

# Sustainability Strategy 2024

Excerpt from the Group business strategy 2024



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## 1 Sustainability strategy

### 1.1 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. At the start of 2022, to underscore the seriousness of its sustainability efforts in its business operations, Helaba also committed to the Principles of Responsible Banking (PRB) and joined the United Nations Environment Programme Finance Initiative (UNEP FI). The first PRB report was published in September 2023. It analysed the positive and negative effects of Helaba's portfolio and identified the areas of impact that are to be expanded in the coming years in the case of positive effects and reduced in the case of negative effects. The areas of impact identified as relevant are climate stability, biodiversity and the circular economy. By 2025, Helaba will set itself two targets that contribute to these areas of impact and has sent a clear signal to the market by signing a voluntary commitment to this effect.

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. When it comes to implementing these in its business processes, Helaba follows the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. 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. To monitor compliance with human rights and observance of the requirements contained in the German Act on Corporate Due Diligence in Supply Chains (Lieferkettensorgfaltspflichtengesetz – LkSG), Helaba created the position of a Human Rights Officer and appointed the first incumbent from 1 September 2023.

### 1.2 ESG targets



Figure 1: The Helaba Group's ESG targets



Figure 2: The Helaba Group's ESG key performance indicators (KPIs)

### 1.3 Integrating sustainability into business control

In order to achieve its ambition of supporting economic transformation, the Helaba Group has set itself strategic sustainability (ESG) objectives underpinned by key performance indicators (KPIs). These are formulated in detail and implemented as Group-wide control parameters.

## 2 Decarbonisation strategy

In light of ongoing global warming and increasing environmental destruction, it is undisputed that a fundamental transformation of the economic system is needed. Helaba recognises the particular urgency of the climate crisis and its responsibility to contribute to limiting climate change. For this reason, the greenhouse gas emissions of the loan portfolio – the financed emissions – were determined for the first time as of 31 December 2021 and form the basis for developing a reduction strategy in line with the Paris Agreement.

The financed emissions were initially determined for the particularly CO<sub>2</sub><sup>1</sup>-intensive sectors and for customers who account for a large proportion of the loan portfolio. The prioritised sector clusters and the associated Nomenclature of Economic Activities (NACE) codes are shown in Figure 4 <sup>2</sup>.

Sector cluster	NACE codes
Automotive and mechanical engineering	C26, C27, C28, C29, G45
Construction, real estate and housing	C23, F41, F42, F43, L68
Mining, chemical industry, manufacture of metals	B05, B06, B08, B09, C19, C20, C21, C22, C24, C25
Energy	D35
Food products, animal feeds, agriculture	A01, C10, C11
Public authorities and their corporations	E36, E37, E38, E39, O84, Q86, Q87, Q88

<sup>1</sup> For reasons of simplicity, Helaba uses the term CO<sub>2</sub> and not CO<sub>2</sub> equivalents (CO<sub>2</sub>e) for decarbonisation although, as a general rule, all environmentally harmful greenhouse gas emissions are taken into account.

<sup>2</sup> Nomenclature of Economic Activities: The Statistical Classification of Economic Activities in the European Community, usually referred to simply as NACE, is the system for classifying economic activities in the European Union.

Shipping, aviation, rail transport	C30, H49, H50, H51, H52
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Figure 3: NACE codes per sector cluster (calculation of financed emissions)

Greenhouse gas emissions are determined on the basis of economic sectors. For this reason, the financed emissions in one sector may originate from the activities of several different Helaba business divisions.

The initial calculation of the financed emissions established the basis for creating sector-specific decarbonisation pathways. Two sectors were selected as pilot portfolios: the power production sector because of its highest nominal contribution to the carbon footprint of the lending portfolio and commercial real estate because of the high lending volume and its strategic importance for the Bank. Further sectors will follow in 2024.

The science-based methodology of the Science-Based Targets initiative (SBTi) that is being applied specifies compliance pathways for a 1.5 degree scenario. The methodology enables determining Helaba's baseline value in each sector on the basis of the financed emissions or emission intensity and calculate a reference pathway that converges on the target in 2050. The intensity-based analysis gives the business divisions the scope to expand their portfolios and support the transformation, provided they comply with the overall pathway. The plausibility and feasibility of the pathways was analysed together with the affected business divisions. In this analysis, regulatory and market developments were taken into account which have a significant influence on sector transformation and, as a result, the achievability of the pathways. The future integration of the pathways will be systemically become a part of the client dialogue (in the covered sectors) and will be accompanied by a client engagement concept. Transforming the real economy is and remains a basic requirement for achieving the 1.5 degree target in the portfolio.

In principle, the SBTi methodology also requires regular reviews of these pathways. Adjustment may be necessary if, for example, the data quality improves or new or adapted scenarios are published.

### 3 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.

#### 3.1 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.

The Sustainable Lending Framework serves as the Helaba Group's compass for classifying the sustainable lending business, addressing both ecological and social dimensions. The following financing arrangements are classified as sustainable:

- 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
- Taxonomy-compliant financing arrangements
- Financing arrangements which contribute positively to the 17 United Nations Sustainable Development Goals (UN SDGs)

Helaba has set itself the goal of contributing with its conduct to achieving the objectives of the Paris Agreement and is therefore seeking to increase the share of sustainable financing arrangements to 50 % by 2025.

### 3.1.1 Green Bond

In the context of its Green Bond Framework for funding, Helaba issues green bonds that comply with criteria such as those of the EU Taxonomy. 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 such as rail financing and is reviewing the development of further sustainable funding instruments.

### 3.2 Group-wide product portfolio

- **Frankfurter Sparkasse:** 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.
- **Helaba Invest and Frankfurter Bankgesellschaft:** 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.
- **GWH and OFB:** 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.
- **LBS:** LBS supports home owners through its finance options and is thus contributing to improving the energy efficiency of buildings and to climate protection. It uses the LBS Modernisation Cost Calculator and LBS Energy Savings Check as tools to provide energy advice.
- **WIBank:** 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.

### 3.3 Sustainable Finance Advisory

Sustainable finance has become an important competitive factor for banks. A growing number of customers are recognising the importance of sustainability to their financing and view their core banks as important partners in this regard. At the same time, financing products with an explicit reference to sustainability strategy – whether through the specific use of funds or an interest rate linked to sustainability indicators – are now firm features of the market.

Against this backdrop, Helaba has significantly expanded the capacities of its Sustainable Finance Advisory. The team operates flexibly and serves all customer groups although its main focus is on corporate clients as well as on syndicated loan financing and promissory notes. Especially in the case of SMEs and unlisted companies, this focus makes it possible to intensify customer relationships by providing appropriate advisory services and to leverage additional earnings potential.

## 4 ESG in risk management

### 4.1 Including ESG factors in the overall risk strategy

Helaba is firmly committed to operating its business with a focus on sustainability and fairness. It is fulfilling this commitment with its sustainability strategy, an integral component of the Bank's business strategy. In the context of risk management, Helaba defines ESG factors<sup>3</sup> as events or conditions in the environment, social or corporate governance areas, the occurrence of which may have a negative impact on the Bank's net assets (including capital), financial position, results of operations or liquidity position in addition to the sustainability objectives described in section 3.2.1.1. ESG factors can therefore act as potential risk drivers for all existing risk types and are not considered a separate risk type. For this reason, they must be taken into account within the risk management processes of the identified risk types. The extent of the necessary risk management and monitoring measures is aligned with the relevance of the ESG factors to the individual risk types.

### 4.2 Sustainability reviews 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 factors in the risks emanating from its customers and their business models (outside-in perspective). In particular, the focus is on the potential effects of environmental factors and climate change on the borrower's repayment capacity, taking account of any risk-mitigating measures taken by the borrower.

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 risks relating to ESG factors in new business. The filter for these 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.

<sup>3</sup> Helaba uses the terms "ESG risks" or "sustainability risks" in various regulatory publications to refer to ESG factors which can act as risk drivers to impact Helaba's existing material risk types.

## 5 Sustainability management

### 5.1 Climate-neutral bank operations

In order to protect nature and the environment, Helaba organises its operations in such a way as to preserve resources to the greatest possible extent. One focus is on reducing CO<sub>2</sub> emissions: first, avoiding them with the aim of minimising the use of resources in the long term; second, substituting the unavoidable use of resources by using low-emission energy sources, by revising the business travel policy to focus more strongly on rail travel and by gradually switching the company vehicle fleet to alternative drives such as electromobility; third, compensating for the avoidance and substitution of any remaining unavoidable emissions which has been achieved using suitable certificates since the 2021 financial year.

### 5.2 Sustainable commitment

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.

To foster employee engagement, Helaba has developed a Corporate Citizenship concept which brings together 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 for this purpose. Helaba aims to work with its employees to expand the Group's social volunteering activities to at least 1,000 days per year by 2025.

### 5.3 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 that all of its employees, with all of their diverse characteristics and skills, feel valued and receive the development support they need. 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 recruit and retain highly qualified employees. "Enhancing employee development and employer attractiveness" is one of Helaba's key action areas. 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 "Employees recruit Employees" programme provides further incentives to attract new specialist employees. Helaba also offers other attractive options such as a sustainability allowance of € 100 per month for employees. All employees decide for themselves how to use this allowance – whether to buy a monthly rail ticket, subsidise a leased bicycle or finance better equipment for their workplace at home. Helaba also enables its employees to work on the move in other EU countries (up to a maximum of 20 working days). The Helaba JobRad service agreement is another way in which Helaba is contributing to the key action area of "Enhancing employee development and employer attractiveness". With the introduction of this service agreement, the Bank is offering those employees who are entitled in accordance with the terms of the agreement the option of leasing bicycles as a form of deferred compensation.



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 % by 2025 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 offers its employees a modular training concept that takes account of their differing levels of knowledge and specialist requirements. This includes the ESG Masterclass, an ESG-related training programme tailored to the Bank's specific needs. The Bank aims to increase training days to two days per employee per year by 2025.

#### 5.4 German Act on Corporate Due Diligence in Supply Chains

The German Act on Corporate Due Diligence in Supply Chains (Lieferkettensorgfaltspflichtengesetz – LkSG) came into force on 1 January 2023. For the first time, the law regulates corporate responsibility for respecting human rights in global supply chains by implementing defined due diligence obligations relating to a company's own business operations and the conduct of both contractual partners and indirect suppliers. The LkSG contains an exhaustive catalogue of internationally recognised human rights conventions. The legal interests these protect are the basis for regulations for conduct or prohibitions on corporate activity in order to prevent any violations of protected legal positions. These include, in particular, the prohibition of child labour, slavery and forced labour, breaches of occupational health and safety regulations, the withholding of a fair and decent wage, the unlawful deprivation of land and livelihood and violations of environmental law.

As an organisation covered by the LkSG, Helaba is implementing the law's requirements throughout the Group. One of the core elements of the due diligence obligations is the establishment of a risk management system to identify, assess and prioritise the risks of human rights violations and environmental damage. Based on the findings, a policy statement will be published and action taken to avoid or minimise any violations. Constant monitoring has been put in place to determine which preventive and remedial action is necessary. A complaints procedure has been established. The first report on the supply chain management system will be submitted to the German Federal Office for Economic Affairs and Export Control (BAFA) in 2024, as required by the law.

People in the supply chains are benefiting from Helaba's comprehensive implementation of the LkSG because it contributes to greater legal certainty and creates a reliable basis for sustainable supply chain management. In this way, Helaba is demonstrating that its focus is on fair and sustainable conduct.

#### 5.5 Governance

The Executive Board has overall responsibility for sustainability at Helaba. It is supported in this by Sustainability Management, which is 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 also created.

In 2023, the Sustainability Board was formed 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.

In the target structure, a Sustainability Steering Committee will also be established at divisional management level to ensure the Bank-wide consistency of sustainability issues. The Group Sustainability Round Table will be introduced at the level of senior management or management representatives of the main subsidiaries in order to facilitate Group-wide standardisation as well.

In addition, there is a Green Bond Committee 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.

### 5.6 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 has included specific ESG information for analysts since 2022. 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 sustainability report that complies with the requirements of the Global Reporting Initiative (GRI) and a non-financial statement as part of the Group management report. From the 2024 financial year, this report will be in accordance with the European Reporting Standards (ESRS) that are part of the EU Corporate Sustainability Reporting Directive (CSRD). Moreover, as a signatory to the UN Global Compact and the Principles for Responsible Banking, Helaba also publishes an annual progress report.

### 5.7 Rating

The Helaba Group is regularly assessed by sustainability rating agencies. MSCI, Sustainalytics and ISS ESG, the sustainability rating agencies considered to be of relevance to Helaba, have given the Helaba Group a stable rating in the upper average range for the global industry and the upper midrange for the relevant peer group. The findings of the sustainability rating agencies are published on Helaba's website.

Helaba aims for a stable good ESG rating compared with its German peer group.