

Sustainability in AKA's lending business

Introduction

The topic of sustainability and sustainability risks has become increasingly important in recent years. Especially the importance of the financial sector for the changes necessary for a sustainable and climate-neutral economy has come into focus.

AKA Ausfuhrkredit-Gesellschaft mbH is committed to sustainable action in its economic activities. The focus is on supporting shareholder banks in their initiatives to transform global economic structures into a climate-neutral world.

The support will be based on both the Paris Climate Agreement of 2015 and the 17 Sustainable Development Goals (SDGs) of the United Nations, in the broader sense of sustainability beyond climate protection.

As a specialised credit institution for export and international Trade Finance, the focus of business activities is on financing and risk assumption in emerging markets. The main product lines are ECA-covered financing, structured commodity or trade financing, syndicated trade loans and FI desk transactions.

Trade and infrastructure development are vital drivers of growth and prosperity, both in Germany and in emerging markets. Every real economic activity interacts with its environment, thus requiring consideration of these interactions as a fundamental part of bank audits in the financing area.

Consideration of ESG factors in risk assessment

Aside from economic risk assessment, the evaluation of environmental, social and governance (ESG) factors and the resulting risks also plays a key role in AKA's risk management, both at the portfolio level and during the allocation of new business.

AKA is using a sector-based approach centred on the SDGs to assess ESG factors. Based on this, an individual analysis of the relevant risk factors is carried out and taken into account in the credit decision. All three ESG dimensions are equally relevant.

AKA also sees the phase-out of coal-based power generation as an important milestone in global energy production due to the high CO₂ emissions. For the direction of AKA, this means that we will no longer finance new coal-based power plants (or their expansion). Furthermore, for example, no new activities within the context of thermal coal mining will be financed, such as mining activities.

High standards for environmental, social and human rights aspects in ECA financing

In export financing, audits of environmental, social and human rights aspects of the financed exports are also very important for the export credit agencies (ECAs) involved. An in-depth review according to the OECD Common Approaches is done by Euler Hermes, the German ECA and one of AKA's most important partners, for all transactions with a credit period of more than two years and a loan

amount exceeding 15 million euros. Independently of this fact, an in-depth examination is always carried out if there are indications of serious risks.¹

Sustainability as a driver for progressive development and innovation

As ESG is a topic that affects the entire bank and requires innovative solutions, responsibility for its continuous development within AKA lies with the Platform Business and Digital Innovation (PBDI) department, which acts as the central interface between all departments in AKA's organisation.

Regarding sustainability at the macro level, it is of central importance that all market players follow a common path to achieve truly sustainable effects. AKA therefore relies on cooperative collaboration with its business partners and consciously seeks strategic partnerships to further develop relevant solutions.

¹ See AGA Portal: <https://www.agaportal.de/exportkreditgarantien/verfahren/usm>.