible for all risks incurred by Helaba and for the group-wide implementation of the risk strategy policy. In addition, the Executive Board has established a Risk Committee in compliance with existing banking supervisory requirements. The main task of the Risk Committee of the Executive Board is to implement and monitor the risk strategy, including Helaba's Risk Appetite Statement. The Risk Committee of the Executive Board is responsible for consolidating and assessing all risks incurred by Helaba, namely counterparty default risk, market price risk, liquidity and refinancing risk, non-financial risk, and business and real estate risk. The objective is to identify risks at Helaba as early as possible, to design and monitor the risk-bearing capacity calculation, and to derive measures for risk avoidance and for generating control impulses for Risk Management. In addition, the Risk Committee of the Executive Board approves the control and quantification methods of the respective divisions and assesses the appropriateness of the instruments used, taking into account the extent of the risk. The Risk Committee of the Executive Board is supported by further downstream control groups for individual risk aspects.

In addition to the Risk Committee of the Executive Board, the Executive Board has established the Asset/Liabiliy Management Committee and the Credit Committee (VS-KA). The main task of the Asset/Liabiliy Management Committee of the Executive Board is to manage the strategic market risk portfolio on its own behalf and in support of the Management Board. The Credit Committee of the Executive Board is responsible for individual credit. In contrast, the Risk Committee of the Executive Board is responsible for managing the credit risk of the overall portfolio and coordinating syndication business. Within the scope of their responsibilities as defined above, the respective committees are also responsible for incorporating risk-relevant aspects of ESG issues, particularly in connection with climate and environmental factors.

In addition, a Sustainability Board has been established, whose main task is to deal with strategic cross-cutting issues and directional decisions on ESG matters. These include, in particular, strategic ESG objectives, key performance indicators and ESG management, decarbonization of the portfolio and the company's own operations, sustainability reporting, and the performance of management board duties under the Supply Chain Act.

1.2 Comprehensive risk inventory

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

- Determination of the scope of the risk inventory [divisions of Helaba's individual institution (including LBS and WIBank), Group companies]
- Survey and identification of risks and any existing risk concentrations within the scope of the inventory using questionnaires
- Consideration of internal changes to the bank's risk profile (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 group companies are analyzed with the objective of identifying the essential risks at the level of the respective group companies or Helaba. In addition, an annual materiality analysis is carried out to assess the impact of ESG-related risk drivers on the respective material risk types. Irrespective of the annually risk inventory process, new product types, new markets, or changes to the internal

organization, systems, and processes can give rise to new risks that have not been considered before. These are identified and analyzed as part of the corresponding change processes. If new risks are identified, this is incorporated into the further development of the risk monitoring and control instruments. The classification of risk types is approved annually or, if necessary, during the year by the level of authority specified in the relevant Organisational Policy.

1.3 ESG factors in risk management

In addition to the sustainability goals, Helaba defines ESG factors within the framework of risk management as events or conditions in the areas of 'climate and environment', 'social' or 'corporate issues' whose occurrence may have a negative impact on the financial position (including capital resources), the financial, earnings or liquidity position. 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 for the identified risk types. The scope of the necessary risk management and monitoring measures is based on the relevance of ESG factors in the individual risk types. Helaba subsumes under the terms "ESG risks or sustainability risks" used in various regulatory publications those ESG factors that may have an impact as risk drivers on Helaba's existing material risk types.

Climate and environmental factors refer to the potentially negative direct financial impacts on Helaba due to climate change (climate risk) and/or the negative impacts on the environment (environmental risk) due to dependence on or negative influence of the environment. Climate risks are related to changes in the climate, while environmental risks refer exclusively to environmental conditions not caused by climate change.

Climate- and environment-related factors are divided into physical and transitional risk drivers. Physical risk drivers refer to situations where 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) potentially have negative financial implications for Helaba or its customers. 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 (e.g., due to suddenly adopted political measures for climate and environmental protection, technological progress, or changes in market sentiment and preferences).

Physical and transitional risk drivers can have different effects on Helaba's material risk types. With regard to Helaba's counterparty and credit risk, these can influence the debt servicing capacity or creditworthiness of the borrower or securities issuer or the relevant object, i.e. the project or real estate. Market Risk may lead to a revaluation of shares and securities. In the case of liquidity and funding risk, a decline in market prices in the liquidity investment portfolio or an increased liquidity requirement is a possible consequence. In addition, a reputational risk that becomes apparent could also have a negative impact on refinancing activities. Non-financial risks may result in penalties due to behavioral and legal risks or operational restrictions. Real estate risk poses a particular threat of losses or impairment of real estate. Business risk may be affected, for example, by changing customer behavior.

Social factors refer to the potentially negative financial impact of social aspects on Helaba, which may arise either directly or indirectly through such impacts on Helaba's customers. The focus is on the relationships between Helaba and its customers and their own employees, customers, suppliers, communities, and other relevant stakeholders. Social risk drivers can include working conditions (e.g., non-compliance with labor law, forced and child labor, lack of

occupational health and safety, insufficient inclusion and diversity of employees, inadequate remuneration, lack of training and development opportunities for employees) and a lack of social engagement in society.

Governance-related factors refer to the potentially negative effects on Helaba and its customers due to events, developments, or behaviors that can be attributed to the division of corporate governance. Governance risk drivers arise from governance practices, such as management leadership, inappropriate executive compensation, insufficient independence of the Executive Board, inadequate internal controls and structures to prevent unethical or illegal behavior, lack of audits, tax evasion, corruption and bribery, and the way in which Helaba and its customers incorporate environmental and social factors into their policies and procedures.

In order to check whether Helaba's material risk types are significantly affected by ESG risk drivers, Helaba conducts an annual ESG materiality analysis as an extension of its risk inventory. The results of this ESG materiality analysis are incorporated into the risk strategy and other elements of the risk management cycle. The methodological approach used in the materiality analysis was further developed in 2025 and now includes a comprehensive view of risk drivers and transmission channels. The results of this ESG materiality analysis are taken into account in the risk management of credit risk at both the portfolio and individual transaction levels. In addition, various monitoring indicators relating to risk-relevant sustainability aspects have been established at the Risk Appetite Statement level and for the operational limits for credit risk, and are reported to the Risk Committee of the Executive Board quarterly.

2 ESG factors in the lending process

In credit risk, two-stage ESG risk management is carried out at both portfolio and individual customer level. Credit risk is a particular focus, as sustainability risks can negatively impact and exacerbate it. The effects on credit risk, and in particular borrower risk, result, for example, from the default of customers who are unable to successfully adapt their business model. Based on the materiality analysis, this is taken into account in the existing risk management system by setting limits, scenario and stress analyses, and detailed guidelines that support credit analysis. The Risk Appetite Framework thus includes ESG-specific RAS indicators with a focus on transitory risk drivers. The RAS indicators are translated into operational ESG limits at portfolio level for control purposes. They limit credit volumes with high transitional ESG risk. Physical risk drivers are controlled by monitoring values. Here, too, credit volumes with high physical ESG risk are monitored. Reports are submitted quarterly to the Risk Committee of the Executive Board.

When granting and monitoring loans, factors relating to the environment, social issues, and governance, as well as associated risk drivers for the financial situation of borrowers, are taken into account. ESG factors such as climate-related risk drivers, social impacts, or poor corporate governance can significantly impair the economic stability of a borrower or a business and increase the risk of default. Taking these aspects into account enables the early identification of potential risk drivers, helps to secure credit quality, and at the same time ensures compliance with regulatory requirements in line with a sustainable business orientation.

2.1 ESG Risk Classification and Instruments

The ESG risk classification serves to enable a structured and comprehensible assessment of ESG risks to which a borrower or a financed asset (e.g. project or property) may be exposed in the context of a transaction. The objective is to identify ESG factors that may have a negative impact on the debt servicing capacity in the specific financing context. ESG risk classification is thus part of the credit analysis and is specifically aimed at assessing the impact of ESG factors on counter-party default risk as part of loan origination and monitoring. ESG risk classification refers to

the interaction of multiple instruments that jointly assess the ESG risk situation of a customer or asset. These include:

- The structured assessment of reputational risks
- the ESG Score as a quantitative-qualitative scoring model for the overall assessment of ESG risks
- and the Transition Readiness Assessment (TRA) for an in-depth evaluation of CO2-related transition capacity for selected corporate clients.

The ESG risk classification must be applied to all borrowers (excluding retail clients) for whom a transaction or an open limit exists, in accordance with the bank's credit competence framework. It is to be carried out both for new transactions and as part of the regular credit review process and must be documented on the ESG page of the credit application.

Reputational risks can impact Helaba and, as such, affect its competitiveness and financial results. They include customers' reputational risks, which can also impact Helaba. For the systematic identification of potential ESG-related reputational, liability and legal risks that can arise from working with customers, the requisite data is collated in a structured process for relevant lending customers (excluding private customers) in the new and existing business portfolios.

An ESG score enables the sustainability risks associated with a customer, project or property to be assessed using standardised, quantitative and qualitative criteria. The appraisals for the individual dimensions and an overall score are transferred into one of five risk classes (A to E). The management of credit risk metrics is translated into an operational context with the Limit Framework. The Limit Framework is a multi-tiered structure of upper thresholds (limits) within the Helaba Group's lending business and enables risks to be contained through operational limit systems. These operating limits are intended to manage and monitor ESG-related transitory risks within the default risk and ensure that risk exposures are contained on a quantitative basis at portfolio and sub-portfolio level. For the corporate customer, real estate and project finance portfolios, limits are placed on ESG transactions with a "high" transition risk rating (corresponds to an ESG score of D or E). By limiting business activities with "high" transition risks, business relationships with customers and operations in carbon-intensive industries are reduced. In addition to limits based on an ESG score, Helaba also applies dedicated portfolio limits for industries affected by climate and transition risks. This granular system allows for a sensitive approach to transition risk management. The limited financing options that this entails are intended to offer these customers an incentive to actively "green" their business model.

With the TRA, Helaba Bank has developed a central process that can be used to hold structured, needs-based dialogue with corporate customers facing particular challenges in their climate transition. Helaba's medium- and long-term goals include, in particular, accompanying their existing customers through this transition period, thus contributing to the achievement of the Paris Climate Agreement. Helaba believes that an active approach to customer dialogue provides important leverage for the gradual decarbonisation of the lending portfolio. The aim of the TRA is to assess a customer's willingness and ability to undergo a green transition and also review its progress toward target achievement on a regular basis. As a result, customers can be evaluated in terms of their transition risk and also their impacts on Helaba's own decarbonisation targets. The figure below demonstrates how customers are evaluated and approached. The TRA questionnaire provides a structured and verifiable approach to assessing a customer's ability to transition towards internationally recognised reduction targets (scientific targets in accordance with SBTi). As the initial step, the customer's current status with regard to transitional pressure is recorded by way of current economic emissions intensity. The next step involves collating information on climate objectives for the period up to 2030 and 2035. In the case of customers in sectors for which Helaba has defined specific intensity

pathways (energy, steel, cement, automotive), these objectives are reviewed on the basis of physical emissions intensity by comparing them to the SBTi target pathways. Planned absolute emission reduction is used to assess customers in other sectors based on the SBTi absolute concentration approach. To evaluate the credibility of the customer's transition plan, both public documents and information provided during dialogue with the customer are used. Customers are then categorised within an overall economic context to enable transformation-relevant activities (e.g. the manufacture of battery storage) or particular dependencies with external factors to be recognized in relation to successful green transition. The TRA enables transition risk to be captured at an individual level for the most important customer groups; this risk level is then incorporated into the respective risk indicators.

The ESG-relevant results and assessments are centrally consolidated at Helaba within the credit application. This provides a standardised format for the presentation and commentary of all ESG metrics and assessments, including the results from the ESG instruments and classifications. The ESG section within the credit application consolidates all relevant ESG content and metrics into a dedicated section and thus serves as the central basis for documenting and assessing ESG risks in the credit process

3 Portfolio guidelines

In its sustainability principles, business strategy, and code of conduct, Helaba is committed to the Universal Declaration of Human Rights, the ten principles of the UN Global Compact, the ILO's core labor standards, and the UN Principles for Responsible Banking. In its business activities, Helaba takes into account fundamental aspects of human and labor rights and is guided by the OECD Policy for Multinational Enterprises and the UN Policy on Business and Human Rights. Helaba excludes the deliberate financing of projects that cause serious environmental or social damage. This is particularly the case in the following areas:

- Human rights violations, including the rights of indigenous peoples and minorities
- Destruction of cultural assets, in particular World Heritage Sites
- Violations of workers' rights, in particular child labor and forced or compulsory labor
- Environmental damage, in particular to wetlands and other protected areas, World Heritage Sites, illegal slash-and-burn practices, illegal logging, and endangerment of threatened 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 relevant policies and standards of the World Bank and IFC is considered to cover the topics listed above. These requirements are generally already covered by ECA cover from an OECD country. In addition, the respective sector-specific requirements in the chapters on the various 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 small-scale meta-credit business, the requirements in the "sub-risk strategy for portfolios" do not need to be checked on a case-by-case basis. Instead, it can be assumed that the savings bank ensures general compliance with the sustainability principles of the S-Finanzgruppe (voluntary commitment, strategic sustainability agenda, and sustainable financing framework).

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

The exclusion criteria and principles relate to the economic activities to be financed by Helaba. This means that customers who may be involved in critical activities to a minor extent (minor extent is defined as supplementary secondary activities of a company that may be related to the main business purpose and thus the main sources of income of the company, but do not represent its core focus) can receive general corporate financing, provided that the financing granted does not directly serve the critical activity. This also applies to borrowers who are part of a group of companies. In the context of contractual implementation, Helaba advocates stipulating the distinction from critical activities in the contract documents.

Helaba actively supports its customers in their transformation to a low-carbon, circular economy. The transformation process must include measurable, verifiable, relevant, and ambitious objectives and be aligned with the legal fundamental conditions, such as the EU environmental targets or comparable targets. This also applies to customers with critical activities, provided that they have bindingly commenced such a transformation process or can demonstrate that the financing granted serves to reduce the critical activities or their negative effects. Financing that includes a contractually stipulated sustainability component ("ESG-linked" financing) is possible in principle.

4 Sector-specific requirements

4.1 Energy industry

Principles:

- Helaba considers highly efficient gas-fired power plants for balancing peak loads (peak load power plants) and for local and district heating using combined heat and power generation to be an important complementary technology on the path to greater use of renewable energy sources.
- Helaba primarily finances projects in the division of renewable energies, in particular solar and wind power plants and energy storage facilities.
- The financing of activities related to power plant decommissioning, including coal-fired power plants, is possible in principle.

Exclusions:

- Helaba does not finance any activities in the division of oil-fired power plants (new construction, modernization, replacement investment).

4.2 Coal energy

Principles:

- Helaba's current involvement in the coal division is being gradually scaled back in line with the transition path for the energy sector.

Exclusions:

- Helaba does not finance any activities related to the construction of new coal-fired power plants or capacity expansion, nor does it finance replacement investments and modernization 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 activities (>33% share of sales or >33% share of electricity generation) involve the production, trading, and marketing of coal energy, i.e., coal-fired power generation, and who have not begun a binding transformation process.

4.3 Dams and hydroelectric power plants

Principles:

- In accordance with the recommendation of the World Commission on Dams (WCD), financing for international hydropower projects and plants built after 2000 is possible if the borrower can provide 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 to compliance with the WCD recommendations. Financing for power plants/activities constructed 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 new 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 for the development or construction of nuclear power plants or their modernization that does not serve to maintain safety.
- No financing of new corporate customers whose business activities (>33% share of sales or >33% share of electricity generation) involve the production, trading, and marketing of nuclear energy and/or the reprocessing of nuclear fuels, uranium enrichment facilities, or uranium mining.

4.5 Mining

Principles:

- Supply chains for minerals from conflict and high-risk areas: Financing only for companies that can provide documented evidence of compliance with the relevant due diligence requirements for conflict minerals, i.e., tin, tantalum, tungsten, and gold, as well as 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 for the dismantling and renaturation of mines is possible in principle.

Exclusions:

- **Coal mining**: No financing of activities directly related to the extraction of thermal coal, including directly and exclusively related process chains (conveyor technology, transport logistics predominantly used for coal).
- • **Mountaintop removal mining**: No financing of activities related to the blasting of mountaintops as a form of open-cast mining.
- **Diamonds**: No financing of activities related to diamonds whose origin cannot be verified 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 begun a binding transformation process.

4.6 Oil and gas production

The following guidelines apply to financing in the divisions of natural gas (including LNG), heavy oil, petrochemicals, lubricants, petroleum, and other by-products.

Principles:

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

Exclusions:

- Helaba does not finance any activities related to 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 related process chains.

4.7 Agriculture, including animal welfare and fisheries, as well as forestry

Principles:

- **Protection and development of forestry management that is sustainable in terms of sustainability**: When financing forestry activities and companies, they must be committed to a certification system for forestry management that is sustainable in terms of sustainability or, through documented measures, demonstrate 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 the FSC core labor standards and avoids the risk of illegal logging and unsustainable forest management.
- **Sustainability of agricultural crops (palm oil, soy, cocoa, coffee, tea, cotton)**: When financing cultivation activities and companies with significant cultivation activities of their own, these must be committed to a certification system, e.g., Fairtrade, Rainforest Alliance, UTZ, Roundtable on Sustainable Palm Oil/Soy (RSPO/RTRS), 4C (Common Code for the Coffee Community) for coffee, Better Cotton Initiative for cotton, or, through documented measures, demonstrate that they are preparing for membership.
- **Sustainable fishing**: When financing fishing activities and companies, these must be committed to 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 be committed to a certification system for sustainable animal husbandry or provide documented evidence that they are preparing for membership or monitoring compliance in their supply chain. These include, for example, national animal welfare labels or comparable initiatives established in the market, such as the German initiatives Tierwohl, Demeter, and other EU organic certification systems, as well as, for financing outside the EU, the Terrestrial Animal Health Code from the World Organisation 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 will be provided if it violates applicable EU animal welfare law in the division of animal welfare.

- 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 related to agricultural commodities.

4.8 Security and defense industry

Principles:

- The financing of activities and companies related to armaments (armaments and dual-use goods) based in the EU, Switzerland, and the UK is possible in principle. This includes, in particular, equipment for the police and military to ensure the internal and external security of the Federal Republic of Germany, the EU, and NATO.
- The financing of deliveries of defense-related goods abroad is limited to the EU, NATO countries, and selected individual countries (Switzerland, as well as NATO allies Australia, New Zealand, Japan, and South Korea). When financing the delivery of defense-related goods, the customer must confirm in an appropriate form that it has obtained the relevant export license from the respective exporting country at the time of export. In doing so, the "Principles for the Regulation of the Transfer of Conventional Arms" adopted by the OSCE and the regulations for the import and export of firearms, essential components, and ammunition, as well as the EU Dual-Use Regulation ("Common Position") must be observed.

Exclusions:

- Helaba does not finance any activities or companies involved in the manufacture of or trade in prohibited weapons systems and their key components, which include the following categories: Anti-personnel mines (Ottawa Convention), cluster munitions (Oslo Convention), chemical weapons (Chemical Weapons Convention, CWC), biological weapons (Biological Weapons Convention, BWC). Furthermore, Helaba does not finance any activities or companies involved in fully autonomous weapons (LAWS) or 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 government or non-profit agency or organization (state lottery).

Exclusions:

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

4.10 Aircraft

Exclusion criterion:

- Exclusion of financing for commercial airliners, where we base our risk assessment on the safety rating of the aircraft. Similarly, no prolongations are granted for these business activities unless they prove necessary on a case-by-case basis in order to maintain value or as part of restructuring measures. The latest maturity date in the portfolio is currently 2034.