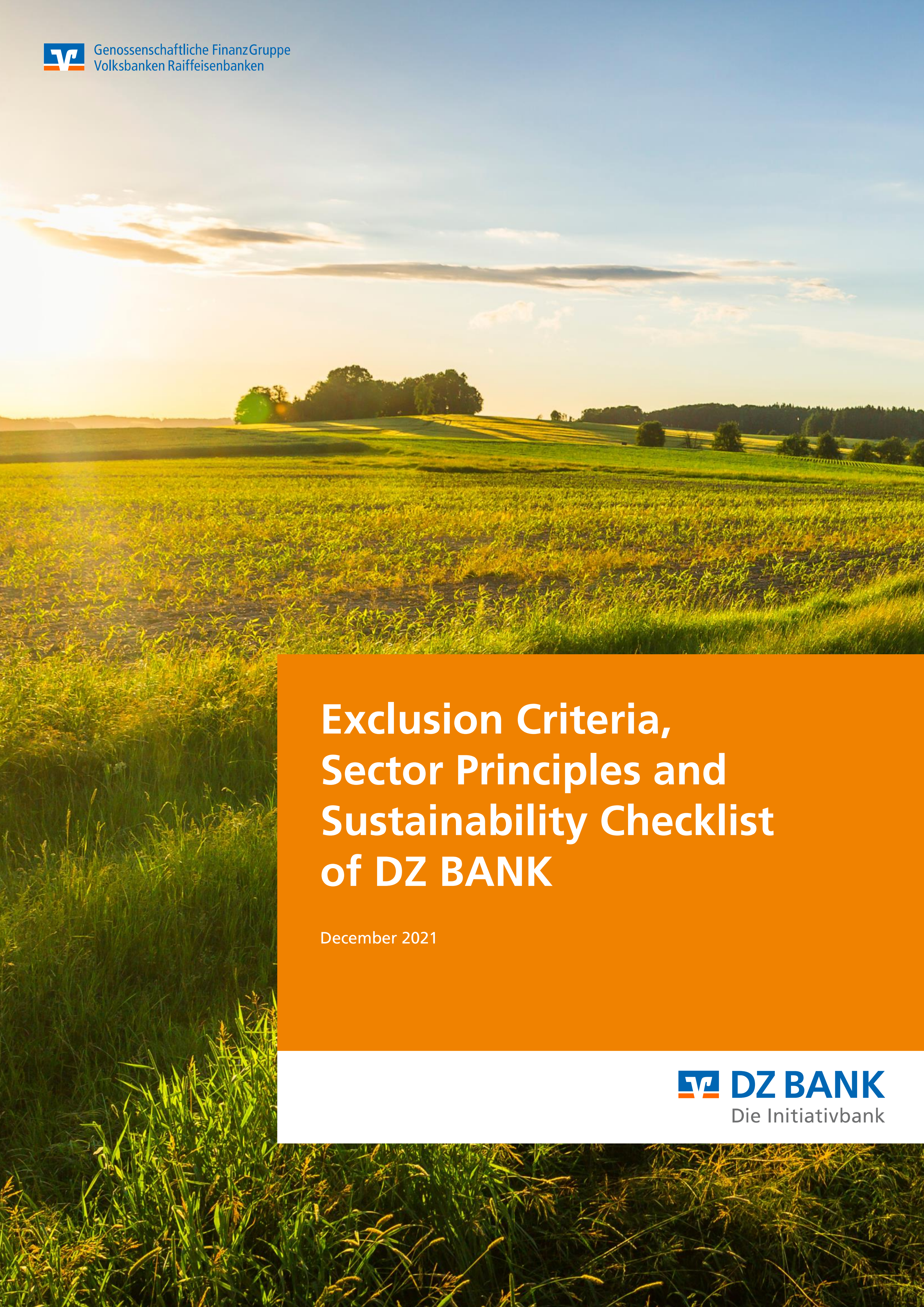

Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

Exclusion Criteria, Sector Principles and Sustainability Checklist of DZ BANK

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DZ BANK
Die Initiativbank

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1 General principle

As the central institution of the Cooperative Financial Network, DZ BANK is aware of its responsibility for people, the environment and corporate governance. Corporate responsibility and sustainability have a long tradition at cooperative banks given that the cooperative idea was grounded on solving economic and social problems hand in hand. We still stand in this tradition today. For this reason, we have set ourselves strict standards in our business activities, which we regularly review and adjust. Firstly, we exclude the financing of certain business areas and activities (controversial activities). At the same time, we stand by our customers as a reliable partner and finance their sustainable transformation. DZ BANK's ESG management system comprises various dimensions, such as classifying our portfolios according to their impact on UN Sustainable Development Goals (SDGs), reviewing exclusion criteria and taking sustainability risks into account. In addition, CO_2 accounting will be established and integrated into the existing management system. Additionally, we are expanding our risk indicators in line with regulatory requirements. This document focuses solely on how we deal with sustainability aspects in our lending activities.

2 Assessment of sustainability aspects in lending activity

Four elements form the basis of sustainability assessment in our lending activities: (i) our exclusion criteria, (ii) our sector principles, (iii) our sustainability checklist, and (iv) the consideration of sustainability risks.
Exclusion criteria: In our exclusion criteria, we have defined activities and business areas that have a particularly adverse impact on people, the environment as well as corporate governance (controversial activities). We do not finance these controversial activities or lines of business. However, we do not want to exclude companies over their entire business activity if they are only engaged in controversial activities to a small extent or if a transformation process of the company towards more sustainability is apparent. For this reason, we have defined special conditions for some exclusion criteria under which we continue to accompany and support customers.
Sector Principles: In addition, there are particularly sensitive sectors where additional and more in-depth scrutiny is necessary. For these purposes, we have developed separate, additionally applicable, sector principles.
Sustainability Checklist: Our commitment to the UN Global Compact and the Equator Principles is ensured by our sustainability checklist, which is another integral part of the credit application process.
Assessment of sustainability risks: Here, an assessment is made of risks that may arise from sustainability aspects on the creditworthiness of our customers. Such an assessment is carried out for total exposures in excess of EUR 10 million and also covers, where relevant, the value of any collateral.

The four central elements of the sustainability assessment (exclusion criteria, sector principles, sustainability checklist, consideration of sustainability risks) for financing requests are checked at DZ BANK using a uniform procedure throughout the company. We are aware that the application of these regulations is complex in practice and that decisions often have to be considered on a case-by-case basis. In order to ensure the correct application in practice, we have established a multi-stage system:

- First of all, we train all employees entrusted with financing requests on sustainability using several and specially developed formats such as training courses or manuals, etc. This serves to make our employees even more aware of the relevance of the topic and at the same time provide them with concrete assistance in reviewing exclusion criteria, sector principles and sustainability checklists.
- Should any ambiguities or scope for interpretation arise with regard to the exclusion criteria, we have introduced the so-called Ad Hoc Committee for Exclusion Criteria: Here, particularly experienced employees evaluate financing requests from a sustainability point of view, document the specific facts and ensure the correct application of DZ BANK’s existing exclusion criteria.
- The Sustainability Exclusion Criteria Working Group was introduced to clarify fundamental issues rather than those relating to individual cases. The working group meets regularly and is also entrusted with

developing the existing exclusion criteria further. For DZ BANK, exclusion criteria, sector principles, the sustainability checklists and the assessment of sustainability risks are ongoing processes that require regular (re)evaluation and may entail corresponding adjustments.

3 Sustainability assessment criteria

The currently valid criteria for the four central elements of the sustainability assessment (exclusion criteria, sector principles, sustainability checklist and the assessment of sustainability risks) are presented below.

3.1 Exclusion criteria

Controversial issue	Exclusion criteria
Thermal coal	We do not finance any coal-fired power plants - neither new nor existing ones
	We do not finance any activities in the thermal coal value chain - especially mining and trading as well as directly related activities
	We do not finance companies that operate coal-fired power plants, mine thermal coal, trade in thermal coal or are directly associated with it. Unless: - the use of funds can be excluded for these activities, or - a clear will to transform is present, or - the share of thermal coal is less than 5 percent (for operators of coal-fired power plants: share of electricity generation; otherwise share of sales)
Oil/ Gas Production	We do not finance oil or gas production activities using fracking or from oil shale and oil sands
Mining	We do not finance mining activities using the Mountain Top Removal process
Trade in animals and plants	We do not provide trade finance in connection with endangered animal and plant species according to the CITES list (Convention on International Trade on in Endangered Species)
Other environmental hazards	We do not finance companies or projects that pose significant risks to the environment (e.g. uranium mining)
Controversial weapons	We do not finance the production or trade of controversial weapons, i.e. weapons that are indiscriminate, cause excessive suffering, have devastating effects on civilian populations, or are internationally outlawed. Examples of controversial weapons are (non-exhaustive) nuclear, biological, chemical weapons, landmines, anti-personnel mines, cluster bombs, autonomous weapons or uranium-containing munitions
	We do not finance companies involved in the development, manufacture, maintenance, operation or trade of controversial weapons or their core components, unless a use of funds for these activities can be ruled out
Arms trade	We do not finance arms deals of any kind to/from countries: - with significant human rights violations, or - outside NATO and/or in areas of tension, unless an government export licence is available
Human Rights	We do not finance companies that violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO Core Labour Standards or other internationally recognised principles in the field of human and labour rights
Red Light	We do not finance companies in the pornography industry or comparable industries ("red light milieu")

Controversial gambling	We do not fund companies that engage in controversial forms of gambling

3.2 Sector principles

Sector	Principles
Dams	We recognise the recommendations of the World Commission on Dams (WCD) and will not finance any dam projects that do not apply the WCD recommendations as fully as possible. For this purpose, the customer must provide evidence, including with regard to: - gaining public acceptance - a comprehensive and unbiased examination of options - measures to be taken during operation of the dam - the conservation of river ecosystems and related livelihoods - recognition of claims of people affected by the dam and equitable sharing of benefits - compliance with commitments and agreements - transnational river sharing for peace, development and security
Extractive industry	Special care and precautions must be taken in the extractive industries sector due to political, environmental and social sensitivities. Particularly in the oil & gas and metals & mining sectors, we are guided by international conventions and refer to best practice. So-called best practice examples are given by the World Bank and industry associations in the context of the regional environment. Financing is examined in particular in the light of the following aspects: - Respect for human rights - Special consideration of the interests of indigenous peoples and local communities - Compliance with minimum standards for occupational safety and working conditions in accordance with the standards of the International Labour Organization (ILO); exclusion of child labour - Pollution of the environment through the extraction process of raw materials (groundwater, water, soil and air pollution) - Protection of areas designated as "UNESCO World Heritage" or other protected areas - Production process with toxic substances - Legal compliance - Traceability of income flows between companies and state institutions in the country concerned to rule out corruption. We only finance customers who can demonstrate that they already meet the criteria or are making sustained efforts to meet them in the near future.
Forestry	Forestry and the management of forest resources have an important role to play in combating climate change and protecting biodiversity and ecosystems. For this

	reason, we only finance operations in this area that have been certified by the Forest Stewardship Council (FSC) or the national Programs for Endorsement of Forest Certification (PEFC) standards, or that use recognised equivalent standards. In addition, our financing decisions are guided by the revised version of the World Bank Standard (WN OP 4.36, 2013) and the criteria adopted for sustainable forest management at the 1993 Helsinki Ministerial Conference on the Protection of Forests in Europe (MCPFE, since 2009 Forest Europe).
Fisheries	We recognise that in the field of fisheries special care must be taken to preserve biodiversity (e.g. overfishing) and thus the basis of life for humans and aquatic life. Therefore, we only finance companies/vessels of clients that have been certified by the Marine Stewardship Council (MSC) or use recognised equivalent standards.
Maritime Industry	We recognise that special care is also required in the construction and operation of ships. Therefore, we do not provide financing in respect of vessels or their operators that do not meet the following minimum requirements: - Submission to the rules/regulations of the International Maritime Organisation (IMO) - Inland navigation: Completed inland navigation training evidenced by valid certificates - Building yard can demonstrate a correspondingly positive track record (e.g. no greenfield shipyard); in the case of existing/second-hand financing, proof of corresponding construction/maintenance quality

Palm oil	We recognise that special due diligence and precautionary measures are necessary when dealing with customers or doing business with palm oil in order to avoid adverse sustainability impacts on the environment, climate and human rights. For this reason, we link the financing of companies in the palm oil value chain to the following minimum requirements:
	- Membership of the Roundtable on Sustainable Palm Oil (RSPO) or another recognised organisation with at least equivalent standards
	- NDPE Policy (No Deforestation, No Peat, No Exploitation); the scope of the policy covers both the company's own palm oil plantations as well as suppliers/ purchased palm oil/fruits/pre-products
	- By 2030 and for the full volume of palm oil traded, processed or converted:
	  - full traceability to the plantation of origin of the palm fruit ("tracability to plantation"), and
	  - full RSPO certification or recognised certification with at least equivalent standards

3.3 Sustainability Checklist

Assessment area	Criteria
Social	- Labour standards: e.g. safety at work, anti-discrimination, no forced labour, no child labour, etc. - Respect for human rights: e.g. equal treatment under the law, freedom of

	expression/religion, human dignity, personal rights, life and security (no slavery, servitude, arbitrary detentions), etc. - Protection of cultural heritage/property, cultural/memorial sites: e.g. protection of indigenous populations and their culture, protection against resettlement, etc. - Protection of neighbouring residential buildings
Environmental	- Environmental protection: e.g. existence of an environmental management system in accordance with recognised standards, adequate storage of hazardous substances, a contingency plan, protection of biodiversity, compliance with environmental guidelines/laws, prevention of accidents, informing customers about the environmental impact of the company's own products, etc. - Sufficient underwriting cover in the event of a loss - Products: regular examination for environmental relevance, efficient use of scarce resources, etc. - previous use of industrial land
Corruption	- No (in-)direct bribery or other inappropriate benefit/grant/demand - Employees are sensitised with regard to fighting corruption
Competition/ Taxes	- No competition-hindering cartels and compliance with the relevant provisions - Compliance with the applicable tax laws/regulations

3.4 Assessment of risks associated with ESG factors

The topic of sustainability is the focus of supervisory and regulatory requirements. For example, both the EBA Guidelines on Loan Origination and Monitoring (EBA GLOM) and the ECB Guidelines contain requirements regarding the consideration of ESG criteria in lending business. A key component of the EBA GLOM, which came into force for new business from 01.07.2021, are requirements for the implementation of strategies and processes for dealing with risks associated with ESG factors. This includes the handling of these risks within the business and credit risk strategies as well as the risk culture. Furthermore, risks associated with ESG factors must be made transparent in the context of lending and loan monitoring.

In addition, the ECB Guide to Climate and Environmental Risks was published in November 2020 and sets out the supervisory expectations for risk management and disclosure in relation to climate and environmental risks.

As part of the credit application process, the potential medium-term rating downgrade of the business partner due to sustainability aspects is assessed and documented. The factors E, S and G are taken into account in each case. Even in the event that the assessment does not identify any material risks arising from ESG factors, this finding shall be disclosed in the credit submission.

In addition, where relevant, ESG factors affecting the value of collateral should be taken into account in accordance with the above-mentioned regulatory requirements in the initial and subsequent valuation of collateral for transactions with a total exposure of EUR 10 million or more (GCC level). Climate and environmental risks in particular can have an impact on the value of collateral. At DZ BANK, the assessment is documented as part of the collateral rating.