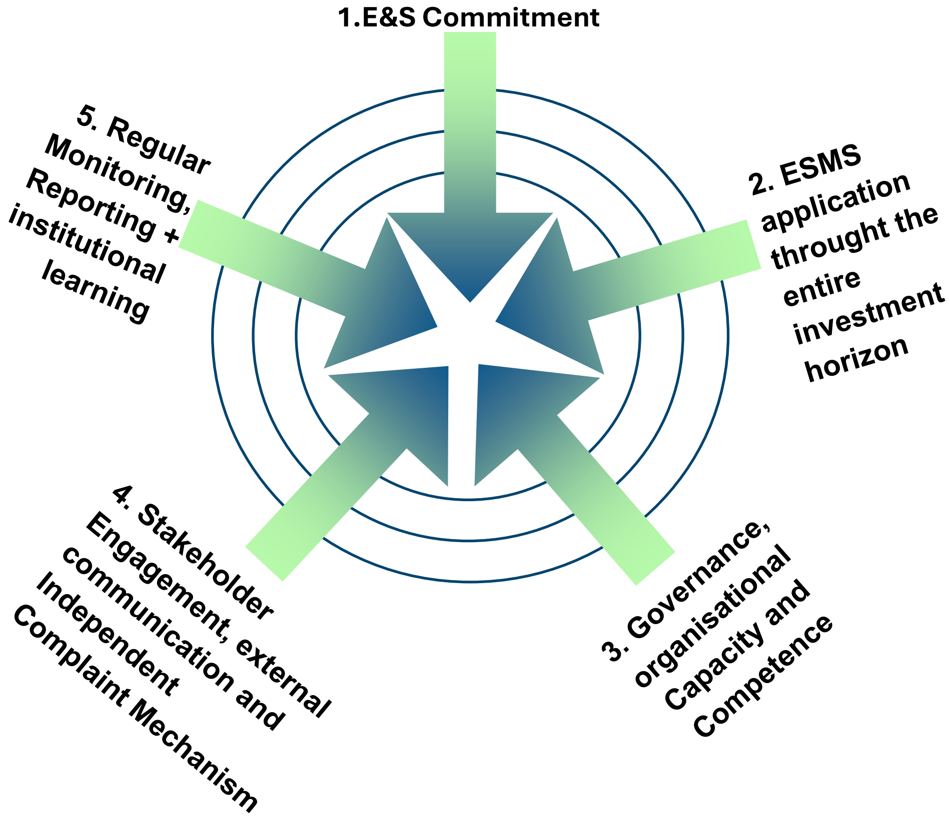
ESMS Summary (1/3) – Introduction

1. The **Environment & Social (E&S) Commitment** of DEG (Sustainability Commitments) are operationalised through DEG's Environmental and Social Management Systems (ESMS). DEG orients itself on international best practice (e.g. ESMS Toolkit by IFC, 2025).
2. E**SMS applies throughout the entire investment horizon** and to all financing solutions which DEG offers.
3. **Governance, capacity and competence**. The E&S Governance is embedded in the overall sustainability management of DEG. In-house E&S expert teams are at the heart of DEG's ESMS. They are supported by specialized external E&S partners and collaborate with the investment teams in DEG which are trained in basic E&S management to support DEG's customers.
4. **Stakeholder Engagement, external communication and Independent Complaint Mechanism** (ICM). Information on DEG's E&S Commitments and E&S Requirements as well as the ICM is provided on www.deginvest.de, E&S related information in the disclosed investment summaries.*
5. **Regular Monitoring, reporting and institutional learning**. Regular monitoring and reporting of the E&S performance of clients and DEG's ESMS is institutionalized, guides learning across the organization and provides for continuous improvement.



* The overall sustainability governance is described in DEG's Sustainability Commitments. DEG's Independent Complaints Mechanism *(hyperlink to the ICM)* and DEG's Disclosure Policy *(hyperlink to the Disclosure Policy)* are presented separately. They-complement DEG's ESMS with regards to grievances and external communication of specific investment-related E&S information (e.g. disclosure of E&S risk categorization and type of investment).

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ESMS Summary - Guiding Principles - (2/3)

General Approach	We apply our DEG E&S Management System (ESMS) in acquisition, due diligence, contracting, monitoring and exits (i.e. during the whole financing process) as an integral part of the overall client relationship management. The ESMS application is tailored to the risk profiles of DEG's investments.
DEG's E&S Expectations towards clients establishing good E&S Practice	• Avoid, minimise and mitigate current and future E&S risks as well as adverse E&S impacts and enhance positive outcomes in terms of effective E&S management • Maintain, implement and continuously improve an appropriate ESMS, equipped with appropriate capacities and governance, commensurate with the nature and magnitude of their E&S risks, and seizing transformation opportunities • Agree to address any major E&S performance gaps as captured in an agreed E&S Action Plan (ESAP) • Establish and maintain a community grievance mechanism to receive and facilitate resolution of the affected communities' concerns and grievances (if adverse community impacts or risks are anticipated) • Comply with applicable national laws and regulations as well as the DEG E&S Requirements (listed below)
DEG E&S Requirements for clients	• Applicable national laws, rules and regulations concerning environmental and social matters • DEG Exclusion List • IFC Performance Standards on Environmental and Social Sustainability and Environmental, Health and Safety Guidelines (obligatory for Category A and B+ clients) • International Labour Organisation Core Labour Standards and Basic Terms and Conditions of Employment (obligatory for Category A and B+ clients) • Selected EU Regulation with international reach (as applicable in the respective investments, e.g. Animal Welfare, REACH, Pesticides, Emissions Waste to Energy, SEVESO III, Deforestation, Conflict Minerals, etc.)

ESMS Summary - Guiding Principles - (3/3)

DEG ESMS integration in Financing Process

Pre-investment | **Post-investment** | **Responsible Exits**

Acquisition / Screening

- Screen potential investment against Exclusion List
- Identify potential E&S red flags early-on

Preliminary Review

- Identify potential inherent and contextual E&S risks
- Determine preliminary E&S risk category rating
- Where relevant recommend additional studies and assessments (e.g. upgrades to local Environmental and Social Impact Assessments)

Clearance in Principle & Investment Committee

- Present initial E&S findings and risk category rating
- Define scope and depth of E&S Due Diligence (E&S DD) depending on risk profile, existing information, E&S performance and potential reliance opportunities with accepted partners as well as depending on the financial product (e.g. debt or equity, financial intermediary, etc.)
- Clarify need for external climate risk assessments

Structuring & E&S DD

- Integrate E&S DD during Kick-Off in overall DD & structuring
- Engage external ESG consultants where necessary
- Conduct in-depth E&S DD or depending on financing partner validate or rely on their assessments
- Finalise E&S risk category rating and develop draft Environmental and Social Action Plan (ESAP with clients)
- Identify E&S transformation and resilience potential

Internal Commitment, Contracting & Signing

- Present E&S DD findings and transformation opportunities to investment teams & management, including draft ESAP
- Present (if relevant) required climate mitigation and adaptation measures
- Negotiate Final ESAP, Conditions Precedents (CPs) signing and disbursements

Monitoring & Reporting

- Validate fulfilment of CPs
- Engage client regularly and monitor its ESAP implementation
- Serious incident reporting (where triggered)
- Obtain annual E&S monitoring report from client directly or via a financing lead partner
- Engage clients actively and use leverage responsibly to address major deviations
- Stimulate the implementation of transformation potentials

Divestment

- Assess E&S improvements and development impact
- For all active exits, i.e. when DEG proactively and voluntarily decides to exit a project, apply responsible exit principles to support decision-making on whether and how to exit an investment