

Sustainability Strategy for 2022

Excerpt from Helaba Group Business Strategy



1 Sustainability strategy

Mission/vision

Helaba sees it as its corporate duty to take responsibility for the environment, society and the lives of current and future generations. Acting sustainably is a core element of the Bank's strategic agenda. The focus is on the sustainable alignment of business operations, especially in terms of supporting customers in the necessary transition towards a climate-neutral circular economy. Helaba is committed to the objectives of the Paris Agreement and the climate objectives of the German federal government and the European Union.

As a signatory to the Sparkassen-Finanzgruppe's climate protection initiative, Helaba has undertaken to make its own business operations climate neutral by 2035 at the latest and to include climate protection aspects in its customer portfolio and in its internal operations.

The social aspects of the sustainability criteria are addressed through Helaba's membership of the UN Global Compact. Helaba also upholds the principles of the United Nations Universal Declaration of Human Rights and the fundamental conventions of the International Labour Organization (ILO) within its sphere of influence. If Helaba is aware that a particular company or institution does not respect fundamental human rights or causes environmental damage, it will not work with that company or institution.

Through its brand claim "Values with impact", Helaba is underscoring its ambition to make a positive value contribution to society and strengthen Germany as a business location going forward.

In 2020, the Bank launched the Group-wide HelabaSustained programme focused on taking a leading role in the field of sustainable finance. It also includes establishing an extensive ESG data pool and implementing the relevant requirements in a dynamic regulatory environment.

1.1 ESG targets

The Helaba Group has set itself five specific ESG (environment, social and governance) targets:

- Environment (E)
 - Reducing emissions by the Bank as far as possible
 - Contributing with our own actions to achieving the goals of the Paris Agreement
- Social (S)
 - Supporting women in achieving their career potential
 - Investing in employees and society
- Governance (G)
 - Aiming to achieve a good and stable position in the ESG rating

Building on these ESG targets, a KPI (key performance indicator) management system will be developed and implemented across the Group, underscoring the Bank's ambition and quantifying its progress. Helaba's understanding of sustainability thus goes beyond tackling the challenge of climate change to encompass all ESG criteria, which are addressed using selected tools.

1.2 Sustainable product and service portfolio

Helaba supports its customers in their transformation with a portfolio of services tailored to their needs and to the future, thus making an important contribution to the transformation of the economy as a whole. To this end, the Bank is working on the continuous expansion of its service portfolio.

As a financial services provider, Helaba considers the financing of energy-efficient systems and renewable energy as its main lever in the field of environmental protection. In every lending exposure, the Bank complies with environmental and social standards and has consistently withdrawn from financing activities in the area of coal and other risk technologies.

Sustainable product portfolio

In addition to structuring projects in the renewable energy, sustainable mobility and digital infrastructure segments, Helaba is also involved in the syndication of green, social and ESG-linked financing arrangements and promissory notes. It intends to continue expanding this commitment.

With its Sustainable Lending Framework, Helaba has created rules for documenting its sustainable financing ambitions both internally and externally. Helaba offers the following lending products and services with a sustainable classification:

- ESG-linked financing arrangements, the conditions of which are linked to the attainment of sustainability targets
- Development loans to support ecological and social development goals, in collaboration with development institutions
- Green and social loans used to finance externally certified projects and undertakings with a high ecological or social value
- Structuring sustainable promissory note loans, bonds and other capital market products

In order to contribute to achieving the goals of the Paris Agreement, Helaba is seeking to significantly expand the proportion of the Group's sustainable business volume by 2025.

Green bonds

In the context of its Green Bond Framework for funding, Helaba regularly issues green bonds that comply with EU Taxonomy criteria. The Bank has undertaken to present an annual impact report for these green bonds. It is continuously expanding the financing portfolio for green bonds to include additional asset classes and is reviewing the development of further sustainable funding instruments.

Product portfolios of subsidiaries WIBank and LBS

- In **asset management**, Helaba Invest offers a number of fund products that encompass various aspects of sustainability in the form of ethical standards, risk management and climate-related issues. Frankfurter Bankgesellschaft has integrated sustainability to a large extent in its asset management activities. With their ESG Investment Policies published in 2021 and by signing the PRI, Helaba Invest and Frankfurter Bankgesellschaft underscored their strategic ESG focus.
- In the **private customer business**, Frankfurter Sparkasse recognises financial inclusion as a key component of its mandate to operate in the public interest. To ensure that access to banking services is available to all sectors of the population, particularly economically and socially disadvantaged customers, Frankfurter Sparkasse offers various types of basic account. LBS supports home owners through its finance options and is thus contributing to improving the energy efficiency of buildings and to climate protection.

- **Real estate subsidiary** GWH rents modern and affordable homes to broad segments of the population and complies with high environmental standards in its own housing stock. In developing its real estate projects, OFB considers the objectives of the EU Taxonomy, focusing in particular on the procurement of sustainable materials, protecting biodiversity and ecosystems and minimising harmful environmental impacts caused by emissions.
- At **WIBank**, sustainability issues such as energy efficiency, environmental protection, the preservation of resources and the sustainable social and economic development of the State of Hesse are key aspects of the funding programme.

Sustainable Finance Advisory

Sustainable finance has become an important competitive factor for banks. In this way, customers are made aware of sustainability issues, receive advice on the structure of certain transactions and support in selecting external partners if necessary. Helaba has significantly increased the capacities of its Sustainable Finance Advisory in order to intensify customer relations and grow potential income.

Integrating sustainability into business control

In order to fulfil its ambition to support the transformation of the economy, Helaba has incorporated sustainability aspects into the Bank's control mechanisms. For example, selected targets and KPIs have been included in multi-year planning and in the target agreements for all divisions.

1.3 ESG in risk management

Including ESG factors in the overall risk strategy

Helaba has firmly anchored sustainability aspects in its risk strategy. It is therefore following the approach adopted by the European Commission with its action plan on financing sustainable growth and the expectations of the ECB, which are set out in detail in the Guide on climate-related and environmental risks.

The identification and assessment of non-financial risks are an established – and continuously adapted – part of the Bank's risk management process. Reputation risks, which also encompass aspects of sustainability, are mapped entirely under non-financial risk.

Sustainability review as part of the lending process

Helaba can influence the environment and society via the loans it grants. The Bank takes this responsibility very seriously and seeks to minimise the sustainability risks associated with its funding activities, including the transition and physical risks caused by climate change (inside-out perspective). As part of its customer assessment, Helaba also systematically reviews the ESG risks emanating from its customers and their business models (outside-in perspective).

In addition, Helaba has developed sustainability criteria and exclusion conditions for granting loans. These apply across the Group and are updated annually. The exclusion criteria integrated into the risk strategy provide Helaba with an effective tool for preventing ESG risks in new business. The filter for ESG risks is therefore already tightly meshed on a qualitative basis and implemented as a mandatory part of the standard risk management process.

When financing the construction and renovation of power plants, the Bank strongly promotes the use of particularly environmentally friendly technologies and products to support the switch to renewable energy sources. In addition, Helaba excludes certain controversial business areas from its operations altogether. These include investment products based on agricultural commodities, transactions that involve speculating on agricultural commodities and financing the manufacture and trading of controversial types of weapon.

1.4 Sustainability management

Climate-neutral bank operations

In order to protect nature and the environment, Helaba organises its operations in such a way as to preserve resources and applies sustainability standards in its buildings. One focus is the reduction of CO2 emissions by optimising buildings technology and choosing energy-saving means of transportation, for example.

Each year, Helaba measures and reports its consumption and emission values for key environmental criteria. These include in particular the consumption of energy and water, CO2 emissions and the disposal of waste and waste water. The environmental report delivers incentives for the further reduction of consumption and emissions.

There are three steps to achieving climate-neutral bank operations:

1. Avoidance: In order to minimise the consumption of resources in the long term, Helaba is deploying new work concepts including increased mobile working to reduce commuter traffic. Other measures include expanding the use of virtual conference technologies to avoid business travel and the continuing digitalisation of business processes.
2. Substitution: The unavoidable use of resources will be substituted by the use of low-emission energy sources. Helaba aims to achieve this by using renewable energy for its buildings, electricity and heating, by revising its business travel policy to focus more strongly on rail travel and by gradually switching its company vehicle fleet to alternative drives such as electromobility.
3. Compensation: By way of the aforementioned measures, Helaba aims to reduce the emissions from its bank operations by at least 15 to 30 % by 2025. From financial year 2021, Helaba will make its bank operations climate neutral by compensating the unavoidable emissions that remain after avoidance and substitution.

Sustainable commitment

On the basis of its legal mandate, Helaba has a special obligation to serve society and the public interest. Helaba considers support for education, culture, social outreach activities, sport and science to be crucial tasks. In its home states of Hesse and Thuringia and also in the states of North Rhine-Westphalia and Brandenburg, where Helaba serves as the central bank for the Sparkassen, the Bank supports many social activities through donations and sponsorships. Frankfurter Sparkasse, for example, runs a foundation to promote the quality of life for people in Frankfurt and the surrounding area.

In addition, Helaba supports two dimensions of employee commitment:

1. Inward commitment by fostering employees' motivation and individual initiative
2. External commitment by facilitating social and ecological activities on behalf of the company

Helaba has developed a Corporate Citizenship concept which incorporates the social commitment of Helaba and its subsidiaries as institutions as well as social volunteering elements. The Bank supports its employees' commitment to ecological and social projects by allowing them two days of paid leave per year to participate in such projects. Helaba has set itself the target of working with its employees to expand the Group's social volunteering activities to at least 1,000 days per year by 2025.

Inward sustainability

Helaba sets out its basic principles for respectful and trusting interaction between employees in its Code of Conduct, which applies to all of its people. The success of the Helaba Group depends in large part on the skills and commitment of its staff and the Bank makes a priority of ensuring all of its employees, with all of their diverse

characteristics and skills, feel valued and receive the development support they need. Helaba offers attractive and secure jobs with ample opportunity for personal development and advancement. Helaba has signed the Diversity Charter, a voluntary commitment by companies to promote a corporate culture that is without prejudice or discrimination, and is committed to achieving its aims.

Growing digitalisation, competition and demographic change mean it will be even more important in the future to be an attractive employer if the Bank is to be able to recruit and retain highly qualified employees. This is reflected in Helaba's HR offering. Through its life-stage model, the Bank supports employees in the different phases of their careers. The model's products and offerings address all employees equally and inclusively to enable them to contribute to the Bank's success.

Diversity management aims at harnessing the richness of the organisation's workforce and make the Bank more interesting, innovative and successful. The objective is to further improve equality of opportunity and, in particular, nurture more women into management roles. To this end, Helaba aims to increase the percentage of women in management positions to 30 % over the medium term and will therefore take care to ensure that a balanced mix of men and women participate in all junior staff and employee development programmes for management trainees.

The ability to adequately assess the opportunities and risks associated with sustainability requires specific training. Helaba is developing a customised training concept that takes account of employees' differing levels of knowledge and specialist requirements. The Bank aims to increase training days to two days per employee per year by 2025.

Governance

The Executive Board has overall responsibility for sustainability at Helaba. It is supported in this by Sustainability Management, part of Group Steering. To underscore the importance of sustainability in the development of the Helaba Group, the position of Chief Sustainability Officer (CSO) was created and filled in 2021. In addition, governance in respect of sustainability issues is fully integrated into the Bank's internal governance system.

To coordinate Group-wide sustainability activities, Helaba has implemented the Group Sustainability Committee (GSC) made up of the sustainability officers of Helaba and of its independent and dependent subsidiaries.

A Green Bond Committee has also been established to ensure compliance with the green bond process, including the evaluation and selection of permissible loans, and to coordinate the proper execution and development of the Green Bond Framework in accordance with the ICMA Green Bond Principles.

In addition, Helaba is developing Executive Board responsibility for sustainability and is considering the creation of a Sustainability Board as an Executive Board committee. In contrast to ESG risk issues, which are addressed by the Risk Committee, the Sustainability Board is to concern itself with the Bank-wide management of target attainment on the basis of ESG KPIs, the continuous development of the Helaba Group's ESG profile and the monitoring of the implementation of strategic sustainability issues.

Sustainability reporting

In its Code of Conduct, Helaba has committed itself to an open and transparent communications policy.

The central medium for communicating information of relevance to sustainability is the sustainability section of Helaba's website, which was reworked fundamentally in 2021. All data and information of relevance to HR issues as

well as to consumption and emissions are recorded, evaluated and published centrally. Helaba makes key elements of its environmental profile transparent by calculating and publishing environmental indicators.

As part of its annual reporting, Helaba publishes a declaration of conformity with the German Sustainability Code (GSC) and a non-financial statement as part of the group management report. As a member of the UN Global Compact, Helaba also publishes an annual progress report.

Rating

The Helaba Group is regularly assessed by sustainability rating agencies.

The Helaba Group has a stable rating in the upper average range for the global industry and the upper midrange among the comparison group of German banks and Landesbanken from all relevant agencies. ISS ESG issued a rating of C (prime), imug a rating of BB (positive) and MSCI a rating of A; Sustainalytics classified Helaba in the low risk category with 19.1 points.

In terms of its ESG rating, Helaba aims to rank among the top placed in Germany.