

# Exclusion Criteria **DZ BANK Group**

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# 1. General Principle

The DZ BANK Group is part of the Volksbanken Raiffeisenbanken cooperative financial network. As one of the largest private financial service organizations in Germany, the DZ BANK Group<sup>1</sup> is aware of its responsibility for people, the environment, and the principles of sustainable corporate governance (ESG: environmental, social, and corporate governance). Corporate responsibility and sustainability have a long tradition at cooperative banks. The basic cooperative idea itself was based on the idea of solving economic and social problems together. We still uphold that tradition today. For this reason, we have set ourselves strict standards in our business activities.

In this context, exclusion criteria for specific business practices and sectors are an essential part of our sustainability commitment. They are designed to ensure that minimum requirements relating to ESG topics are met. The group-wide exclusion criteria are regularly reviewed and refined in line with new scientific findings, public policy and changing societal norms.

The following section describes the DZ BANK Group's exclusion criteria along its business lines of lending, proprietary investments, and special assets.

<sup>1</sup> The DZ BANK Group includes DZ BANK AG, Bausparkasse Schwäbisch Hall, DZ HYP, DZ PRIVATBANK, R+V Versicherung, TeamBank, Union Investment, and VR Smart Finanz.

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## 2. Exclusion Criteria for Lending

The DZ BANK Group has developed specific exclusion criteria for lending that are binding and apply throughout the group. As a matter of principle, every loan commitment<sup>2</sup> (including corporate loans, project financing, export and foreign trade financing, acquisition financing, real estate financing, leasing and property financing) must be checked for sustainability aspects. As a result of the increased focus on ESG, the exclusion criteria are continuously reviewed and adjusted and/or expanded as necessary. The binding requirements are set out in the corporate credit standard for taking into account risks associated with ESG factors in the DZ BANK Group.

Group-wide exclusion criteria apply to business activities that fall into the manufacturing 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 include antipersonnel mines under the Ottawa Convention, nuclear/biological/chemical weapons under the Geneva Protocol, and cluster munition under the Oslo Convention. The DZ BANK Group excludes financing in the pornography industry or comparable industries ("red-light milieu") as well as controversial forms of gambling.

As a matter of principle, the DZ BANK Group refuses to finance any product or activity that is considered illegal under the laws or regulations of the target country or under international conventions and agreements.<sup>3</sup> The DZ BANK Group does not finance business relationships with customers whose transactions indicate significant human rights violations (e. g., illegal child labor or forced labor) or significant environmental violations.

The DZ BANK Group is also increasingly withdrawing from business with the coal industry and focusing on supporting (energy supply) companies in their transformation to using renewable energy sources. DZ BANK AG, for example, does not finance companies that generate more than 5% of their revenue or power generation from thermal coal mining or trading unless the company can demonstrate a clear intent to transform or exclude the use of funds for these activities. In addition, DZ BANK AG does not grant loans for existing coal-fired power plants or the construction of new coal-fired power plants.

<sup>2</sup> Excluding guaranteed loans. Investments of the R+V insurance company are treated under proprietary Investments.

<sup>3</sup> Approval by Bausparkasse Schwäbisch Hall in coordination.

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## 3. Exclusion Criteria for Proprietary Investments

The DZ BANK Group is increasingly incorporating ESG topics into its analysis and decision-making processes in investments. The DZ BANK Group attaches great importance to ensuring that companies in which it newly invests (including proprietary investments), integrate criteria of human and labor rights, climate change, and anticorruption into their guidelines. Exclusion criteria are in place for the business line of proprietary investments, which particularly include the bank investment books and investments within the insurance companies.

The exclusion criteria include the manufacturing of controversial weapons, such as antipersonnel mines under the Ottawa Convention, nuclear/biological/chemical weapons under the Geneva Protocol, and cluster munition under the Oslo Convention. Furthermore, direct investments in capital assets of companies that systematically and/or seriously violate human rights, environmental protection, or corruption requirements, and do not demonstrate any attempt at improvement are also excluded. Certain DZ BANK Group companies may apply additional exclusion criteria.

The DZ BANK Group's<sup>4</sup> own funds may not be invested in companies that generate more than 30% of their total revenues from coal mining or coal processing<sup>5</sup>.

<sup>4</sup> With the exception of Bausparkasse Schwäbisch Hall and DZ HYP. Approval by DZ BANK AG in coordination.

<sup>5</sup> Stricter criteria for the respective group company may exist.

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## 4. Exclusion Criteria for Special Assets

In the DZ BANK Group, ESG aspects are also taken into account in managing special assets. At the DZ BANK Group, special assets are separately held assets of a fund company consisting of capital paid in by investors. In order to ensure compliance with environmental, social, and ethical norms and standards, the DZ BANK Group has defined specific exclusion criteria that apply to all funds for which the financial group is responsible for the entire value chain in the investment process.<sup>6</sup>

As a matter of principle, the DZ BANK Group does not make direct investments in companies involved in the production of controversial weapons (such as antipersonnel mines under the Ottawa Convention, nuclear/biological/chemical weapons under the Geneva Protocol, or cluster munition under the Oslo Convention).

The DZ BANK Group excludes direct investments in companies that seriously violate international labor standards, including child labor and forced labor, and do not demonstrate any attempt at improvement. Moreover, direct investments in companies that seriously violate human rights environmental protection, or corruption requirements are excluded.

Special asset investments in companies that either have a total revenue share of more than 5 % in the coal mining business or generate more than 25 % of energy via coal-fired generation and do not demonstrate a credible climate strategy are generally excluded.

<sup>6</sup> Not applicable for unit-linked life insurance business and company pension plans for the account and risk of third parties.

## 5. Group-Specific Exclusion Criteria

The DZ BANK Group offers a comprehensive range of financial products and services and thus combines various business models within a single group. The group companies therefore emphasize ESG topics differently depending on their business model. The exclusion criteria described in this document represent a group-wide standard. In addition, further criteria specific to the respective group companies and their business models may exist or be determined. They will be communicated directly by the respective group company.

## Imprint

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