

Green Bond Framework

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Green Bond Framework

1. Introduction

DekaBank Deutsche Girozentrale (hereinafter referred to as DekaBank) is a German federal institution incorporated under public law with registered offices in Frankfurt am Main and Berlin. It is wholly owned by the German savings banks. 50% of the shares are held via Deka Erwerbsgesellschaft mbH & Co. KG. The savings banks hold their interests via this company, which is owned by their regional savings bank and giro associations. The other 50% of the shares are held by the German Savings Bank and Giro Association (Deutscher Sparkassen- und Giroverband – DSGV).

DekaBank is the Wertpapierhaus for the savings banks. The Deka Group is made up of DekaBank and its subsidiaries. Through its asset management and banking activities, it acts as a service provider for the investment, administration and management of assets, supporting savings banks, their customers and institutional investors at every stage in the investment process. It also offers comprehensive advice and solutions both to the savings banks and to institutional customers outside the Sparkassen-Finanzgruppe on investing, liquidity and risk management, and refinancing.

The business model of the Deka Group is characterised by close collaboration between asset management and banking business. The Group's asset management products comprise securities funds, real estate funds, credit funds and capital markets certificates, together with the associated asset management services for private and institutional investors. Such services include investment fund support for asset managers and support for institutional customers in their asset, capital, liquidity and risk management. In this regard, the Deka Group acts as finance provider, issuer, structurer, trustee and depositary (custodian bank).

The Deka Group's activities are organised in five business divisions. Deka Group's asset management activities are handled by the Asset Management Securities and Asset Management Real Estate business divisions. The Group's banking business is covered by the Capital Markets and Financing business divisions. The fifth business division, Asset Management Services, focuses on providing banking services for asset management. Despite the clear separation at Board level between banking business and asset management, the business divisions work closely both with one another and with the sales departments and corporate centres.

2. Sustainability at DekaBank

The Deka Group's sustainability strategy is an integral part of its corporate strategy. For purposes of implementing its sustainability strategy, Deka Group has defined 5 areas of activity, which are sustainable corporate governance, sustainable banking, sustainable human resources management, sustainable products and corporate social responsibility.

Furthermore, respective entities of the Deka Group have committed itself to national and international standards (UN Global Compact, Equator Principles and the German Sustainability Code) and are constantly improving its portfolio of sustainable products and services. As a signatory to the Frankfurt Declaration, it also supports the creation of sustainable infrastructures in the financial sector and is actively accompanying the discussion of the European Commission's Action Plan: Financing Sustainable Growth. Since 2018, it has additionally been an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and participant at various initiatives such as the Green and Sustainable Finance Cluster Germany (GSFCG), Hub for Sustainable Finance (H4SF) or being member of Forum Nachhaltige Geldanlagen e.V. (FNG), Corporate Responsibility Interface Center e.V. (CRIC), and others.

The annual sustainability report provides detailed information on the sustainable management of the Deka Group.¹ The current sustainability ratings demonstrate the above-average commitment of the Deka Group in the area of sustainability in the sector comparison.

Regarding sustainability in the Lending Business, for Deka Group, ESG (environment, social and governance) aspects in the sense of a holistic and risk-optimised portfolio management stand on an equal footing with economic aspects in lending and are therefore fully examined before the financing decision. An integral part of the credit process is formed by the specifications of the business strategy in relation to the "sustainable corporate governance".

Lending business is based on the credit risk strategy of the Deka Group. On the basis of the objectives and cash barriers set out in the business strategy of the Deka Group, it defines the framework for action for all financing activities. With regard to the consideration of ESG criteria in the lending business, the Deka Group has already excluded different types of financing (negative list) for several years. This includes in principle financing, from which per se significant risks originate for the environment. In addition, in 2018 the Deka Group has defined sustainable investment fields, in which it wants to be more active (positive list). These include, for example, financing for the expansion of renewable energies and the related infrastructure as well as for the modernisation of production facilities, through which CO₂ emissions can be reduced significantly. Leitmotif when defining the corresponding investment fields was the potential contribution of the financing to meet the United Nations Sustainable Development Goals (SDGs).

¹ <https://www.deka.de/deka-group/sustainability>

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Suppliers of the DekaBank must sign a sustainability agreement prior to the start of their business relationship with the DekaBank. Specifically with regards to forced labour, DekaBank's sustainability agreement states that both the DekaBank and the supplier must strictly repudiate any kind of slavery, forced or bonded labour and give workers, whether local or migrant, the right and the ability to leave employment they choose.

3. Green Bond Framework

As part of its continued commitment to sustainability, DekaBank has elected to create a Green Bond Framework which is in accordance with the ICMA Green Bond Principles 2018² (GBP), and under which DekaBank can issue Green Bond(s). DekaBank has been a member of the Green Bond Principles since November 2016.

DekaBank's Green Bond Framework is presented through the GBP's four core components and its recommendation for External Review:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

For each Green Bond issued, DekaBank asserts that it will adopt (1) Use of Proceeds (2) Project Evaluation and Selection (3) Management of Proceeds (4) Reporting and (5) External Review, as set out in this Framework.

The Green Bond Framework and related documents (such as the Second Party Opinion) may be updated and additional eligible asset categories may be added in the future.

3.1. Use of Proceeds

The proceeds of any DekaBank Green Bond will be used to finance or refinance, in whole or in part, eligible Green Loans. Eligible Green Loans means new lending or existing loans³ that fall under the following Eligible Green Project Categories and meet the respective Eligibility Criteria:

3.1.1. Renewable Energy

Loans to finance or refinance equipment, development, construction, operation, distribution, infrastructure and maintenance of renewable energy sources; as well as the connection of renewable energy production units to the electricity grid and the transportation through the network. Renewable energy sources can include:

- On-and offshore wind energy
- Solar energy

3.1.2. Green Buildings (Commercial Real Estate)

The accreditation as a "green building" is considered here on a country-specific basis. Loans to finance or refinance buildings which meet regional, national or internationally recognised regulations, standards or certifications, for e.g. special purpose vehicles / dedicated loans to the real estate fund units.

New or existing commercial real estate buildings which have obtained any of the following green building certificates:

LEED	"Gold" and above
BREEAM	"Very Good" and above
DGNB	"Gold" and above
HQE:	"Excellent" and above

and / or

² <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>

³ Existing loans refer to loans originated up to 36 months before the issuance of any DekaBank Green Bond

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Germany

Green Buildings means energy efficient commercial real estate buildings with a maximum final energy demand (heat) of

- 60 kWh/(m²*a) for residential properties
- 30 kWh/(m²*a) for logistics buildings
- 70 kWh/(m²*a) for retail buildings (shopping malls, department stores)
- 95 kWh/(m²*a) for other retail buildings
- 95 kWh/(m²*a) for hotel buildings
- 110 kWh/(m²*a) for production and storage buildings (with heating)
- 110 kWh/(m²*a) for office buildings without air conditioning
- 135 kWh/(m²*a) for office buildings with air conditioning

These Reference Values are derived from the German Energy Savings Regulation (EnEV)⁴.

and / or

Commercial Real Estate Buildings, which meet the requirements of the German Energy Savings Regulation (EnEV 2009).

UK

To be eligible for the Green Bond, the building in question must be in the top 15% of its class in terms of energy consumption. The EPC rating scores points for the energy consumption of buildings, so it can be used to determine the top performers. The values for Scotland⁵ and England⁶ are given separately.

Therefore Buildings with an EPC rating of "B" or better meet the 15% criteria

New or existing commercial buildings with an Energy Performance Certificate (EPC) label of "B and above " in the UK.

France

To be eligible for the Green Bond, the building in question must be in the top 15% of its class in terms of carbon intensity. Reference values are derived from "Commercial Property criteria" from the Climate Bonds Initiative⁷.

⁴ https://www.bundesanzeiger.de/ebanzwww/wexservlet?page.navid=to_bookmark_official&bookmark_id=aw0alBTBco6yYzcam0E;

⁵ <https://epbd-ca.eu/ca-outcomes/outcomes-2015-2018/book-2018/countries/uk-scotland>

⁶ <https://epbd-ca.eu/ca-outcomes/outcomes-2015-2018/book-2018/countries/uk-england>

⁷ <https://www.climatebonds.net/standard/buildings/commercial/calculator#calculator>

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All of DekaBank's Eligible Green Project Categories contribute to the environmental objective of climate change mitigation and support the achievement of UN Sustainable Development Goals. Furthermore, the categories are in line with the overarching objectives of the EU Taxonomy and the Technical Expert Group (TEG) report, specifically:

ICMA GBP category	Eligible category description	UN-SDG ⁸	UN SDG Targets	EU Environmental Objective ⁹
Renewable Energy	Loans to finance or refinance equipment, development, construction, operation, distribution, infrastructure and maintenance of renewable energy sources; as well as the connection of renewable energy production units to the electricity grid and the transportation through the network		7.2 By 2030, increase substantially the share of renewable energy in the global energy mix	Climate change mitigation Substantial contribution to climate change mitigation (1.a): generating, transmitting, storing, distributing or using renewable energy, including through using innovative technology with a potential for significant future savings or through necessary reinforcement or extension of the grid
			7.3 By 2030, double the global rate of improvement in energy efficiency	
Green Buildings	Loans to finance or refinance new or existing energy efficient commercial buildings in Germany, UK and France	 	9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	Climate change mitigation Substantial contribution to climate change mitigation (1.a): improving energy efficiency except for power generation activities that use solid fossil fuels

⁸ In alignment with ICMA "Green and Social Bonds: A high-level mapping to the Sustainable Development Goals": <https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainable-development-goals/>

⁹ In alignment with overarching objectives as defined in Article 5 and 6: <https://data.consilium.europa.eu/doc/document/ST-14970-2019-ADD-1/en/pdf>

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3.2. Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of the DekaBank Green Bond(s) are allocated solely to eligible Green Loans new lending or existing loans that meets the criteria as set out above in section 3.1, Use of Proceeds.

DekaBank has established an internal Green Bond Committee to manage this process. The Green Bond Committee consists of representatives of the Treasury, the Sustainability department, Investor Relations and representatives from the business units.

DekaBank's Green Bond Committee is responsible for the content and implementation of DekaBank's Green Bond Framework, including the definition of criteria for and the selection of eligible Green Loans, the management of proceeds, reporting and obtaining an external review. The Green Bond Committee will carry out the evaluation and selection process for the allocation of proceeds for any DekaBank Green Bond.

On an ongoing basis, eligible Green Loans from DekaBank's lending book will be identified and proposed by DekaBank's Financing Departments. The Financing Departments will screen customer information against the Eligibility Criteria as set out in DekaBank's Green Bond Framework (see 3.1, Use of Proceeds), and recommends the selection of eligible Green Loans to the Green Bond Committee.

On a regular basis, the Green Bond Committee will review all proposed eligible Green Loans to determine their compliance with the DekaBank Green Bond Framework in order to approve the allocation of proceeds. The Green Bond Committee will also review the selected eligible Green Loans and determine if any changes are necessary (for instance, in the event that loans have been prepaid, sold or otherwise become ineligible).

DekaBank's Green Bond Committee will also review the management of proceeds (as described in Section 3.3) and facilitate reporting (as described in Section 3.4).

The Green Bond Committee will also regularly discuss and determine, whether the eligibility criteria are still in line with market best practices and decide on how to adapt the Framework accordingly if needed.

3.3. Management of Proceeds

The net proceeds of the Green Bonds will be managed by the Treasury of DekaBank on a portfolio basis.

DekaBank intends to allocate the proceeds from the Green Bonds to a portfolio of eligible Green Loans, the Eligible Green Loan Portfolio, selected in accordance with the evaluation and selection process presented above.

In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, proceeds will be held in line with DekaBank's general liquidity guidelines until allocation to eligible Green Loans.

3.4. Reporting

DekaBank will annually provide investors over the lifetime of a Green Bond with information on the allocation of proceeds and the environmental impact of the Eligible Green Loans refinanced with a Green Bond issue. DekaBank intends to show these information at least at the category level and on an aggregated basis.

Allocation Reporting

DekaBank will provide information on the allocation of the net proceeds of its Green Bond(s). Such information will be provided until all the net proceeds have been fully allocated. For each Eligible Category the information will contain at least the following details:

- the total amount of proceeds allocated to eligible loans
- the number of eligible loans
- the balance of unallocated proceeds
- the amount or the percentage of new financing and refinancing

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Impact Reporting

Where feasible, DekaBank may on a best effort basis yearly inform investors about the environmental impacts of the Eligible Green Loans until maturity of the Green Bonds namely, but not limited:

- For Renewable Energy eligible loans on:
 - Renewable energy capacity financed
 - Energy output
 - Estimated annual GHG emissions avoided in tons of CO₂ equivalent

- For Green Building eligible loans on:
 - Estimated ex-ante annual energy consumption in KWh/m² or energy savings in MWh
 - Estimated annual GHG emissions reduced/avoided in tons of CO₂ equivalent

Allocation and Impact Reporting will be made available for investors on DekaBank's Investor Relations homepage <https://www.deka.de/deka-group/investor-relations-en/own-issues/green-bond>

3.5. External Review

DekaBank has obtained a Second Party Opinion from Sustainalytics to confirm the alignment of this Green Bond Framework with the 2018 Green Bond Principles.

The Second Party Opinion from Sustainalytics is available on DekaBank's Investor Relations homepage <https://www.deka.de/deka-group/investor-relations-en/own-issues/green-bond>

Over the lifetime of a Green Bond issued under this framework, DekaBank will commission Sustainalytics or any other party selected as a successor for Sustainalytics, to annually assess the issued Green Bonds' compliance with this or any up-dated framework