



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, sustainability has been an important part of our daily activities for many years. This document sets out the key framework conditions for our business activities regarding environmental, social and corporate governance (ESG).

We are aware of our responsibility with regards to promoting sustainable economic development and dealing with social and ethical standards moreover we use this document to define principles that are intended to minimise 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 minimize risks in areas such as environmental impact, human rights violations and social responsibility. The transformation guidelines also take into account the requirements of NORD/LB's anti-greenwashing governance when defining the relevant criteria. The guidelines are regularly reviewed and adapted as necessary.

2 Our ESG strategy

As bank of the energy transition”, our aim is to make an active contribution to fight climate change, but also to promote social justice and ensure 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 supplement our ESG strategy and specifically anchor ESG criteria in our (new) business activities.

The ESG strategy is available at: [Pages - ESG strategy \(nordlb.local\)](#)

3 Scope of the transformation guidelines

These transformation guidelines apply to all new business activities¹ and relate to the economic activities financed by us. This means that customers who are involved in critical activities to a small extent (marginal activities) - possibly also as part of a corporate group/group structure - can be financed, provided that the funds provided are not used directly to support these critical activities.

As bank of energy transition and therefore an active driver of the transformation, we also see ourselves as a financier and supporter of this transformation. We therefore also reserve the right to actively support customers in their demonstrable transformation process towards more sustainable business models, even if they are involved in activities that fall under our exclusion criteria and sector principles, provided that the financing contributes to reducing these activities or their negative effects.

¹ All existing contractual obligations are generally honoured until they fall due.

Excluded from the transformation guidelines are selected activities in the area of capital market business.

4 Minimum standards

4.1 Dealing with human rights

We as NORD/LB acknowledge universal human rights and their international guidelines and principles. For us, compliance with these laws, guidelines and principles is an essential element in shaping our actions as a financial services company with responsibility for our business partners, as an employer with responsibility for our employees and as a "corporate citizen" with responsibility for society.

We endeavour to work with business partners whose business practices demonstrate a high level of governance and responsibility and have policies and procedures in place to select and review our customers.

We therefore expect our business partners to comply with internationally recognised human rights standards, such as the [Universal Declaration of Human Rights](#) (UDHR). In addition, we expect our partners to integrate the ten core labour standards of the International Labour Organisation (ILO, www.ilo.org) into their business practices. 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, by signing it, have undertaken to observe them in our business activities. The UN Global Compact is a United Nations initiative that calls on companies and organisations 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, NORD/LB excludes 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 commitments. In doing so, we also take into account the OECD Guidelines for Multinational Enterprises.

"The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct are recommendations from governments to multinational enterprises. They aim to promote the positive contribution that enterprises can make to economic, environmental and social progress. In addition, the business activities, products or services of companies may have negative effects on the issues addressed in the Guidelines - minimising these effects is another concern of the Guidelines."²

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

4.4 Protected areas

As NORD/LB, we want to preserve and take into account the protection of biodiversity, which is why we analyse the impact of our business activities.

As NORD/LB, we do not directly support or directly finance any transactions that have a negative impact on (nature) conservation areas.

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

We base our definition of protected areas in the context of biodiversity on the SFDR-DVO (Delegated Regulation (EU) 2022/1288 of 6 April 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 sites and wetlands under the Ramsar Convention.

4.5 Anti-greenwashing

We are clearly committed to our specially developed and communicated ESG aspects and also implement these within our business activities. Creating this ESG compliance includes taking greenwashing aspects into account. Business activities with customers that are subject to known greenwashing allegations or controversies or have been within a period of 24 months must therefore be reviewed separately and are subject to detailed consideration on a case-by-case basis.

4.6 Palm oil

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

- Membership of the [Roundtable on Sustainable Palm Oil](#) (RSPO) or another recognised organisation with at least equivalent standards
- Compliance with the 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 and for the total volume of palm oil traded, processed or converted:
 - complete traceability back to the plantations of origin of the palm fruits ("traceability to plantation") and
 - full RSPO certification or recognised certification with at least equivalent standards.

4.7 Additional regulations for project financing

Outside of Germany, our project finance business is primarily conducted in the EU and [OECD countries](#). The business is therefore focused on countries in which particularly high legal environmental and social standards also apply.

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

In the case of project finance and export finance that is state-supported by ECA³ cover from OECD countries, the mandatory review of the [OECD Common Approaches](#) that takes place in advance may replace a detailed in-house ESG review.

5 Fundamental exclusion of business relationships

5.1 Pornography / Prostitution

As NORD/LB, we do not maintain any business relationships with companies that produce or trade in pornography or with companies that are in any way connected with prostitution.

5.2 Controversial weapons

As NORD/LB, we do not maintain any business relationships with companies involved in the manufacture, trade, transport, storage or repair of the following defence equipment (regardless of the extent of this involvement):

- Nuclear weapons as defined in the "[Treaty on the Non-Proliferation of Nuclear Weapons](#)" of 22 April 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 March 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 April 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 September 1997
- Cluster bombs and cluster munitions within the meaning of the "[Convention on Cluster Munitions](#)" of 30 May 2008
- Weapons which are particularly capable of causing 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 April 1981
- Uranium ammunition as defined by the [United Nations](#)

5.3 Armour

As NORD/LB, we knowingly maintain business relationships exclusively with defence industry companies headquartered in the Federal Republic of Germany whose business is either

- include deliveries that are neither subject to an export restriction nor an export licence requirement in accordance with the legal provisions applicable in the company's 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 licences for any transactions in accordance with the law applicable in the company's country, or
- a binding preliminary decision has been issued by the authorities guaranteeing that the necessary export licences will be granted, or
- the company will take all necessary steps required for export licences. 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 imposed by the United Nations, the European Union or the Organisation for Economic Cooperation and Development (OECD).

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

In addition, we only maintain business relationships with companies in the defence industry that have aligned their business processes with the "[Global Principles of Business Ethics for The Aerospace and Defence Industry](#)" of 2 October 2009.

For effective implementation, the defence contractor must declare its acceptance of the above mentioned rules to NORD/LB in writing.

For products that can also be used for civilian purposes (so-called dual-use products), provided they are not subject to bans under the Foreign Trade and Payments Act or other national or international trade restrictions, detailed consideration is given on a case-by-case basis.

6 Exclusion criteria and sector principles

The sector list for industries, including the NACE or WZ codes, is available to allocate the business activity to be financed to a sector.



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6.1 Agriculture

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

Safe handling and the constant fulfilment of legal and licensing requirements are the basic prerequisites for the long-term success of the respective customers and for the business relationship.

Where necessary, we also take into account generally recognised standards for the management of natural habitats and biodiversity. To this end, we refer to the three key elements of the United Nations Convention on Biological Diversity:

- Conservation of biodiversity

- Sustainable utilisation of its components
- equitable sharing of the benefits arising from the utilisation 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), including the three priorities for the protection and preservation of rural heritage:

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

For business transactions relating to renewable resources that take place outside [OECD countries](#) or the EU, we also take into account the "[Performance Standard 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources](#)" of the International Finance Corporation of the World Bank.

6.1.1 Wood industry and processing as well as paper production

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

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

For business transactions in connection with renewable resources that take place outside the [OECD countries](#) or the EU, NORD/LB takes into account - where necessary - the "[Performance Standard 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources](#)" of the International Finance Corporation of the World Bank.

6.1.2 Fishing and fish farming

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

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

For business transactions in connection with renewable resources that take place outside the [OECD countries](#) or the EU area, we as NORD/LB take into account - where necessary - the "[Performance Standard 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources](#)" of the International Finance Corporation of the World Bank.

In this case, we also take into account the "[Environmental and Social Risk Briefings](#)" of the UNEP FI Initiative on the relevant sectors:

- Agriculture and Fisheries

- Crop farming and market gardening; horticulture; dairy farming; animal husbandry; capture fisheries and culture fisheries; marine and freshwater fish processing

6.2 Coal

We exclude activities in connection with coal mining. This applies in particular to activities in connection with the construction or expansion of coal mines of any kind and especially destructive mining methods such as mountaintop removal activities. Activities relating to technical modernisation that promote ecological and/or social transformation are considered in detail on a case-by-case basis.

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

For business transactions in connection with non-renewable raw materials that take place outside the [OECD countries](#) or the EU, NORD/LB also takes into account the "Environmental and Social Risk Briefings" of the UNEP FI Initiative for the relevant sectors where necessary:

- [Mining and metals](#): exploration; mine planning; mine development and operation; processing; mine closure

6.3 Steel

Under the sector steel we summarise all activities relating to the [extraction of metals and minerals, precious and semi-precious stones as well as building and road materials](#) under the Steel sector. Depending on the individual case, this includes

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

When financing these activities, we as NORD/LB take into account our business partners' safe handling of the legal requirements in their decisions. Safe handling and constant fulfilment of 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 developed within the framework of sector-specific associations (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 commitment.

For business transactions in connection with non-renewable raw materials that take place outside the [OECD countries](#) or the EU, NORD/LB also takes into account the "Environmental and Social Risk Briefings" of the UNEP FI Initiative for the relevant sectors, where necessary:

- [Mining and metals](#): exploration; mine planning; mine development and operation; processing; mine closure

6.4 Oil & Gas

We exclude the financing of any activities in connection with the extraction of crude oil and natural gas. In addition to the extraction of crude oil, this also includes the extraction of crude oil from oil shale and oil sand, 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 involved in the processing of crude oil and natural gas up to the point of transport from the production site.

For business transactions in connection with non-renewable raw materials that take place outside the [OECD countries](#) or the EU, NORD/LB also takes into account the "Environmental and Social Risk Briefings" of the UNEP FI Initiative for the relevant sectors where necessary:

- [Oil and gas](#): exploration; production; refining; transport; retail and distribution

6.5 Energy

6.5.1 Nuclear power plants

As NORD/LB, we 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 their sales from the nuclear energy business.

6.5.2 Hydropower plants and dams

In the case of financing enquiries for the construction of dams and hydropower plants, we ask our business partners to provide us with an environmental due diligence report prepared by an independent third party on how they ensure that environmental protection requirements are taken into account. These reports should be based on generally recognised 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. "[Guidelines on Integrated Water Resources Management \(IWRM\) at the river basin level](#)" by UNESCO
3. "[Hydroelectric Power Plants as a Source of Renewable Energy - 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 water law permit and authorisation procedure (Directive 2011/92/EU and amending Directive 2014/52/EU as well as the Water Rights Act); proof of environmental compatibility can be provided by means of a third-party report.

In addition, we do not provide financing for the construction of dams and hydropower plants in protected areas (in accordance with section 4.4 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

conductive to the transformation of existing power plants, e.g. because they significantly improve efficiency or fuel utilisation, must be examined in detail on a case-by-case basis.

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

6.6 Real estate

In commercial property financing, we also consider how our business partners deal with the respective national legal requirements from building, environmental, planning and nature conservation law. The safe handling and constant fulfilment of legal and approval requirements is the basic prerequisite for the long-term success of the respective clientele and for the business relationship.

Sustainability aspects are therefore taken into account in our lending decisions. In particular, we focus on the energy efficiency of a building and thus the CO₂ emissions associated with energy consumption.

To implement these principles in commercial property financing, we also use the scheme of the Association of German Public Sector Banks (VÖB) to analyse properties. In this scheme, aspects of ecological and social sustainability are weighted according to property type - including in criteria groups 2 "Location" and 3 "Property":

- Image / reputation of the neighbourhood and the address
- Quality of transport links to the property and neighbourhood (especially rail, public transport)
- Force majeure (in particular ecological contamination, emissions)
- Property situation (in particular soil contamination)
- Environmental compatibility (building materials, energy balance, building emissions)

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

6.7 Shipping

We do not do business with shipyards that are not certified according 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)).

6.8 Entertainment

The following regulations apply to us as NORD/LB within the scope of business activities and financing in the entertainment industry:

- Business approaches related to gambling in the online segment are not to be accompanied by direct participations in financing or in the context of payment transaction processing
- In the classic gaming segment, selective financing is still possible following prior detailed consideration of the individual case.