



## NORD/LB Group's ESG Strategy (extract)

Business year 2024



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# Foreword by the Chairman of the Managing Board

Dear reader,

NORD/LB is hereby presenting its ESG strategy for the first time. It sets out the framework for how our bank deals with environmental issues ("Environmental"), social issues ("Social") and the requirements for good corporate governance ("Governance"). The climate strategy adopted by NORD/LB in the previous year has been incorporated into the new, more comprehensive ESG strategy.

This shows the great importance of the topic of sustainability, which has gained massively in importance throughout the banking and financial world in recent years. The main driver for this is man-made climate change and climate policy measures to mitigate it.

However, these issues are nothing new for NORD/LB. As the bank of the energy transition, we have been financing the expansion of renewable energies with great conviction for over 30 years. Sustainability aspects have always been important in our SME financing. And as a public-sector bank, social issues play a major role for us anyway. For example, we have been financing projects to expand local public transport and social infrastructure such as schools for a long time.

We will remain true to this course in the future. We not only want to continue to make a contribution to overcoming the climate crisis. We also want to support our customers in the transformation of their business models.

Best regards

*Jörg Frischholz*

*Chairman of the Managing  
Board of NORD/LB*



# NORD/LB

**Norddeutsche Landesbank - Girozentrale** - "Anstalt öffentlichen Rechts" (NORD/LB AöR), as the parent company of the NORD/LB Group, is a credit institution and a trading book institution as defined by the German Banking Act (KWG).

The **Group of NORD/LB** consists of the parent company NORD/LB AöR and the subsidiary NORD/LB Luxembourg S.A. Covered Bond Bank (NORD/LB CBB).

In addition to the institutes of the Group of NORD/LB, the **NORD/LB Group** also includes all other participating interests.

NORD/LB's business model at a glance:



NORD/LB is a **landesbank**, a **central bank for the savings banks** and a **commercial bank** which is represented beyond its core regions with domestic branches in **Bremen, Düsseldorf, Hamburg, Munich, Oldenburg** and **Schwerin**, among others. For its foreign business activities, NORD/LB has branches in **London, New York** and **Singapore**.

# ESG in the NORD/LB Group

NORD/LB supports its customers in the transition to a climate-neutral real estate and agriculture. By financing renewable energies and sustainable real estate, NORD/LB is helping to achieve the climate targets.

NORD/LB supports the technology and innovation engine of the German economy by financing medium-sized companies. It has sector expertise, particularly in the energy and food industry, agricultural banking, the construction industry and project development.

In the Braunschweigische Landessparkasse business segment, it also supports commercial and private customers in the transition to a sustainable alignment in the commercial sector, in the private real estate sector and in sustainable investments as part of its public mandate.



## E

Climate & environmental protection

Conservation of resources

Animal & Species protection



## S

Employees of NORD/LB Group

Occupational safety

Equality



## G

Supervisory structures

Risk management

Compliance

Fraud

# Environmental – management climate and environmental impacts

In the context of supervisory law, the focus is currently on the environment and the associated climate sub-category.

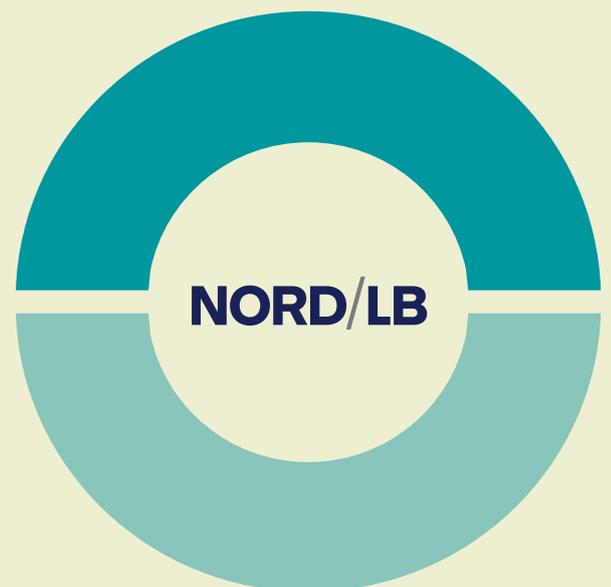
→ Environmental factors refer to the quality and functioning of the natural environment and natural systems and include factors such as climate change, biodiversity, energy consumption, pollution and waste management.

→ Climate change is considered in the topic of climate. Both directions of impact are included, on the one hand the impact on climate change and on the other the impact of climate change.

This gives rise to two types of risk:

// Physical risks

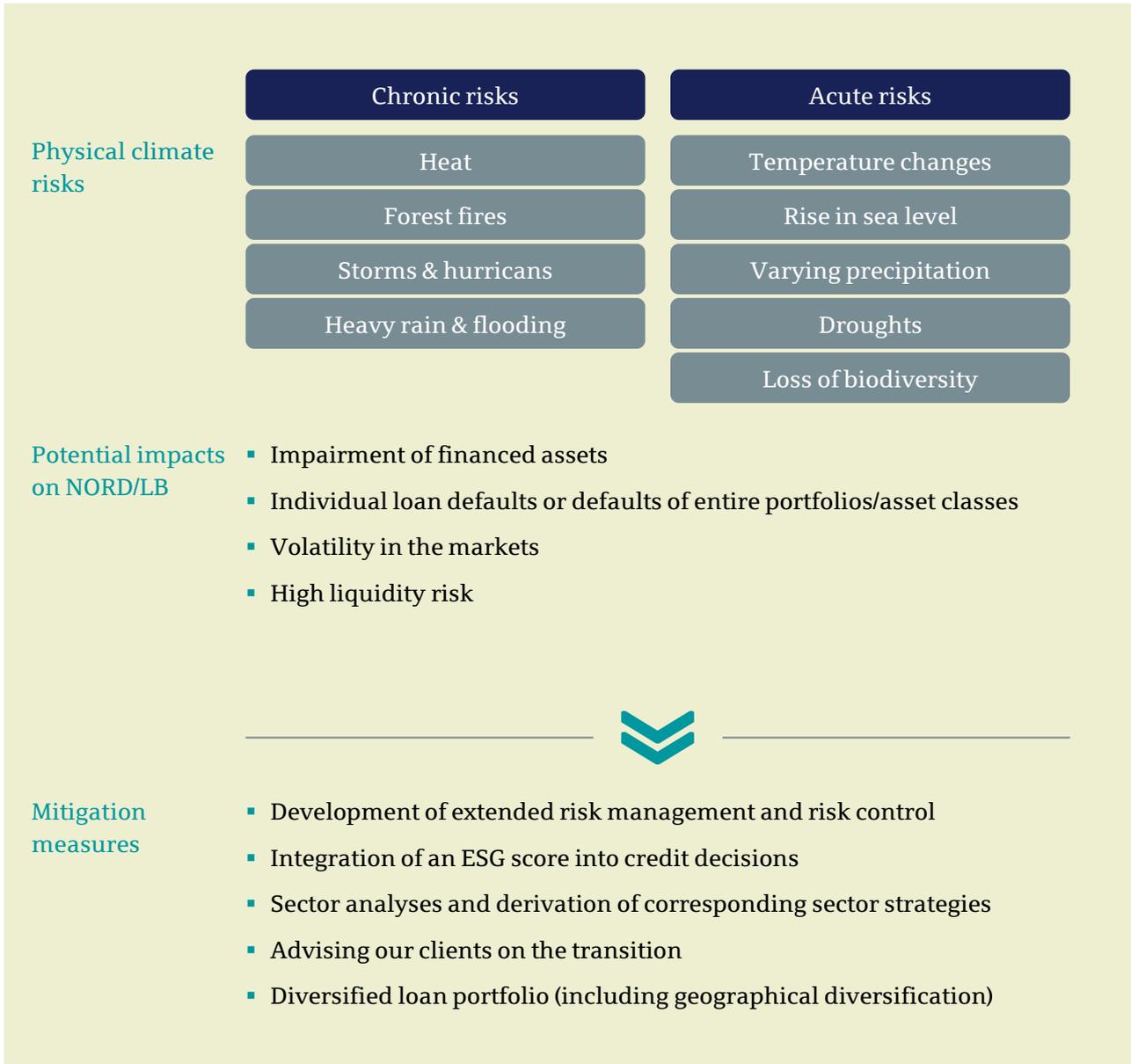
// Transition risks



# Environmental – management climate and environmental impacts



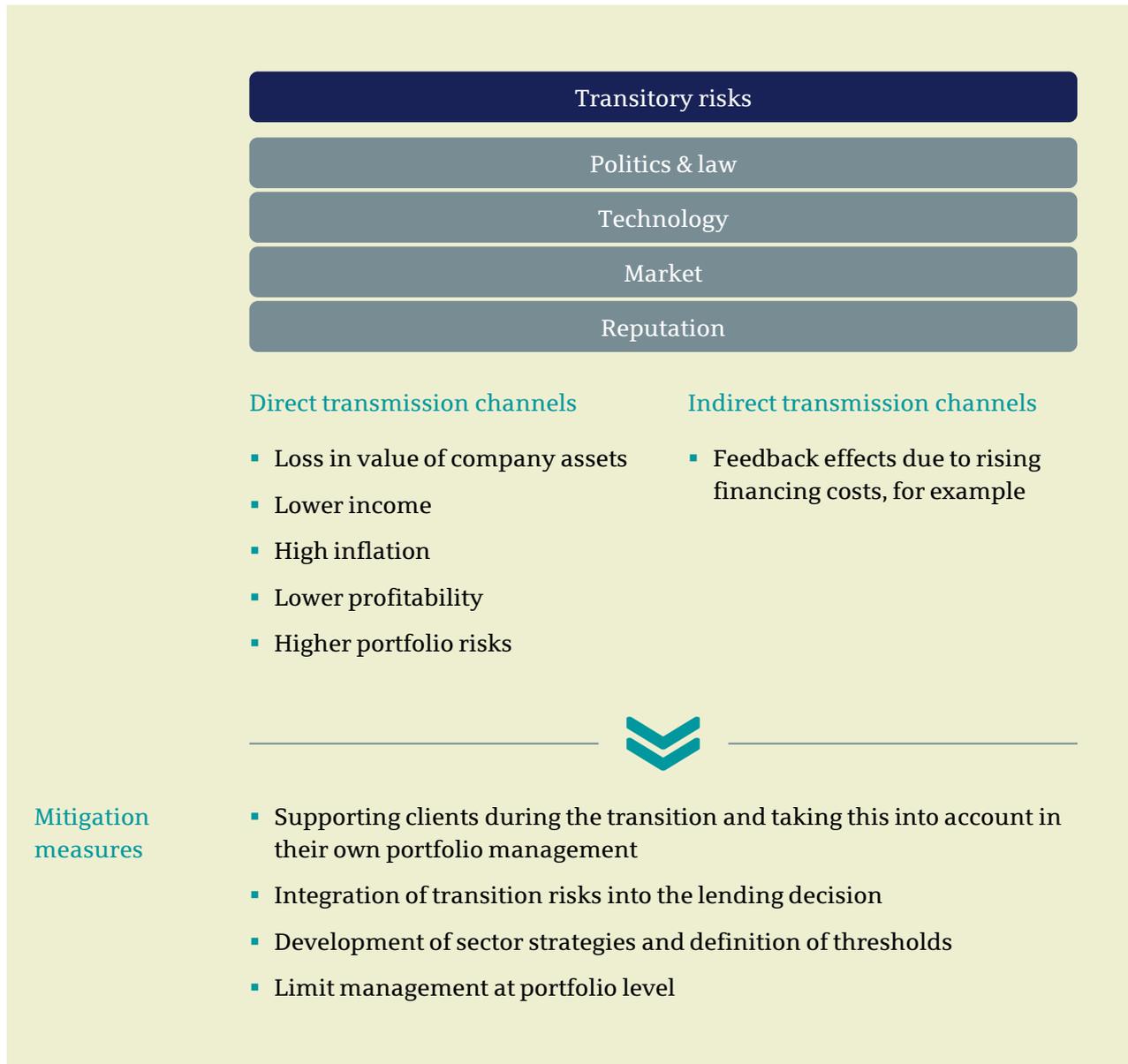
// **Physical risks** are the risks of negative financial effects on the institution resulting from the current or future impact of the physical effects of environmental factors (e.g. climate change). Physical risks exist in NORD/LB's portfolio in the agricultural sector, for example, as a result of successive dry periods.





// **Transition risks** are the risks of negative financial impacts on the institution resulting from the current or future effects of the transition to an environmentally sustainable economy (e.g. technological changes).

Transitory risks relate to sectors such as agriculture, non-renewable energies (rising CO<sub>2</sub> prices), real estate, aviation, food and automotive (shift from combustion engines to e-mobility).



## // Classification and integration into the risk management process

The NORD/LB Group's understanding of ESG risks comprises events or conditions in the areas of climate/environment, social affairs or governance, the occurrence of which could have an actual or potential significant negative impact on the net assets, financial position and results of operations as well as on the reputation of the bank.

NORD/LB carries out regular reporting in which ESG risks are taken into account as part of risk identification, among other things. Drivers in the areas of climate/environment (broken down into physical and transitory risks), social and governance are evaluated in terms of their relevance and impact over various time horizons (short/medium and long-term) and included in the materiality assessment of the relevant risk types.

## // ESG risk management at portfolio level

NORD/LB uses various instruments to manage climate and environmental risks at portfolio level, which are based, among other things, on a classification of sectors with regard to their climate and environmental risks. To this end, NORD/LB has introduced an annual screening of the respective sector exposures in order to identify certain sectors as high-risk sectors. The categorisation is based on the aggregated exposure of borrowers, scientific findings on the impact of physical climate and environmental risks and the weighted Scope 1 and 2 CO<sub>2</sub>e intensities.



## Social – NORD/LB's social responsibility

Social factors are social issues that can have a positive or negative impact on the financial performance or solvency of a company, state or individual. They relate to the rights, welfare and interests of people and communities.

NORD/LB fulfils its social responsibility as part of its corporate activities. The following key topics provide an insight into NORD/LB's commitment:

- // Human rights
- // Code of Conduct
- // Diversity management
- // Sustainable personnel management
- // Company health management
- // Occupational safety
- // Leadership principles
- // Social commitment



# Social – NORD/LB's social responsibility

## // Human rights

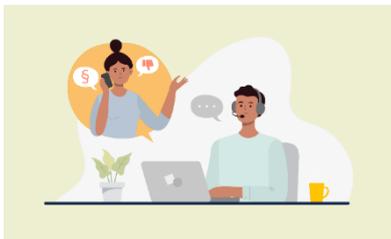


NORD/LB is committed to human rights and to avoiding any kind of human rights risks and undertakes to prevent or mitigate adverse impacts on human rights caused by or associated with its business activities and services and to address adverse impacts if and when they occur. NORD/LB expressly supports the UN Guiding Principles "Protect, Respect and Remedy".

In addition to the UN Global Compact, NORD/LB includes the following international standards in its internal guidelines on dealing with human rights:

- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- ILO core labour standards

## // Code of Conduct



To ensure the ethics, integrity, legally compliant behaviour and professional conduct in the fight against corruption (bribery, corruptibility or acceptance/granting of advantages) of its employees, the Managing Board of NORD/LB sets out binding principles of conduct in a Code of Conduct. The Code of Conduct forms the framework for ethical, value-conscious and fair behaviour and is binding for all members of the Managing Board and employees.

## // Diversity management



In the context of global ecological, social and economic transformation, diversity is of central importance for sustainable and value-orientated corporate management. NORD/LB sees the various dimensions of diversity as a source of innovation and creativity, which have a significant influence on the competitiveness and future viability of the bank.

In addition to the explicit recognition of international standards such as the Diversity Charter or the Principles for Responsible Banking, laws (e.g. General Equal Treatment Act), regulatory requirements (in particular EBA guidelines for assessing the suitability of members of the management body and holders of key functions) and internal guidelines such as the Code of Conduct form the guidelines for diversity management at NORD/LB.

## // Sustainable personnel management



A forward-looking organisation of personnel instruments geared to the needs of employees aims to attract junior staff to NORD/LB at an early stage and to motivate and retain employees in a targeted manner. With regard to equal opportunities, NORD/LB aims to ensure fair and transparent remuneration and non-discriminatory development opportunities.

## // Company health management (BGM)



Maintaining the health and ability to work of all employees through qualitative health management is an essential part of the management approach to HR work at NORD/LB in Germany. BGM supplements the legally prescribed occupational health and safety by helping to shape health-promoting working conditions, sensitised management behaviour and other health resources in order to firmly anchor these in the bank's structures. Targeted improvement of working conditions and work organisation can improve employees' personal health behaviour and solve or reduce health problems.

NORD/LB has also stabilised its preventative and individual health promotion offers. These basic offers include: annual flu vaccinations, time out for exercise, relaxation lunch breaks, health seminars organised by the company medical service, company sports and cooperation with fitness clubs in the region support offers from an external provider for balancing work and private life.

## // Occupational safety



Methodically organised occupational health and safety is one of the most important factors in our company and therefore part of our everyday office life. This is because the bank bears responsibility for its employees and is particularly responsible for their well-being. The Managing Board, managers and the relevant health and safety officers are required by law to take appropriate measures to protect all employees from accidents and other health hazards while at work.

## // Leadership principles



Clear guidelines for management and cooperation are crucial for NORD/LB's joint success. The management principles describe the expectations of good management work that the bank has of itself and of all managers.

### Customer orientation

- For me, the needs of our customers take centre stage!

### Taking responsibility

- I am responsible for our success!

### Realisation strength

- I consistently lead my tasks to success!

### Strategic action

- Ich secure the future of NORD/LB!

### Co-operation

- Together we are strong!

## // Social commitment



It is important to the Bank to assume responsibility where commitment is needed for socially relevant projects. It provides support through financial donations as well as the voluntary commitment of its employees. NORD/LB exclusively supports scientific projects at universities and educational projects at schools, social projects, commitment to promoting environmental and climate protection and voluntary work by NORD/LB employees. In addition, the NORD/LB Cultural Foundation was established in 2012 with the purpose of promoting art and culture where NORD/LB does business. Since then, the foundation has supported over 300 cultural projects in the fields of visual and performing arts, music and literature with a volume of € 4.5 million.

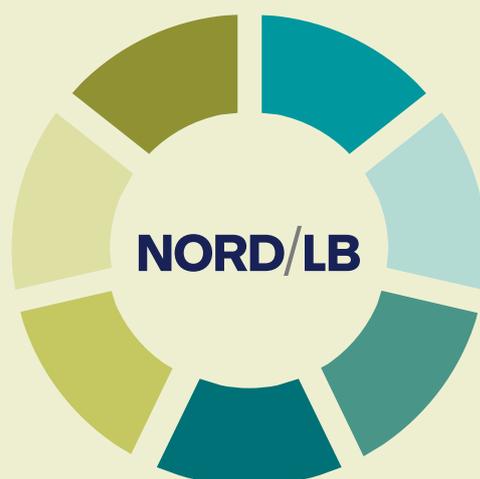


# Governance – Framework for promoting sustainability

The NORD/LB Group understands governance to mean sustainable and proper corporate management that goes beyond legal requirements and embodies the values of integrity and transparency. As part of this, measures are to be taken to embed sustainability initiatives and combat corruption and bribery in a company's business model in order to prevent such implications. Overall responsibility for embedding ESG in the bank lies with the Executive Board. For operational implementation, the entire Managing Board is supported in its tasks by NORD/LB's ESG Expertise Centres.

The ESG governance model comprises seven dimensions for anchoring ESG within the bank organisation :

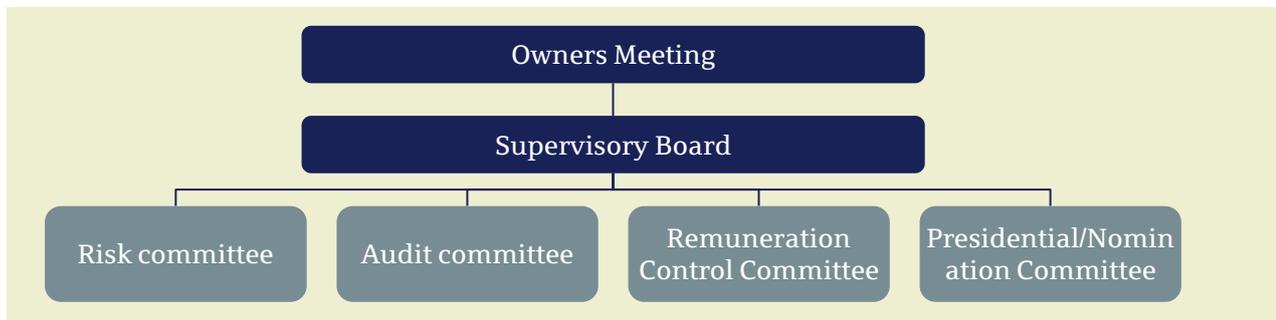
- // Governance: Management by the Supervisory Board
- // Governance: Responsibilities at Managing Board level
- // Governance: Responsibilities at divisional level
- // Governance: Embedding in steering committees, escalation channels
- // Operative realisation: Design of the centres of expertise
- // Operative realisation: Development and internalisation of skill sets
- // Operative realisation: Interfaces and co-ordination



## // Supervisory Board



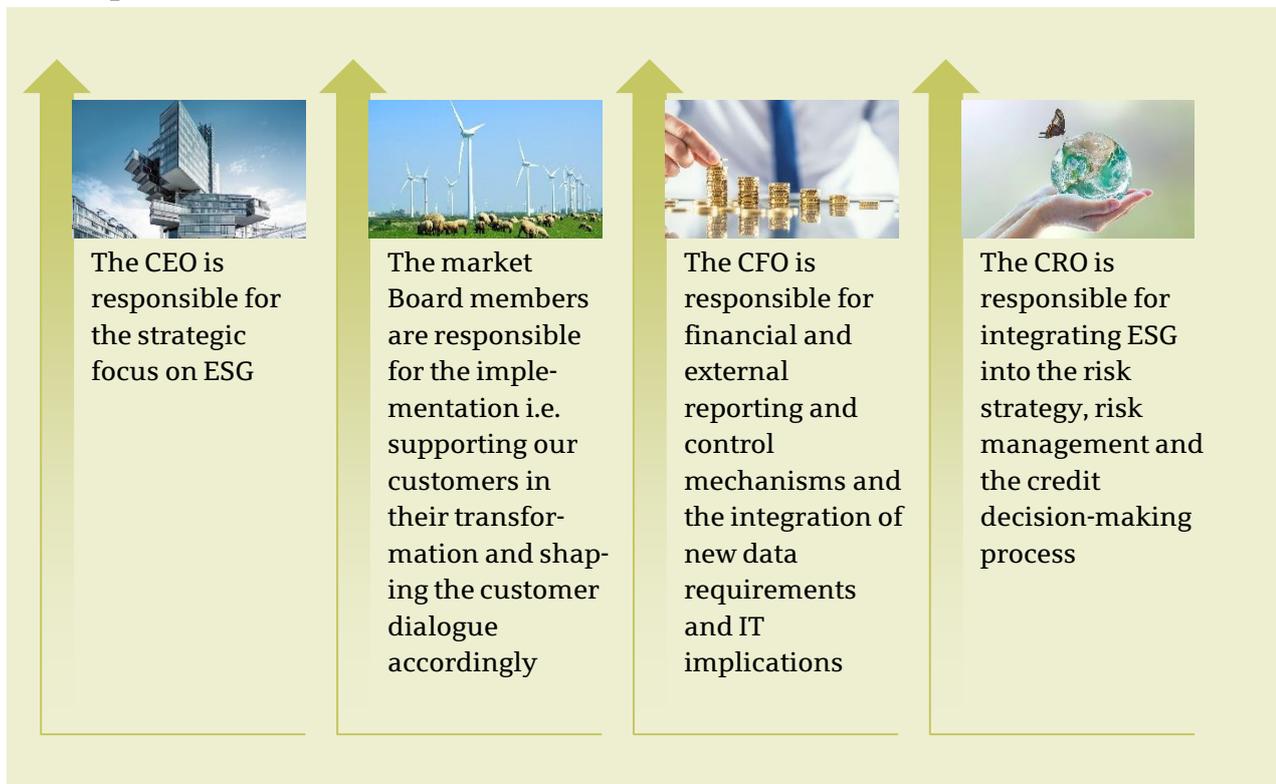
Als übergreifendes Aufsichtsgremium fungiert der Aufsichtsrat, der die Umsetzung von ESG Themen in der Bank überwachen und in die Leistungsbeurteilung des Vorstandes mit einfließen lassen wird. ESG wird zu einem stetigen Schulungsangebot für den Aufsichtsrat und zu einem wiederkehrenden Tagesordnungspunkt für ausgewählte Organe.



## // Responsibilities at Managing Board level



The entire Management Board bears overall responsibility for embedding ESG in the bank and receives regular training in this area. In addition, individual members of the Management Board have individual topic responsibilities that are tailored to the departments and areas for which they are responsible:



## // Responsibilities at divisional level



It is the responsibility of all division heads to embed ESG aspects in their divisions. The interface areas to ESG are of particular importance in the development and management of ESG aspects. For this reason, NORD/LB organises special training courses for divisional managers in order to embed ESG expertise across all levels.

## // Embedding in steering committees



ESG governance and ESG escalation channels up to the Managing Board are covered by the existing committees. In this context, the Sustainability Board was established in 2021, which is made up of managers and experts from the NORD/LB Group across all departments. The task of the Sustainability Board is to network and exchange information between the individual specialist areas for the ongoing integration of sustainability into the NORD/LB Group and the development and coordination of cross-divisional measures.

## // Design of the centres of expertise



The centres of expertise take on a strategic and driving role, while the market divisions intensively build up expertise to develop ESG experts who are responsible for ESG product development and ESG initiatives such as customer dialogue and internal training. For operational implementation, the majority of ESG initiatives have been bundled in three centres of expertise: E1 ESG Management, E2 ESG Risk Centre incl. CO<sub>2</sub> Accounting. and E3 EU Taxonomy & Disclosure.

## // Skill sets



As the topic of sustainability has played an important role in individual areas of the bank for several years, the ESG Academy was developed, which includes mandatory training for all NORD/LB employees. As part of the ESG Academy, all employees learn about the importance of ESG in general and for NORD/LB in particular. The ESG training courses address new requirements and impart knowledge in order to provide employees with the best possible support in their tasks.

## // Interfaces and co-ordination



The main responsibility for ESG interface topics will lie with one department in each case. This will define which process steps are carried out in other specialist areas. The specialist departments and centres of expertise share responsibility for operational implementation and product development and are in close contact with each other.



# Sustainable strategic alignment of NORD/LB as a bank of the energy transition

With more than roughly 60 GW of co-financed capacity in renewable energy - wind, solar, battery storage - we are one of the leading financiers of renewable energies. In the social sector, we finance education, social housing, hospitals and public transport. We have also established ourselves on the market as a renowned issuer of green bonds.

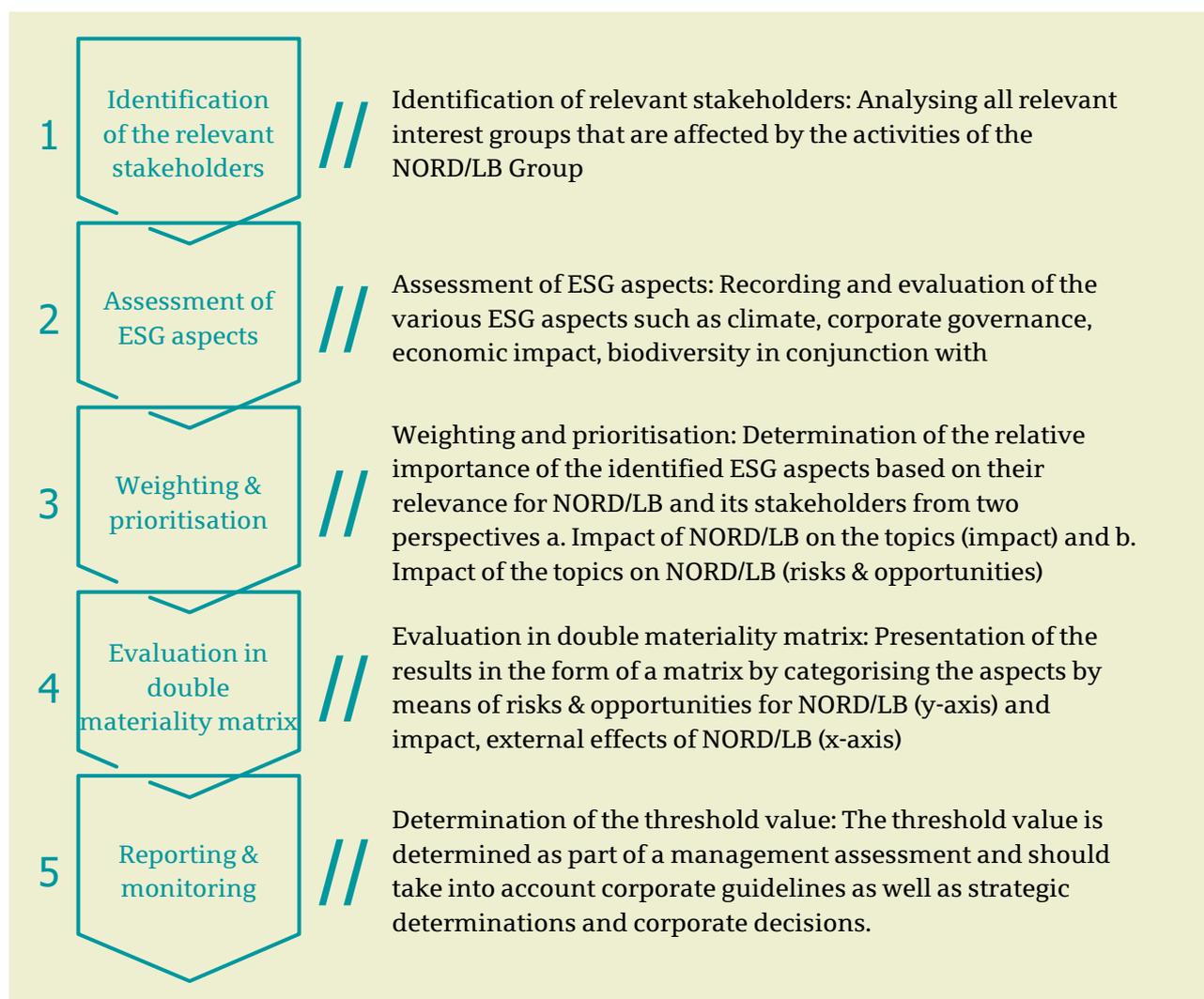
The NORD/LB Group has defined the following strategic goals as the "Bank of the Energy Transition":

- The Bank intends to make a positive contribution to the promotion of ESG relevant topics.
- In selected business areas, the Bank aims to achieve a leading position in the market for the financing of renewable energy and infrastructure projects as well as commercial real estate financing.
- Taking into account the regulatory requirements, ESG risks are managed efficiently and proactively and reported transparently.

# Materiality analysis

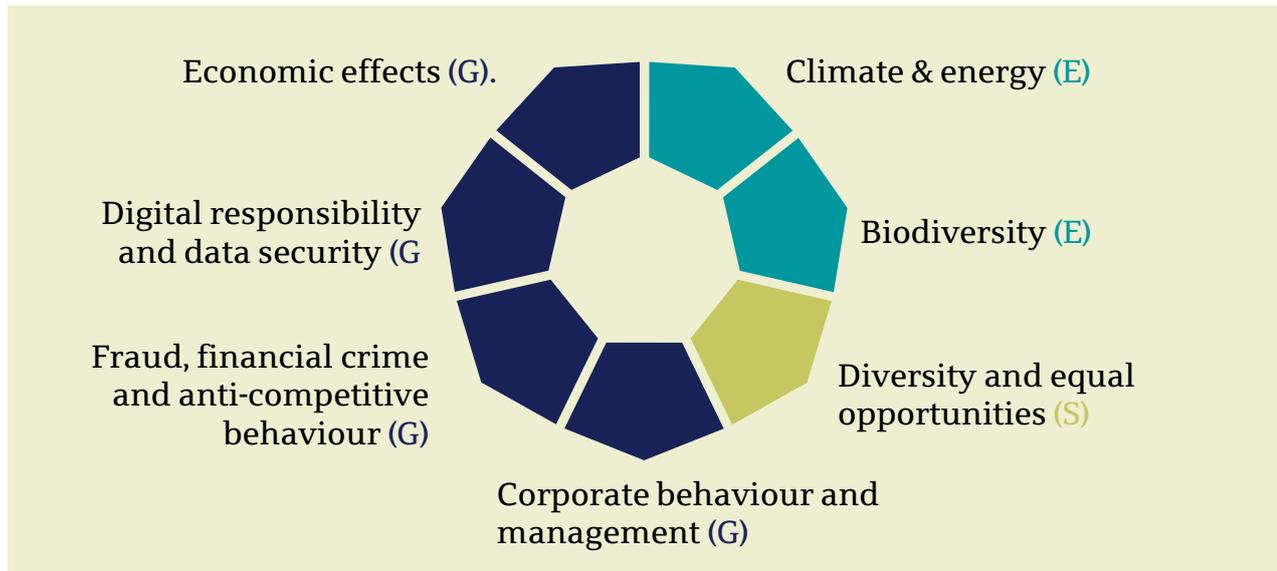
In view of the growing importance of sustainability issues for the business activities of all companies, it is important for NORD/LB to understand the impact of its business activities on the environment, social issues and governance. As part of the materiality analysis, the ESG aspects that are relevant to the bank's business activities are identified by means of a comprehensive assessment of internal and external stakeholders, industry trends, regulatory requirements and risk analyses. In addition, corporate guidelines and objectives are taken into account in order to determine the scope of the materiality analysis.

NORD/LB's materiality analysis was carried out according to the following concept:



Reporting and monitoring takes place by regularly analysing and updating the key ESG aspects as part of the annual strategy process.

The following seven topics were classified as material or significant as key findings from the 2023 materiality analysis:



The identified topics were categorised under the strategic pillars of environment, society and governance and ambitions were defined on this basis.

**Vision: Sustainable banking business along the value chain**

 <p><b>Environment</b></p> <p>We purposefully reduce the impact on the environment along our entire value chain by taking climate and resource-related aspects into account throughout the entire service cycle</p> <ul style="list-style-type: none"> <li>▪ Climate and energy</li> <li>▪ Biodiversity</li> </ul>	 <p><b>Social</b></p> <p>We endeavour to create an attractive and motivating working environment, both in our own operations and along the value chain, in which employees can fully develop their potential.</p> <ul style="list-style-type: none"> <li>▪ Diversity and equal opportunities</li> </ul>	 <p><b>Governance</b></p> <p>Together with our business partners, we always act in accordance with ethical values and principles to protect the environment and society.</p> <ul style="list-style-type: none"> <li>▪ Corporate behaviour and management</li> <li>▪ Fraud, financial crime and anti-competitive behaviour</li> <li>▪ Economic effects</li> <li>▪ Digital responsibility and data security</li> </ul>
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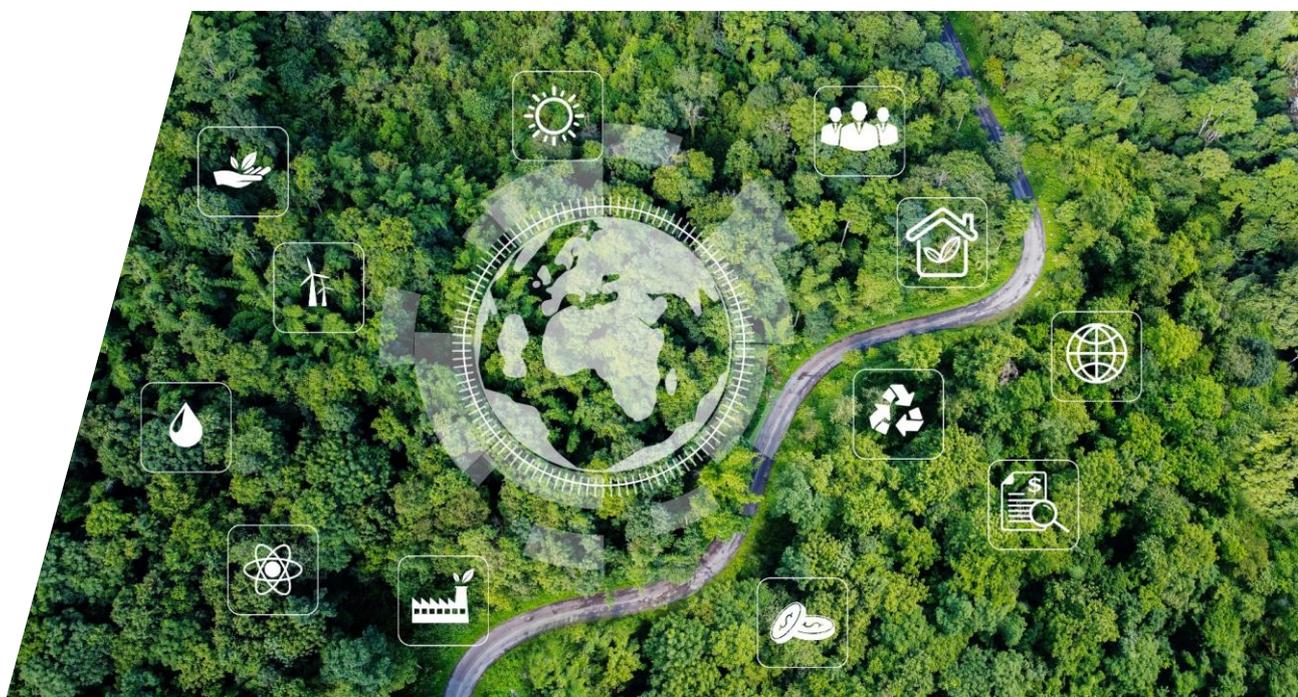
# Sustainable strategic alignment of the NORD/LB Group

Analysis of industrial sectors and business areas / own CO<sub>2</sub> emissions

## // Business segment strategies with a focus on sustainability

In the strategic business segments such as Corporate Customers & Savings Banks Network, Real Estate Customers and Structured Finance or functions such as Treasury, NORD/LB would like to offer customers ESG products (active and passive) in order to provide customers with the best possible support during the transformation. NORD/LB will also take ESG criteria such as conditions and reasons for exclusion into account when making new business decisions and refinancing, thereby supporting customers in their transformation.

Under the Deutsche Hypo brand, NORD/LB's commercial real estate financing covers the entire green value chain - in particular through financing by means of green loans. Through environmentally sustainable funding, the bank enables investments in sustainable financial instruments.



## // Development of transition pathways for sector decarbonisation

NORD/LB endeavours to reduce CO<sub>2</sub> emissions in the loan portfolio financed by the Bank. In order to reduce the volume of CO<sub>2</sub> emissions financed by the Bank, it successively analyses individual economic sectors and develops sector-related strategies. The instrument of sector strategies is used to define the conditions under which the bank primarily wants to reduce the financed greenhouse gas emissions in CO<sub>2</sub> to zero for the corresponding loan sub-portfolio. To this end, it focusses on the relevant sector in various dimensions.

The NORD/LB Group develops sector-specific decarbonisation paths for the emission-intensive sectors in its financing portfolio. In doing so, it is guided by the Net-Zero-2050 climate pathways of the International Energy Agency (IEA - reference pathway). NORD/LB uses its own sector-specific target definitions to show which measures should be used to achieve the target of zero greenhouse gas emissions in the credit sub-portfolio for an economic sector. In this way, NORD/LB wants to make its contribution to conformity with the 1.5 degree target of the Paris Climate Agreement and put itself in a position to channel financing funds specifically into sustainable financing activities and reduced CO<sub>2</sub> emissions.

In 2023, the Bank was able to reduce its own CO<sub>2</sub> emissions (scope 1-3) by 3.3 per cent to 5,503 tonnes.

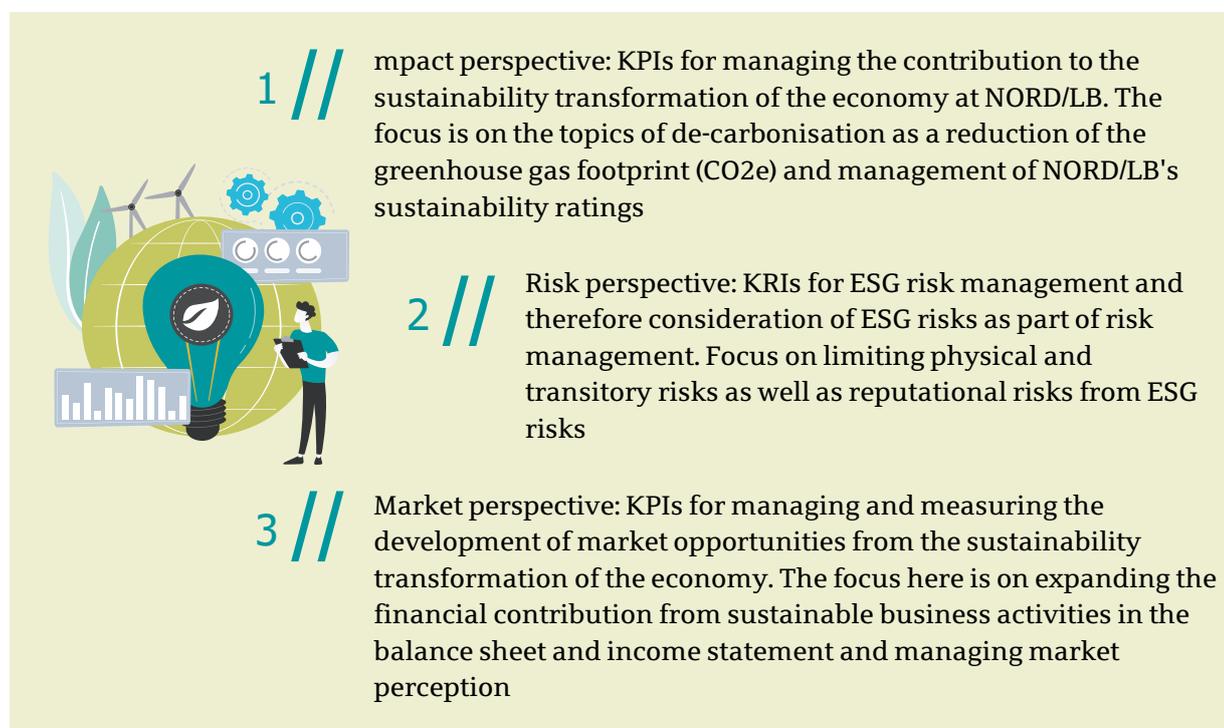


# ESG controlling

The Bank's internal sustainability management report is used to ensure transparency regarding the Bank's ESG development and the actual/target comparison. The identification of deviations from targets and the taking and monitoring of appropriate countermeasures (including escalation mechanisms) is regulated and instructed in the corresponding written regulations.

In 2022, various ESG key figures (key performance indicators (KPIs) and key risk indicators (KRIs)) were defined for this purpose, which will be collected from 2023 onwards. Internal sustainability management reporting will be created to determine these ESG indicators (KPIs/KRIs), which will also be based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This initially serves to create transparency and is currently being expanded into a management tool for the Executive Board by defining target and threshold values.

Internal sustainability management reporting comprises three management perspectives:



In the future, further ESG KPIs / KRIs will also be included against the background of increasing relevance and data availability (e.g. with reference to the EU taxonomy). The focus of internal sustainability management reporting is currently on the "E" factor in accordance with the current regulatory focus; in future, an expansion to include "S" and "G" factors is planned.

# Memberships and obligations

The Bank follows a number of aspects such as the Paris Climate Agreement or the United Nations Sustainable Development Goals (SDG).

The NORD/LB Group has communicated the following next steps:

## // Climate neutrality



By signing the German financial sector's voluntary commitment to climate neutrality, we have committed ourselves to achieving a climate-neutral portfolio well before the required date of 2050. We will actively support our clients in the transition to a climate-neutral economy, as we have a strong starting position in key transition sectors such as energy, property and agriculture

## // Organisation and culture



We have integrated ESG components into the target agreements of the Managing Board and leading employees. In addition to environmental issues, the social and governance components are also set to become significantly more important

## // Reporting



We will successively integrate the recommendations of the Task Force for Climate-related Disclosures (TCFD) on climate-related reporting and the Principles for Responsible Banking progress report into our external reports

## // Memberships



## // Recognising values and principles



## // Application of reporting standards to create transparency



## // Application of standards in business



# Sustainable financing: EU taxonomy and internal transaction exclusions

## General business exclusions

NORD/LB excludes cooperation with companies and institutions that are known to disregard fundamental human rights. NORD/LB understands this to mean morally justified, individual rights to freedom and autonomy, to which every person is equally entitled simply by virtue of being human. With reference to the UN Global Compact, NORD/LB also excludes activities and transactions with a significant negative impact on the environment as part of its business activities.

## General exclusions of certain business relationships

Die NORD/LB unterhält keine Geschäftsbeziehungen zu Unternehmen, die Pornografie produzieren und mit Pornografie handeln sowie zu Unternehmen, die diesem Sektor nahestehen. Außerdem unterhält die NORD/LB wissentlich keine Geschäftsbeziehungen mit Unternehmen, die an der Herstellung, dem Handel, dem Transport, der Lagerung oder Reparatur einschlägiger Rüstungsgüter beteiligt sind – unabhängig vom Umfang dieser Beteiligung. Die NORD/LB begleitet keine Geschäfte, welche die Bereiche Schiffabwrackung, Atomkraftwerke, Kohlekraftwerke, Wasserkraftwerke und Staudämme oder Online-Glücksspiel abdecken.

## Regulations for project financing

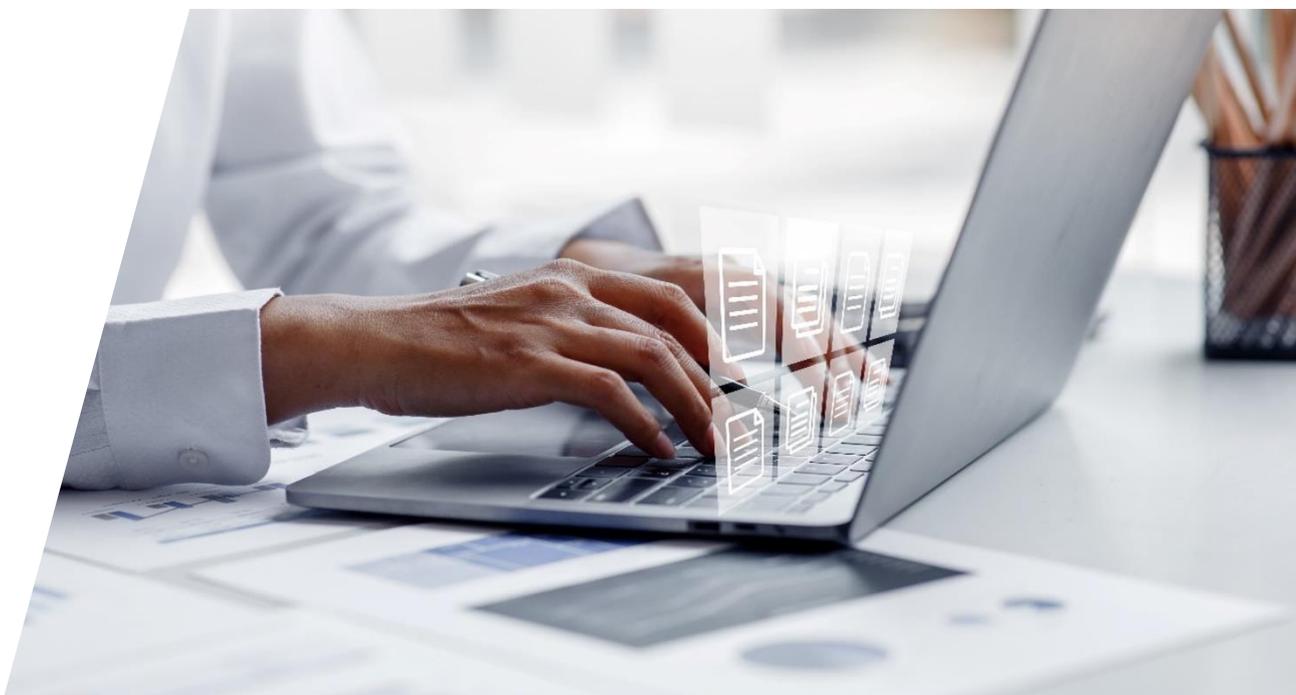
NORD/LB's project finance business is generally focused on high-income OECD countries - and therefore on countries with their own high ESG standards. NORD/LB can, at its own discretion, dispense with its own separate ESG assessment for all project finance and export finance that is state-supported by ECA cover for OECD countries because the ECAs use the OECD's Common Approaches as the basis for their environmental assessment of environmental and social issues and their destinations before making a decision on state cover for exports of capital goods and/or services.

## General industry-specific regulations for business activities

For certain business relationships, NORD/LB expects its customers to comply with certain minimum ESG standards. These regulations cover business relationships in the sectors of agriculture, mining, metals, oil and gas, fishing and fish farming, aircraft financing, gambling, timber management and processing, paper production, real estate, palm oil, armaments and hydropower. In addition, sector-specific regulations must be observed for business activities in non-high-income OECD countries in the agriculture, mining, metals, oil and gas, fishing and farming, timber and wood processing and paper manufacturing sectors.

## Further links on the topic of ESG on the NORD/LB website

- // Sustainability reports, SDGs  
<https://www.nordlb.com/nordlb/sustainability>
  
- // NORD/LB's sustainability ratings  
<https://www.nordlb.com/nordlb/investor-relations/rating>
  
- // ESG memberships  
[https://www.nordlb.com/fileadmin/redaktion/Nachhaltigkeit/pdf/NORDLB\\_membership\\_commitments\\_en.pdf](https://www.nordlb.com/fileadmin/redaktion/Nachhaltigkeit/pdf/NORDLB_membership_commitments_en.pdf)
  
- // ESG policy documents (e.g. Code of Conduct, LkSG Policy Statement, Diversity Policy)  
<https://www.nordlb.com/nordlb/sustainability>
  
- // Green Bond Reporting, Green Bond Framework  
<https://www.nordlb.de/die-nordlb/nachhaltigkeit/green-banking>



# Contact

## Gender-sensitive language

NORD/LB is committed to diversity and tolerance. This should also be expressed in the language we use. Wherever possible, we therefore refrain from using the generic masculine, which "includes" other genders. Instead, we prefer to use neutral formulations or dual designations. If this is not possible in individual places, we would like to point out that the relevant formulations expressly include all genders.

### *Tobias Zehnter*

Head of ESG/ Corporate  
Development

[tobias.zehnter@nordlb.de](mailto:tobias.zehnter@nordlb.de)

Mobil: +49 1520 8878879



### *NORD/LB ESG Team*

[nachhaltigkeit@nordlb.de](mailto:nachhaltigkeit@nordlb.de)

NORD/LB

Norddeutsche Landesbank - Girozentrale -  
ESG Management

Friedrichswall 10  
30159 Hannover

nachhaltigkeit@nordlb.de

[www.nordlb.de/www.nordlb.com](http://www.nordlb.de/www.nordlb.com)