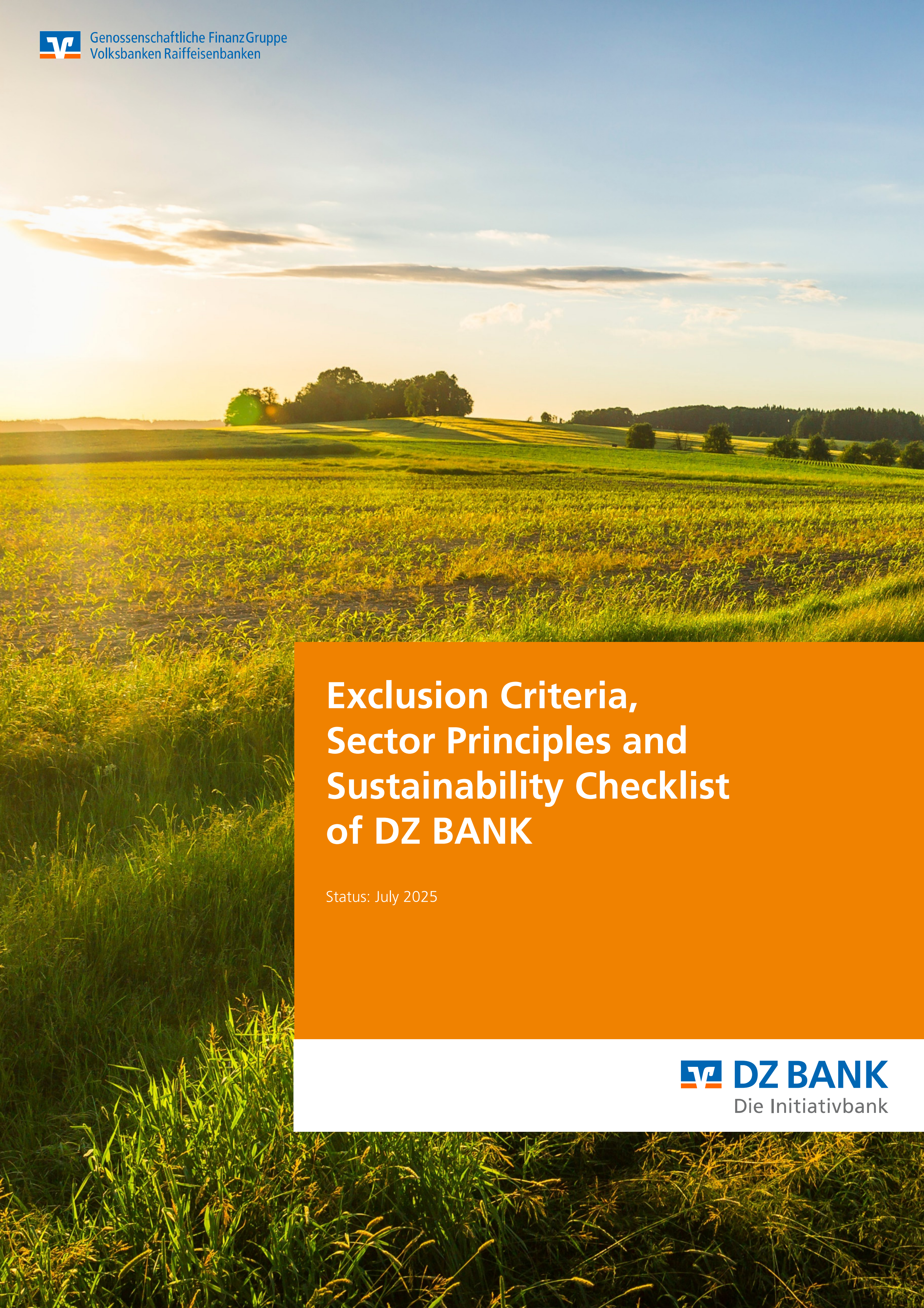

Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

Exclusion Criteria, Sector Principles and Sustainability Checklist of DZ BANK

Status: July 2025

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 the principles of sustainable corporate governance. Corporate responsibility and sustainability have a long tradition at cooperative banks. Even the basic cooperative idea was based on the idea of solving economic and social problems together. We are still following this tradition today. For this reason, we have set ourselves strict standards in our business activities, which we regularly review and adapt. On the one hand, we exclude the financing of certain business areas and activities (critical activities). At the same time, we stand by our customers as a reliable partner and finance their sustainable transformation. In this document, the focus is on dealing with sustainability aspects in lending.

2 Assessment of sustainability aspects in lending activity

The sustainability assessment in DZ BANK's lending activities is carried out for traditional lending and credit substitute business as well as for the debt capital market business[1] and treasury investments (excluding ABS). Every commitment, including corporate, project, export, foreign trade, acquisition, real estate, leasing and property financing, must always be checked for sustainability aspects.

The sustainability assessment in lending is based on five elements: (i) our exclusion criteria, (ii) our sector criteria, (iii) our ESG checklist RepRisk DZ BANK, (iv) our ESG credit risk score and (v) the overall assessment of risks associated with ESG factors.

Exclusion criteria: The overarching exclusion criteria are defined in the DZ BANK Group's Group Credit Standard, which regulates the consideration of risks in connection with ESG factors. Depending on the business model of the respective group companies, the scope of application or justified exceptions (e.g. exceptions for cooperative banks, for DZ BANK Group companies, in the case of credible evidence of the borrower's willingness to transform or in the case of overriding decisions in exceptional cases) can be defined. The exclusion criteria relate to activities and business areas that have a particularly negative impact on people, the environment or corporate governance (critical activities). We do not finance these critical activities or business areas. However, we do not want to exclude companies across their entire business activities if they only engage in critical activities to a limited extent or if a transformation process of the company towards greater sustainability is to be supported. We have therefore defined special conditions for some exclusion criteria under which we continue to support customers.
Sector criteria: In addition to the group-wide exclusion criteria, DZ BANK also applies defined sector criteria in the same area of application. Deviation from this requirement is only possible in exceptional cases in the case of overriding decisions. The sector criteria define general lending principles for selected sectors that are particularly vulnerable from a sustainability perspective and ensure that minimum ESG standards are taken into account. They are applied to projects, transactions and companies in the ESG application area that generate more than 50% of their total turnover both directly and indirectly in the respective sector and act as borrowers vis-à-vis DZ BANK.
ESG checklist RepRisk DZ BANK: Our commitment to the UN Global Compact and the Equator Principles is confirmed by a checklist that is checked as part of the credit application.
In DZ BANK's credit assessment process, loan applications are systematically checked for relevant sustainability aspects. This involves using DZ BANK's ESG checklist, which is based on the 10 principles of the UN Global Compact and, for qualified project financing, on the Equator Principles. The purpose of the ESG checklist is to record

[1] DCM= Dept Capital Market: support for our clients in structuring and placing bonds on the capital market

the sustainability efforts of a customer/project in a structured manner in order to assess their reputational impact on DZ BANK.
ESG credit risk score: For corporate financing, we assess and quantify potential risks that could have a negative impact on the future creditworthiness of our customers from a sustainability perspective.
Overall assessment of risks associated with ESG factors: The appreciative summary of our customers' sustainability assessment is an integral part of every credit decision and also extends - where relevant - to the value of any collateral.

DZ BANK uses a standardized company-wide procedure to review the five key elements of the sustainability assessment (exclusion criteria, sector criteria, ESG checklist RepRisk DZ BANK, ESG credit risk score, overall assessment of risks associated with ESG factors) for financing requests. 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. Nevertheless, we have established a multi-level system to ensure correct application in practice:

- First of all, we train all employees entrusted with financing requests on sustainability using several specially developed formats such as training courses and handbooks. 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 checking exclusion criteria, sector criteria, the ESG checklist and the ESG credit risk score.
- If there are any internal uncertainties or questions regarding the interpretation of the exclusion criteria and sector criteria, we have set up the so-called Ad hoc Committee for Exclusion Criteria for affected financing requests: Here, particularly experienced employees assess and document the specific facts of the case from a sustainability perspective across all divisions and make a prompt recommendation to the inquirer on the interpretation of the respective regulations.
- The Working Group Exclusion Criteria, which meets regularly, was introduced to clarify fundamental and non-individual issues. This group is also entrusted with the fundamental further development of the regulations. For DZ BANK, exclusion criteria, sector criteria, the ESG checklist, the ESG credit risk score and the overall assessment of risks associated with ESG factors are ongoing processes that require regular (re)assessment and are subject to corresponding adjustments.

3 Sustainability assessment criteria

The currently valid criteria for the five central elements of the sustainability assessment (exclusion criteria, sector criteria, ESG checklist RepRisk DZ BANK, ESG credit risk score and the overall assessment of risks associated with ESG factors) are presented below.

3.1 Exclusion criteria

Critical topic	Exclusion criterion
Thermal coal	We do not finance coal-fired power plants - neither new nor existing ones.
	We do not finance any upstream activities in the value chain for thermal coal - in particular extraction and trading as well as directly related activities.
	We do not finance any 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 for these activities can be ruled out or - there is a clear will to transform 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).

Critical topic	Exclusion criterion
Oil and gas extraction	We do not finance oil production activities (upstream) or oil and gas production activities using fracking, oil shale, oil sand, arctic drilling or deep sea mining. We do not enter into any new business that increases the credit volume (with the exception of extensions) with companies engaged in oil and gas production (upstream) unless the use of funds outside of oil and gas production can be proven.
Atomic energy	We do not finance any activities in connection with the construction, operation or maintenance of nuclear power plants.
Trade of endangered species of animals and plants	We do not finance any trading activities in connection with endangered animal and plant species according to the CITES list (Convention on International Trade in Endangered Species).
Significant environmental hazards	We do not finance companies or projects that pose significant risks to the environment. This includes, in particular, uranium mining, mining activities using the mountain top removal method, asbestos mining, projects/properties or activities with high nuclear, biological or chemical contamination risks (not affected: biogas plants) and hazardous goods, unless the risks are adequately hedged.
Controversial weapons	We do not finance the production of or trade in controversial weapons, i.e. weapons that have indiscriminate effects, cause excessive suffering, have devastating effects on the civilian population or are internationally banned. 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 the use of funds for these activities cannot be ruled out.
Conventional weapons	We do not finance companies that are involved in the development, manufacture, maintenance or operation of conventional weapons or their essential parts as defined by the German Weapons Act and whose headquarters are located in countries outside the NATO and EEA/EFTA states, unless it can be proven that the weapons are used exclusively by NATO, EEA or EFTA states.
	We do not finance arms deliveries to countries outside NATO, the EEA or EFTA, or to areas of tension, unless a government export license has been obtained.
Violations of human and labor rights	We do not finance companies that demonstrably violate internationally recognized principles in the area of human and labor rights. Internationally recognized principles are the UN Global Compact, UN Guiding Principles on Business and Human Rights and International Labour Organization (ILO) core labour standards.
Pornography	We do not finance companies in the pornography industry or in comparable sectors ("red light milieu").
Controversial gambling	We do not finance companies that operate controversial forms of gambling. Companies that operate controversial forms of gambling are defined as companies whose primary business purpose is gambling, unless they are operated by public authorities or are subject to public authority.
Trade with conflict material	We do not finance any trading activities in connection with commodities that were extracted in conflict areas by parties to the conflict in violation of human rights and that serve, among other things, to finance the conflict.
Deforestation	We do not fund activities that are directly involved in illegal logging, slash-and-burn and/or conversion of tropical and/or primary forests and protected areas.

3.2 Sector criteria

Sector	Principles
Dams and water infrastructure	We recognize the recommendations of the World Commission on Dams (WCD) and do not finance dam projects that do not apply the recommendations of the WCD as comprehensively as possible. The customer must provide evidence of this, including with regard to - Gaining public acceptance - Comprehensive and unbiased examination of options - Measures during operation of the dam - Conservation of river ecosystems and biodiversity and the associated livelihoods - Recognition of the rights of people affected by the dam and equitable sharing of benefits - Compliance with obligations and agreements - Transnational sharing of rivers for the benefit of peace, development and security
Raw materials industry	Due to political, environmental and social sensitivities, special care and precautionary measures must be taken in the raw materials industry. Particularly in the oil and gas, metals and mining sectors, we are guided by international conventions and refer to best practices. So-called best practice examples are provided by the World Bank and industry associations in the context of the regional environment. Financing is specifically examined against the background 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 Labor Organization (ILO); exclusion of child labor - Pollution of the environment through the extraction process of raw materials (groundwater, water, soil and air pollution) and consideration of the preservation of biodiversity - Protection of areas designated as "UNESCO World Heritage Sites" or other protected areas - Production processes with toxic substances - Compliance with legal regulations - Traceability of income flows between companies and state institutions in the country concerned to rule out corruption - Consideration of customary/traditional tenure rights and the principles of "Free, Prior and Informed Consent: Indigenous Rights, Participation and the Mining Sector".

<table>
<tr><th>Sector</th><th>Principles</th></tr>
<tr><td></td><td>We only finance customers who demonstrably meet the criteria today or are making sustained efforts to meet them in the near future.</td></tr>
<tr><td>Forestry</td><td>Forestry and the management of forestry resources play an important role in combating climate change and protecting biodiversity and ecosystems. We therefore strive to do business in this sector with customers who have been certified by the Forest Stewardship Council (FSC) or the national Programs for Endorsement of Forest Certification (PEFC) standards or who use recognized equivalent standards. In addition, we base our financing decisions on the revised version of the World Bank standard (WN OP 4.36, 2013) and the criteria for sustainable forest management adopted at the 1993 Ministerial Conference on the Protection of Forests in Europe (MCPFE, since 2009 Forest Europe) in Helsinki.</td></tr>
<tr><td>Fishing</td><td>We recognize that special care must be taken in the area of fisheries with regard to preserving biodiversity (e.g. overfishing) and thus the livelihoods of humans and aquatic life. We therefore only seek financing in this area that has been certified by the Marine Stewardship Council (MSC) or uses equivalent recognized standards.</td></tr>
<tr><td>Maritime industry</td><td>We recognize that special care is also required in the construction and operation of ships. We therefore do not seek to finance ships or their operators that do not meet the following minimum requirements:
- Application of the rules/regulations of the International Maritime Organization (IMO)
- Inland navigation: Completed inland navigation training documented by valid patents
- Shipyard 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
- Ship classification by a classification society accepted by DZ BANK with at least IACS standard (International Association of Classification Societies).</td></tr>
<tr><td>Palm oil</td><td>We recognize that special due diligence and precautionary measures are necessary when dealing with palm oil-related customers or transactions in order to avoid negative 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 recognized organization with at least equivalent standards
- NDPE Policy (No Deforestation, No Peat, No Exploitation); the scope of the policy covers both our own palm oil plantations and suppliers/purchased palm oil/fruit/pre-products
- By 2030 for the total volume of palm oil traded, processed or converted:
  - Full traceability back to the plantations of origin of the palm fruits ("tracability to plantation") Full RSPO certification or recognized certification with at least equivalent standards</td></tr>
<tr><td>Agriculture</td><td>As a transformation companion, we take responsibility for people, animals, the environment and nature. As such, we see agriculture as being caught between the con-</td></tr>
</table>

Sector	Principles
	flicting priorities of food supply and social expectations of the way food is produced. For this reason, we support all farmers who adhere to the following "Agriculture Sector Principles" - regardless of whether they are conventional or organic: - No conversion of peatlands into agricultural land - Land acquisition in areas with indigenous populations only under the principles of Free, Prior and Informed Consent (FPIC) - Compliance with the requirements of national fertilizer legislation (Fertilizer Ordinance) - Compliance with the Plant Protection Act and the Plant Protection Application Ordinance - Reduce water consumption as far as possible - Compliance with the Animal Welfare Livestock Farming Ordinance, for example no cage housing for laying hens or only using antibiotics as needed - Accompanying primarily those farms that operate in accordance with the rules of the EU's Common Agricultural Policy and are eligible for support under so-called conditionality. As part of this, we are committed to the preservation of biodiversity and the reduction of greenhouse gases and support companies that pursue the principle of a circular economy, for example by recycling agricultural waste into bioenergy.

3.3 ESG checklist RepRisk DZ BANK

Examination area	Criteria
Environment	- Environmental protection: e.g. action plan to ensure compliance with the 1.5°C target of the Paris Climate Agreement, reduction of climate-relevant emissions, use of renewable energies, careful use of resources, use of recycled materials in the production process, low water/electricity consumption, low pollution, impact on (local) ecosystems, etc., ESG reporting (e.g. CSRD, TCFD, GRI, Sustainability report) - Assessment of the risks to the environment, biodiversity, climate and health of employees/residents etc. caused by general business activities, including consideration of any mitigation measures (contingency plans, hazardous substance storage, accident prevention, informing customers about the environmental impact of the company's own products, etc.). - Technologies and measures for more sustainable, environmentally and climate-friendly corporate development / business activities (sustainable corporate processes, climate-friendly products, environmental management systems) - Voluntary commitments (e.g. commitment to the Paris Climate Agreement, the UN SDGs, the UN Global Compact), taking into account the level of ambition
Social	- Respect for human rights: for example, equal treatment under the law, freedom of opinion/religion, human dignity, personal rights, life and security (no slavery, servitude, arbitrary arrests), etc. - Protection of cultural heritage/property, cultural/memorial sites: for example,

Examination area	Criteria
	protection of indigenous populations and their culture, protection against resettlement, etc. - Labor standards: for example, safety in the workplace, anti-discrimination, no forced labor, no child labor, etc. - Dealing with existing risks relating to social aspects in the supply chain
Governance	- Appropriate human rights due diligence (e.g. UNGP or OECD guidelines) - Corruption: No (in-)direct bribery or other inadequate acceptance/granting/demand of advantages, processes to combat corruption - Tax avoidance/tax evasion: compliance with the applicable tax laws/regulations - Competition: No competition cartels and compliance with the respective regulations - Ambitious goals and measures for more sustainable corporate development
Overarching ESG ambition	- Credible transformation - ESG commitment - ESG rating - ESG reporting - Critical reporting and negative stakeholder reaction

3.4 ESG credit risk score

The ESG credit risk score considers the medium-term outlook for the credit risk of corporate financing due to the impact of ESG risks. Risk factors from the following four dimensions are considered using the following input parameters:

Partial score	Criteria
E-credit risk score (transitory)	- CO_2emissions Scope 1, 2, 3 - Waste - Water consumption - Qualitative evaluation of the transformation - Downgrades for legal and reputational risks - Override
E-credit risk score (physical)	- Company location - Probability of occurrence of loss events
S credit risk score	- S-Branch Score - Country adjustment
G credit risk score	- G-industry score - Country adjustment

3.5 Overall 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 the lending business. A key component of the EBA GLOM, which came into force for new business from July 1, 2021, are requirements for the implementation of strategies and processes for dealing with risks associated with ESG factors. This includes dealing with 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 credit monitoring.

In addition, the ECB guidelines on climate-related and environmental risks were published in November 2020, which contain the supervisory authority's expectations with regard to risk management and disclosure of climate-related and environmental risks.

As part of the loan application process, the various ESG aspects are assessed using the instruments described above and evaluated and documented as part of the overall ESG vote. The E, S and G factors are taken into account in each case. Even in the event that the assessment does not reveal any material risks from ESG factors, this result must be presented in the loan application.

Where relevant, ESG factors that influence the value of collateral should also be taken into account in the initial and subsequent valuation of collateral in accordance with the aforementioned regulatory requirements. Climate and environmental risks in particular can have an impact on the value of collateral. At DZ BANK, the review is documented as part of the collateral valuation.

Imprint

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