

Green Bond Framework

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.Deka



Green Bond Framework

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Green Bond Framework

1. Introduction

DekaBank Deutsche Girozentrale (DekaBank) is a 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% percent of the shares are held via Deka Erwerbgsellschaft mbH & Co. KG. The savings banks s 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 – DSGVO ö.K.). The Deka Group is thus a key part of the Sparkassen-Finanzgruppe.

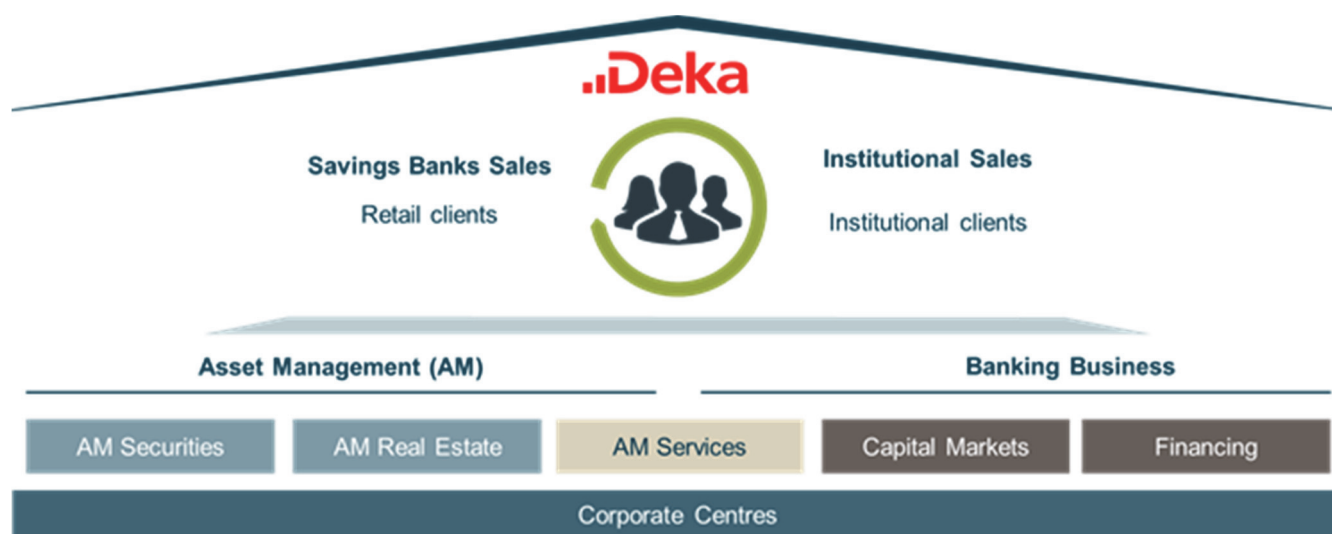
DekaBank is a member of the deposit guarantee scheme of the Landesbanken and Girozentralen. The the deposit guarantee scheme of the Landesbanken and Girozentralen protects deposits with a saving bank, a Landesbank/DekaBank or a regional building society.

The Deka Group is the securities service provider (the Wertpapierhaus) for the savings banks. 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 and advisory process within the securities business. It also offers comprehensive advice and solutions on investing, liquidity and risk management and refinancing.

The Deka Group sees itself as an all-round solution provider, meeting the needs of savings banks and their customers. This philosophy drives the development of its complete range of asset management and banking services to meet the securities business needs of savings banks and their customers and the targeted sales support it provides as a partner.

The Group's integrated business model, combining asset management and banking business, ensures stability and competitiveness. The Deka Group divides its business into five business divisions.

The Wertpapierhaus for the savings banks at a glance



All business divisions aim their products and services at the needs of savings banks and their customers, at the interests of the institutional investors acquired and served in partnership with the savings banks and at institutional customers outside the Sparkassen-Finanzgruppe.

The Asset Management Securities and Asset Management Real Estate business divisions focus particularly on fund-based products and services. As a banking division, Asset Management Services encompasses banking services for asset management, such as the depositary and custody account business as well as digital multichannel management. The banking business divisions – Capital Markets and Financing – support the integrated model by offering additional investment products and enabling the necessary access to the money and capital markets and to financing. Capital Markets also acts as a service provider for asset management.

2. Sustainability at DekaBank

The Deka Group's sustainability strategy is an integral component of its business strategy. For the implementation of its sustainability strategy, the Deka Group has defined five fields of action – sustainable corporate governance, sustainable banking operations, sustainable human resources management, sustainable products and social commitment.

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In addition, the respective Deka-Group entities are committed to compliance with national and international standards (UN Global Compact, Equator Principles and the German Sustainability Code) and are continuously improving their portfolio of sustainable products and services in support of the Paris Climate Agreement – whilst also achieving UN Sustainable Development Goals (2015). DekaBank is an active contributor to the discussion surrounding the action plan for financing sustainable growth presented by the EU Commission. It is a signatory to the "Commitment by German Savings Banks to climate-friendly and sustainable business practices", which is aligned with the United Nations' Principles for Responsible Banking, among others. DekaBank is also a signatory to the United Nations' Principles for Responsible Investment (UN PRI), a member of the ICMA Green & Social Bond Principles and a partner of the Climate Bonds Initiative to underline its commitment to sustainable finance.

Detailed information on the sustainable corporate governance of the Deka Group is provided in the annual sustainability report.¹⁾ In a sector comparison, the Deka Group's current sustainability ratings illustrate its above-average commitment to sustainability.

With regard to sustainability, ESG aspects (i.e. ecological, social and governance-related aspects) are equally as important as economic aspects for the Deka Group when granting loans in terms of holistic and risk-optimised portfolio management, and are therefore comprehensively reviewed before a financing decision is made. The requirements of the business strategy with regard to "sustainable corporate management" constitute an integral part of the credit process.

The Deka Group's credit risk strategy forms the basis for the lending business. The strategy establishes the operational framework for all financing activities based on the targets and guidelines set out in the Deka Group's business strategy. With regard to the consideration of ESG criteria in the lending business, the Deka Group has been excluding various types of financing for a number of years (negative list²⁾). This also includes financing which poses significant risks to the environment per se. Suppliers of DekaBank must sign a sustainability agreement declaration before entering into a business relationship with DekaBank. With regard to forced labour in particular, DekaBank's sustainability declaration states that both DekaBank and the supplier strictly reject any form of slavery, forced labour or debt bondage and guarantee their employees, whether local workers or migrant workers, the right and opportunity to voluntarily leave employment. In the course of implementing the legal requirements of the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz – LkSG*), a grievance procedure in accordance with the requirements of the LkSG was established as of 1 January 2023, and a human rights officer was appointed. Beyond the legal requirement, a declaration on responsibility for human rights and the environment in supply chains has already been published on www.deka-gruppe.de at the beginning of 2023. Further steps to implement the LkSG will follow in 2023, such as the risk analysis for the company's own business division and the policy statement required by the LkSG.

With regard to the consideration of ESG criteria in the lending business, the Deka-Group has defined sustainable investment fields in which it wants to be increasingly active (positive list). These include, for example, financing that promotes the expansion of renewable energies and their transport, as well as the modernisation of production facilities, the implementation of which is aimed at a significant reduction of CO₂. The guiding principle in defining the corresponding investment fields was the potential contribution of financing to the fulfilment of the United Nations Sustainable Development Goals (UN SDGs).

3. Green Bond Framework

As part of its ongoing commitment to sustainability, DekaBank has decided to develop this green bond framework which is aligned with the ICMA Green Bond Principles (2021)³⁾ and within which DekaBank can issue green bonds. DekaBank also endeavors to create an alignment with the EU Taxonomy Delegated Act (2021).

DekaBank's Green Bond Framework is based on the four core components of the ICMA Green Bond Principles (2021) and its core recommendations for increased transparency, including external verification:

1. Use of proceeds
2. Project evaluation and selection process
3. Management of proceeds
4. Reporting

DekaBank declares that for each green bond issued, it will apply (1) use of proceeds, (2) project evaluation and selection, (3) management of proceeds, and (4) reporting and external audit in accordance with this framework.

¹⁾ <https://deka.de/deka-gruppe/unsere-verantwortung/wie-wir-nachhaltigkeit-leben/nachhaltigkeitsberichte--ratings>

²⁾ Examples of both the positive and negative lists can be found on p. 40f. at https://www.deka.de/site/dekade_deka-gruppe_site/get/params_E-573816571/14354985/Deka_Nachhaltigkeitsbericht_2021_2022-04-05.pdf

³⁾ https://www.icmagroup.org/assets/documents/Sustainable-finance/Translations/German_GBP-06-2021-301221.pdf

Green Bond Framework

The Green Bond Framework and related documents (such as the second-party opinion) may be updated as necessary and additional eligible asset classes may be added in the future.

3.1. Use of proceeds

The proceeds of all DekaBank green bonds will be used to fully or partially finance or refinance eligible Green loans. Eligible Green loans are new or existing loans⁴⁾ that come under the following categories of eligible green projects 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:

- Onshore and offshore wind energy
- Photovoltaic solar energy

3.1.2 Green buildings (commercial real estate)

Classification as a "green building" is considered here on a country-specific basis. Loans to finance or refinance buildings that comply with regionally, nationally or internationally recognised regulations, standards or certifications.

New or existing commercial real estate buildings that have received one of the following green building certifications:

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

and/or

Germany

Energy-efficient commercial real estate which is part of the top 15% energy-performing buildings based on primary energy demand measured on the basis of the German Energy Saving Regulation (*Energieeinsparverordnung – EnEV*)⁵⁾. For Office and Retail the Primary energy demand needs to meet the requirements of EnEV 2009 or better. Other commercial real estate needs to comply with the EnEV 2014 or better.

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 (energy performance certificate) rating assesses the energy consumption of buildings with points that can be used to determine the top-performance buildings. The scores for Scotland⁶⁾ and England⁷⁾ are given separately.

Buildings with an EPC rating of "B" or better fulfil the 15% criterion.

New or existing commercial real estate with an EPC labelled "B and above" in the UK.

France

⁴⁾ Existing loans are loans that were granted up to 36 months prior to the issue of a DekaBank green bond.

⁵⁾ <https://www.bundesanzeiger.de/pub/publication/aw0alBTBco6yYzcam0E?0>





⁶⁾ <https://epbd-ca.eu/wp-content/uploads/2021/07/Implementation-of-the-EPBD-in-the-United-Kingdom-%E2%80%93-Scotland-%E2%80%93-2020.pdf>

⁷⁾ <https://epbd-ca.eu/wp-content/uploads/2022/03/Implementation-of-the-EPBD-in-the-United-Kingdom-%E2%80%93-England-2020.pdf>

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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. The reference values are derived from the “commercial property criteria” set out in the Climate Bonds Initiative.⁸⁾

All categories of DekaBank's permitted green projects contribute to the environmental goal of climate protection and support achievement of the UN SDGs. Furthermore, the categories are in line with the overarching environmental goals of EU Taxonomy:

ICMA GBP category	Description of the permitted category	UN-SDG ⁹⁾	UN-SDG goals	EU environmental goals ¹⁰⁾
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; Support the production of wind, solar and photovoltaic energy in order to reduce the use of fossil fuels and carbon dioxide emissions
			13 To take measures in order to make a significant contribution to climate protection	
Green buildings	Loans to finance or refinance new or existing energy-efficient commercial buildings in Germany, the UK and France	 	7.3 By 2030, double the global rate of improvement in energy efficiency 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

3.2. Process for project evaluation and selection

Projects that are financed or refinanced through the issuance of green bonds go through a project evaluation and selection process, taking into account the criteria set out in 3.1 "Use of proceeds". The evaluation and selection process includes a due diligence process which follows industry standard procedures for the respective asset class. This process ensures that the proceeds from DekaBank green bonds are used exclusively for eligible green loans that meet the aforementioned criteria.

⁸⁾ <https://www.climatebonds.net/standard/buildings/commercial/calculator#calculator>

⁹⁾ In line with ICMA: "Green and Social Bonds: A high-level mapping to the Sustainable Development Goals": <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/mapping-to-the-sustainable-development-goals/>

¹⁰⁾ In line with the overarching goals defined in Article 5 and Article 6: <https://data.consilium.europa.eu/doc/document/ST14970-2019-ADD-1/en/pdf>

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DekaBank has established an internal Green Bond Committee to manage this process. The Green Bond Committee is made up of representatives from the Treasury, Sustainability Management and Financing units, and other banking units. As a rule, the Green Bond Committee convenes every six months.

DekaBank's Green Bond Committee is responsible in particular for the content and further development of DekaBank's green bond framework, including definition of the selection criteria for the evaluation and selection of eligible green loans. Central engagement with the topic of green bonds (liability side) and the underlying green assets (asset side) emanates from this committee.

DekaBank's financing departments identify eligible green loans from DekaBank's loan book and review the loans using the selection criteria set out in DekaBank's Green Bond Framework (see 3.1 "Use of proceeds"). Where loans meet the appropriate selection criteria they are maintained in the portfolio systems.

Central allocation of green cover pools takes place as part of funding planning/control.

Sustainability management is responsible for preparing the annual Impact and Allocation report.

In addition, the Green Bond Committee will regularly discuss and determine whether the eligibility criteria are in line with market best practices and decide on how to adapt the framework accordingly if required.

3.3. Management of proceeds

DekaBank will allocate the proceeds from the green bonds to the Eligible Green Loan Portfolio, selected in accordance with the evaluation and selection process outlined above. In the event that funds cannot be allocated immediately and fully, or in the event of any early redemptions, proceeds will be held in line with DekaBank's general liquidity guidelines until they are allocated to eligible green loans.¹¹

3.4. Reporting

During the term of a green bond, DekaBank will provide investors with annual information on the allocation of proceeds and the environmental impact of the green loans eligible for refinancing through a green bond issue. DekaBank intends to present this information at least at the category level, and on an aggregate basis.

Allocation and impact report

DekaBank will provide information on the allocation of net proceeds from its green bonds. This information will be provided until all net proceeds have been fully allocated. For each eligible asset class, the information will include at least the following:

- Total amount of the proceeds allocated to eligible loans
- Number of eligible loans
- Net green bond issue proceeds not allocated
- Amounts or percentages of new financing and refinancing

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 eligible loans for renewable energy via:
 - financed capacities for renewable energies in MW.
 - In the case of recently completed projects that have not been operational for a full year, the energy production indicated is based on planned values in accordance with wind assessments
 - estimated annually avoided greenhouse gas emissions in tonnes of CO₂-equivalent.
- for eligible loans for green buildings via:
 - the ex-ante estimated annual energy consumption in kWh/m² or energy saving in MWh
 - estimated annual greenhouse gas emissions saved or avoided in tonnes of CO₂-equivalent.

¹¹ The proceeds will be allocated to eligible green loans at the latest 36 months after funding.

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The allocation and impact report can be found on DekaBank's Investor Relations website: <https://www.deka.de/deka-gruppe/investor-relations/eigene-emissionen/green-bonds>

3.5. External verification

DekaBank has obtained a second-party opinion from Sustainalytics for this Green Bond Framework to confirm compliance with the Green Bond Principles 2021.

This second-party opinion is available on DekaBank's Investor Relations website: <https://www.deka.de/deka-gruppe/investor-relations/eigene-emissionen/green-bonds>

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.