



Transformation Guidelines of the NORD/LB Group

Exclusion criteria, minimum standards and
sector principles

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1 Introduction

For us at NORD/LB, the topic of sustainability has been an important part of our daily activities for many years. This document sets out the key environmental, social and governance (ESG) framework for our business activities.

We are aware of our responsibility to promote sustainable economic development and to comply with social and ethical standards, and with this document we set out principles to mitigate ESG risks and promote responsible action. These include minimum standards, clear business exclusion criteria and sector principles.

The aim is to create a clear framework so that new business activities are in line with our ESG principles. These framework conditions are intended to minimise risks in areas such as environmental pollution, human rights violations and social responsibility. The transformation guidelines also consider the requirements of NORD/LB's anti-greenwashing governance when designing the relevant criteria.

The guidelines are regularly reviewed and adjusted as necessary.

2 Our ESG strategy

As the bank of the energy transition, our goal is to make an active contribution to the fight against climate change, but also to contribute to the promotion of social justice and to ensuring transparent corporate governance. For us, sustainable economic success is in harmony with the consideration of ecological and social concerns. We at NORD/LB have therefore developed a comprehensive ESG strategy that reflects our position on environmental, social and corporate governance issues. The transformation guidelines presented here complement our ESG strategy and specifically anchor ESG criteria in our (new) business activities.

The ESG strategy is available at: [NORD/LB Sustainability/ESG: NORD/LB](#)

3 Scope of the Transformation Guidelines

These Transformation Guidelines apply to all new business activities¹ and relate to the economic activities we finance, i.e. that customers who are involved to a small extent in critical activities (non-core activities) - possibly also as part of a group of companies/group structure - can be financed, provided that the funds provided are not used directly to support these critical activities.

As a bank of the energy transition and thus an active driver of the transformation, we also see ourselves as a financier and companion of this transformation. Therefore, we also reserve the right to actively accompany clients in their proven transformation process towards more sustainable business models, even if they may be involved in activities that fall under our exclusion criteria and sector principles, provided that the financing contributes to the reduction of these activities or their negative impacts.

¹ All existing contractual obligations are generally adhered to until maturity.

Selected activities in capital markets business are excluded from the transformation guidelines.

4 Minimum standards

4.1 Dealing with human rights

We at NORD/LB are committed to universal human rights and their international guidelines and principles. For us, taking these laws, guidelines and principles into account is an essential element in shaping our actions as a financial services company with responsibility for our business partners, as employers with responsibility for employees and as "corporate citizens" with responsibility for society.

We are committed to working with business partners whose business practices demonstrate a high level of governance and responsibility and have policies and procedures in place to select and screen our clients.

That's why we expect our business partners to comply with internationally recognized human rights standards, such as the [Universal Declaration of Human Rights](#) (UDHR). In addition, we expect the ten core labour standards of the International Labour Organization (ILO, www.ilo.org) to be integrated into the business practices of our partners. These standards represent an overarching principle for our business activities.

4.2 Principles of the UN Global Compact

We are committed to the [ten principles of the UN Global Compact](#) and have committed ourselves by signing them to observe them in the context of our business activities. The UN Global Compact is a United Nations initiative that calls on companies and organizations to act responsibly and promote sustainable practices. The ten principles of the Global Compact are divided into four main areas: human rights, working conditions, environmental protection and corruption.

With reference to the UN Global Compact, we at NORD/LB exclude business activities that are not in line with the ten principles.

4.3 OECD Guidelines for Multinational Enterprises

Our transformation guidelines are based on recognised standards and obligations. In doing so, we also consider the OECD Guidelines for Multinational Enterprises.

"The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct represent recommendations from governments to multinational companies. They aim to promote the positive contribution that companies can make to economic, environmental and social progress. In addition, the business activities, products or services of the companies may have negative effects on the topics dealt with in the Guiding Principles – minimizing these effects is another concern of the Guiding Principles."²

² [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#)

4.4 Protection and conservation of biological diversity (esp. protected areas)

As NORD/LB, we want to preserve and consider the protection of biodiversity, which is why we are reviewing the impact of our business activities. We recognize the protection of biodiversity as an essential element of sustainable financing decisions.

As NORD/LB, we therefore do not support and finance any transactions that have a negative impact on (nature) protected areas.

However, we reserve the right to accompany business activities in protected areas based on impact assessments (based on the EU taxonomy) and possible remedial measures.

When defining protected areas in the context of biodiversity, we are guided by the SFDR-DVO (Delegated Regulation (EU) 2022/1288 of 06.04.2022). The most important protected areas include nature reserves, national parks, biosphere reserves, landscape conservation areas and nature parks that enjoy national or international protection status, such as High-Conservation Value Areas (HCVA), IUCN protected areas, UNESCO World Heritage areas and wetlands according to the Ramsar Convention.

In addition, we take into account the Performance [Standard 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources](#) of the World Bank's International Finance Corporation for business transactions related to renewable resources that take place outside the OECD countries or the EU area.

4.5 Anti-greenwashing

We are clearly committed to the ESG aspects we have developed and communicated ourselves and implement them within our business activities. Creating this ESG compliance includes, among other things, taking greenwashing aspects into account. Business activities with customers who are exposed to greenwashing allegations or controversies of which we are aware or who have been within a period of 24 months must accordingly be examined separately and are subject to detailed consideration on a case-by-case basis.

4.6 Palm oil

In business relationships related to palm oil, we expect our business partners to comply with the following standards:

- Membership in the [Roundtable on Sustainable Palm Oil](#) (RSPO) or other recognized organization with at least equivalent standards
- Compliance with the NDPE policy (No Deforestation, No Peat, No Exploitation); The scope of the policy extends to its own palm oil plantations as well as suppliers/purchased palm oil/fruits/intermediate products
- By 2030 and for the full volume of palm oil traded, processed or transacted:
 - Complete traceability to plantation of the palm fruits and
 - full RSPO certification or recognized certification with at least equivalent standards.

4.7 Additional arrangements for project financing

Apart from Germany, we conduct our project finance business primarily in the EU area and within the [OECD countries](#). The business is therefore focused on countries that also have particularly high legal environmental and social standards.

In the case of project financing with a total cost of more than USD 10 million outside the EU area and the [OECD countries](#), a detailed consideration is carried out on a case-by-case basis.

In the case of state-sponsored project financing and export financing through ECA³ coverage of OECD countries, the mandatory prior review of [the OECD's Common Approaches](#) may replace a detailed in-house ESG review.

5 Fundamental exclusion of business relationships

5.1 Pornography / Prostitution

We as NORD/LB do not maintain any business relationships with companies that produce pornography, trade in pornography or with companies that are in any way related to prostitution.

5.2 Controversial weapons

We as NORD/LB do not maintain any business relationships with companies involved in the production, trade, transport, storage or repair of the following armaments (regardless of the extent of this participation):

- Nuclear weapons within the meaning of the Treaty [on the Non-Proliferation of Nuclear Weapons](#) of 22.04.1970
- Biological weapons within the meaning of the "[Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological \(Biological\) and Toxin Weapons and on their Destruction](#)" of 26.03.1975
- Chemical weapons within the meaning of the "[Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction](#)" of 29.04.1997
- Anti-personnel mines within the meaning of the "[Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction](#)" of 18.09.1997
- Cluster bombs and cluster munitions within the meaning of the "[Convention on Cluster Munitions](#)" of 30.05.2008
- Weapons that are particularly likely to cause disproportionate injury and damage to the civilian population within the meaning of the "[Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects](#)" of 10.04.1981
- Uranium ammunition as defined by the [United Nations](#)

5.3 Armour

We at NORD/LB knowingly maintain business relationships exclusively with companies in the defence industry with their headquarters in the DACH region, the United Kingdom, the EFTA states or the European Union, whose business is either

- comprise deliveries that are not subject to an export restriction or an export licence requirement under the legislation applicable in the country, or

³ Export Credit Agency (e.g. Euler-Hermes, Coface, ECGD, U.S. Ex-Im Bank, etc.).

- the company is already in possession of the necessary export licenses for any transactions in accordance with the law in force in the respective country of the company, or
- there is a binding preliminary ruling by which the authorities assure that the necessary export licences will be issued, or
- the company will take all necessary steps necessary for export licenses. The deliveries on which the individual transactions are based will only take place after the necessary export licences have been issued.

We only maintain business relationships with companies in the defence industry that do not make deliveries that contravene an embargo by the United Nations, the European Union or the Organisation for Economic Co-operation and Development (OECD).

In addition, we do not maintain business relationships with companies in the defence industry that supply groups, organisations or individuals or provide them with other economic resources listed in Regulation (EC) No 881/2002, Regulation (EC) No 2580/2001 or any subsequent regulation issued thereto (so-called terrorism lists).

In the case of products that can also be used for civilian purposes (so-called dual-use products), if they are not subject to prohibitions by the Foreign Trade and Payments Act or other national or international trade restrictions, a detailed consideration is carried out on a case-by-case basis.

6 Exclusion criteria and sector principles

6.1 Agriculture

When financing economic activities in connection with renewable resources, we include the safe handling of the legal requirements of environmental, planning, animal welfare and nature conservation law by our business partners in our decisions.

Safe handling and constant compliance with legal and licensing requirements is the basic prerequisite for the long-term success of the respective clientele and for the business relationship.

In addition, we consider generally accepted standards for the management of natural habitats and biodiversity where necessary. To do this, we refer to the three key elements of the United Nations International Convention on Biological Diversity:

- Conservation of biodiversity
- sustainable use of its components
- fair sharing of the benefits arising from the use of genetic resources

For the practical implementation of the Convention, we are also guided by the aspects of the EU Commission's Common Agricultural Policy (CAP) and here, among other things, by the three priorities for the protection and preservation of rural heritage:

- Biodiversity, conservation and development of "natural" agricultural and forestry systems and traditional agricultural landscapes
- Water management and water consumption
- Climate change

6.1.1 Wood industry and processing as well as paper production

For the financing of companies in the timber industry and processing as well as paper production, the following minimum requirements apply to us as NORD/LB:

- Submission of an FSC certification: The "[Forest Stewardship Council Certification System](#)" identifies wood and paper products as products from sustainable forestry. (This includes the preservation and improvement of the economic, ecological and social functions of the forestry enterprises.) or
- Submission of PEFC certification: The Programme [for the Endorsement of Forest Certification Schemes](#) is an international certification scheme for sustainable forest management (similar to the FSC certification scheme)

6.1.2 Fishing and fish-farming

The following minimum requirements apply to us at NORD/LB for the financing of companies in the fishing and farming sector:

- Submission of MSC certification: the Marine [Stewardship Council](#) has developed guidelines for the assessment and labelling of fisheries or
- Submission of an ASC certification: the "[Aquaculture Stewardship Council](#)" has developed guidelines for the environmentally sound breeding and keeping of fish in aquacultures

6.2 Coal

We exclude activities related to coal mining. This applies to activities related to the construction or expansion of coal mines of any kind and in particular destructive mining methods such as mountaintop removal activities. In the case of activities relating to technical modernisations that promote an ecological and/or social transformation, a detailed examination is carried out on a case-by-case basis.

Further exclusion criteria relating to coal are described under Chapter 6.5.3 Coal-fired power plants listed.

6.3 Steel

The steel sector includes all activities related to the mining of metals and minerals, precious and semi-precious stones, and building and road materials. Depending on the individual case, this includes:

- Exploration (geological surveying, mapping)
- Mine planning (e.g. modelling of the ore reserve, mine layout, planning)
- Mine development and operations (construction of mining infrastructure, extraction of ore)
- Closure of the mine (decommissioning, dismantling)

When financing these activities, we at NORD/LB consider the safe handling of legal requirements by our business partners in their decisions. Safe handling and constant compliance with legal and licensing requirements is the basic prerequisite for long-term success for our customers and the business relationship.

ESG standards applied voluntarily and in addition to legal requirements by our business partners, which are often applied in the context of sector-specific mergers (such as the "[International Council on Mining and Metals](#)" (ICMM), the "[Extractive Industries Transparency Initiative](#)" (EITI) and the „[International Petroleum Industry Environmental](#)

[Conservation Association](#)" (IPIECA)) can have a positive impact on the qualitative ESG-specific assessment of the exposure.

6.4 Oil & Gas

We exclude the financing of any activities related to the extraction of oil and natural gas. In addition to the production of crude oil, this also includes the extraction of crude oil from oil shale and oil sands, the extraction of natural gas and the recovery of liquid hydrocarbons. This also includes the operation and/or development of oil and gas fields. This also includes activities such as the completion and equipping of wells, the operation of separators, demulsifiers, desanders, field collection pipelines for crude oil and all other activities in the processing of crude oil and natural gas up to the point of transport from the production site.

6.5 Energy

6.5.1 Nuclear power plants

We at NORD/LB do not finance any activities that are directly related to the development, construction or operation of nuclear power plants.

In addition, we exclude new business relationships that generate a significant proportion of our sales from the nuclear energy business.

6.5.2 Hydropower plants and dams

In the case of financing requests for the construction of dams and hydroelectric power plants, we ask our business partners to explain to us how they ensure that environmental protection requirements are considered as part of an environmental due diligence prepared by an independent third party. These assessments should be based on generally accepted standards and guidelines, such as the following:

1. Recommendations of the World Commission on Dams on "[Dams and Development: A New Framework for Decision-Making](#)"
2. UNESCO's "[Guidelines on Integrated Water Resources Management \(IWRM\) at the river basin level](#)"
3. "[Hydropower plants as a renewable energy source - legal and ecological aspects](#)" of the Federal Environment Agency

In the EU and Switzerland, environmental impact assessments must be carried out for the construction and expansion of hydropower plants as part of an official permit and approval procedure under water law (Directive 2011/92/EU and Amending Directive 2014/52/EU as well as the Water Rights Act), and proof of environmental compatibility can be provided by means of a third-party expert opinion.

In addition, we do not support financing that supports the construction of dams and hydroelectric power plants in protected areas (in accordance with Chapter 4.4 Protection and conservation of biological diversity (esp. protected areas)).

6.5.3 Coal-fired power plants

As NORD/LB, we exclude the financing of activities that are directly related to the construction and expansion of coal-fired power plants, their capacity expansion or other investments in coal-fired power plants. Activities or the development of measures that are conducive to the transformation of existing power plants, e.g. as they significantly improve the efficiency or fuel utilisation rate, must be examined in detail on a case-by-case basis.

In addition, we do not enter any new business relationships with energy suppliers whose share of coal accounts for a significant share of electricity production or sales.

6.6 Automotive

For business relationships with "Original Equipment Manufacturers" (OEMs) in the automotive industry, we at NORD/LB look at their strategic orientation with regard to climate protection and emission reduction.

As NORD/LB, we do not support any business activities with OEMs that do not have a comprehensible decarbonization strategy that is in line with the goals of the Paris Climate Agreement. This strategy must contain measurable and time-defined targets for reducing greenhouse gas emissions.

We require the validation of the emission targets through recognized initiatives such as the Science Based Targets initiative (SBTi). If such a strategy, the corresponding validation or credible implementation is not available, a detailed examination is carried out on a case-by-case basis.

6.7 Real estate

In the case of commercial real estate financing, we also consider how our business partners deal with the respective national legal requirements from construction, environmental, planning and nature conservation law. Safe handling and constant compliance with legal and licensing requirements is the basic prerequisite for the long-term success of the respective clientele and for the business relationship.

That is why sustainability aspects are considered in our credit decisions. In particular, the focus is on the energy efficiency of a building and thus the CO₂ emissions associated with energy consumption.

In addition, to implement these principles in commercial real estate financing in property valuation, we use the scheme of the Federal Association of German Public Banks (VÖB) for real estate analysis. In this scheme, aspects of ecological and social sustainability are weighted according to the type of property - including in the criteria groups 2 "Location" and 3 "Property":

- Image / reputation of the neighborhood and address
- Quality of the transport connections of the property and the district (esp. train, public transport)
- Force majeure (ecological contaminated sites, immissions)
- Property situation (esp. soil contamination)
- Environmental compatibility (building materials, energy balance, building emissions)

The certification systems established in Germany and internationally for assessing the sustainability of real estate, such as [LEED](#), [BREEAM](#) or [DGNB](#) are generally taken into account when financing real estate by NORD/LB as part of the real estate valuation.

6.8 Shipping

We do not do business with shipyards that do not have certification to EU standards or internationally recognised environmental and social standards (ISO 14001, ISO 30000, OHSAS 18001, Hong Kong Convention or IMO Resolution MEPC.210(63)).

6.9 Entertainment

In the context of business activities and financing in the entertainment industry, the following regulations apply to us as NORD/LB:

- Business approaches related to gambling in the online segment are not to be accompanied by direct participation in financing or in the context of payment transaction processing
- in the classic gambling segment, selective financing is still possible after a detailed consideration of the individual case beforehand.