



Volksbanken Raiffeisenbanken  
cooperative financial network

# Position Paper Climate and Environment **DZ BANK Group**

 **DZ BANK Group**

# Contents

1. General principle
2. Climate strategy of the DZ BANK Group
3. Sustainable products, services and solutions of the DZ BANK Group
4. Climate and environmental risk within the DZ BANK Group
5. Group-specific climate and environmental activities

---

# 1. General principle

Climate change and its impact on the economy and society are among the greatest global challenges. Because the financial industry is a central pillar of the economy and has a direct influence on strategic business decisions, it is seen as playing a significant role in limiting global warming. As a globally active financial services organisation, the DZ BANK Group<sup>1</sup> therefore sees itself as having a responsibility to proactively support and help shape the shift towards a climate-neutral economy. After all, the DZ BANK Group's cooperative tradition means that it not only has a mandate to contribute to the well-being of society but also to specifically address global problems such as climate change. The DZ BANK Group is aware of its key role and aims to harmonize both economic and social objectives with ecological goals and, to this end, actively support the transformation of the real economy.

Sustainability is also of great importance to the companies of the DZ BANK Group in their own operations. The companies of the DZ BANK Group have been working for many years to reduce their environmental footprint, setting themselves common goals in the process. The Group-wide climate strategy envisages climate-neutral operations by 2045 at the latest.

The DZ BANK Group has a comprehensive range of financial products and services offered by the cooperative financial network, which comprises various business models within a single group. The Group companies therefore set different ESG priorities depending on their business content. This document is intended to create transparency on existing climate and environmental issues and activities relevant throughout the Group, while highlighting the positioning of the DZ BANK Group as an overall corporate group.

<sup>1</sup> The DZ BANK Group includes Bausparkasse Schwäbisch Hall, DZ BANK AG, DZ HYP, DZ PRIVATBANK, R+V Versicherung, TeamBank, Union Investment and VR Smart Finanz.

---

## 2. Climate strategy of the DZ BANK Group

### Core business

As a result of its commitment to the United Nations Global Compact and its cooperative system of values, it is a matter of course for the DZ BANK Group to make a contribution to limiting climate change and to adopt a strategic approach for this purpose<sup>2</sup>. With the strategic sustainability initiative Verbund First 4.0, including the umbrella program Advancing Sustainability at DZ BANK AG and the Sustainability as an area of potential at cooperate level, the DZ BANK Group aims to put itself an ideal position for the transformation. In addition to meeting regulatory sustainability requirements, strategic objectives primarily include creating transparency as a strategic starting point for future sustainability initiatives and improving the coordination of group-wide sustainability activities.

The DZ BANK Group aims to optimally implement the task of transforming towards a sustainable economy, also in order to secure the Group's viability and remain economically profitable. To this end, the DZ BANK Group has organized the topic of sustainability in its Group Sustainability Committee (GSC) at the highest management level. As the central Group body for sustainability, the GSC reports to the highest steering and coordination body, the Group Coordination Committee.

In addition, the DZ BANK Group's climate strategy also includes an ongoing commitment to promoting sustainability in relevant networks such as the Green and Sustainable Finance Cluster, the Institutional Investor Group on Climate Change, and the Net Zero Asset Managers Initiative.

### Operations

The DZ BANK Group also supports the German government's plan and the Paris climate agreement at the operational level, in addition to strategic initiatives at the business level. It has therefore committed to a group-wide climate strategy that stipulates climate neutrality in its own operations by 2045 at the latest as a minimum target. In addition to current energy efficiency measures (e.g., efficient building technology, resource and waste management) and raising employee awareness on sustainability issues in business operations, the main focus over the next few years will be on reducing the carbon footprint of business trips and in the vehicle fleet. The Group companies coordinate the measures required to implement this climate strategy in the center of excellence for the environment.

<sup>2</sup> Signatories of the United Nations Global Compact include Bausparkasse Schwäbisch Hall, DZ BANK AG, DZ HYP, DZ PRIVATBANK S.A., R+V Versicherung, TeamBank, Union Investment, and VR Smart Finanz.

---

## 3. Sustainable products, services and solutions of the DZ BANK Group

### Bank

Through its companies, the DZ BANK Group offers numerous financial products that consider environmental, social, and ethical criteria and support corporate transformation efforts with regard to sustainability. In the traditional lending business, these include green loans, social loans, sustainability-linked loans, and conventional credit products such as project and corporate finance. In the capital markets and proprietary investment activities, the DZ BANK Group's Debt and Equity Capital Markets unit offers products and services such as the structuring and placement of green certificates, for example green bonds, social bonds, green Pfandbriefe, and sustainability-linked bonds. DZ BANK AG has been active in the market segment for sustainable bonds since 2013 and is one of the leading European syndicate banks in this field. Since 2018, DZ BANK AG has also been issuing its own green bonds, which are structured in accordance with the principles of the International Capital Market Association (ICMA).

The DZ BANK Group also sells sustainable products and services in the real estate business, for example impact loans for passive houses, issue-linked loans, and financing to promote sustainable buildings, modernization projects, and photovoltaic systems. With its core business areas of home savings and construction financing, as well as complementary services, Bausparkasse Schwäbisch Hall is promoting the transformation in the residential building sector toward a CO<sub>2</sub> neutral building stock. Two pension and financing products specifically geared to energy modernization are available in the form of FuchsEco and FuchsKonstant Energie. The existing range of consultation services is also being expanded by certifying modernization and subsidy consultants in the company's own field sales force.

In addition to the sustainability-related products in the individual business segments, the DZ BANK Group also offers overarching sustainability advisory services (ESG Advisory, Sustainable Finance Advisory) as well as ESG scoring and data tools (including sustainability classifications for cooperative banks, data service for classification profiles, ESG ratings). For example, DZ BANK AG has developed a scoring model to consider and evaluate ESG aspects as well as the economic performance (E) of companies. This EESG score is made available directly in the proprietary investment platform (EGon) for the sustainability rating of individual issuers.

---

## Asset management

DZ PRIVATBANK, R+V Versicherung (with its investments) and, above all, Union Investment are responsible for managing investments within the DZ BANK Group. Union Investment is one of Germany's largest providers of sustainable investments and offers a wide range of fund and mandate solutions that are managed in compliance with sustainability requirements. The product range for private investors thus covers all customers' sustainability preferences, adheres to clear standards, and is being successively expanded in line with demand. Union Investment also offers a sustainable investment strategy in several asset classes via retail funds tailored specifically to the needs of institutional investors. Union Investment also designs sustainable special investment funds and mandates for institutional investors. In consultation with investors, sustainable portfolios that exceed Union's own sustainability criteria can be supplemented to meet the individual requirements of institutional investors. These are discussed in each case during fund design and include additional individual filter components or, for example, SDG score control.

### ESG integration

ESG aspects are integrated into the investment processes of the DZ BANK Group. For example, Union Investment has anchored sustainability aspects in all stages of the investment process and can help influence the long-term value of companies. While the integration of ESG aspects into investment decisions is ultimately done by portfolio managers or analysts, the fundamentals and analytical tools are provided by a separate ESG unit. The ESG team manages sustainability research and is responsible for the provision and further development of the proprietary research platform SIRIS (Sustainable Investment Research Information System) and the analytical tools and metrics available through SIRIS. The model links ESG data with active sustainability research and therefore enables targeted analysis and management of ESG risks and opportunities. When acquiring and analysing a fund's assets, the principal adverse impact on sustainability factors is considered.

DZ PRIVATBANK is active in private banking and wealth management and specialises in individual solutions for wealthy people. Sustainability criteria can be considered in wealth management by setting different priorities depending on the strategy in question. Appropriate positive and negative criteria are anchored in the respective investment process. Thus, many ESG parameters are considered in the analysis process, while controversies and exclusion criteria can also be considered in the selection of securities depending on the product. In-house minimum standards address financially material risks (as well as frameworks such as the UN Global Compact) and are implemented for all mandates. Climate risks are considered in the wealth management process through exclusion filters on coal mining and coal-based power generation, among other things, for all mandates. A credible climate strategy through transformation in the energy sector must be ensured. To this end, DZ PRIVATBANK cooperates with recognised partners in ESG research. Customers have the option of setting individual priorities for the various ESG criteria. With the signing of the UN Principles for Responsible Investment in October 2021, DZ PRIVATBANK S.A. and DZ PRIVATBANK (Schweiz) AG have initiated corresponding processes.

## Engagement

As a responsible investor, Union Investment conducts regular dialogues with companies on relevant ESG issues and risks. This involves actively promoting a sustainable orientation for the companies in which Union Investment invests (transformation management). As deficit-driven sustainability activities can have a significant impact on a company's performance, for example through loss of reputation, earning risks, regulatory risks or lawsuit risks, the engagement process is an important, integral part of sustainable investing. The aim here—in addition to strengthening the sustainable footprint in the long term and thus also shareholder value—is above all to promote transformation efforts by the companies in which investments are made. The progress of engagement activities is continuously evaluated and documented, for example through engagement reports, publications on websites and own engagement policies (including engagement policy of Union Investment).

## Proxy voting

As part of the Group-wide participation and voting policy, proxy voting is understood as the exertion of influence on the corporate management and business policy of stock corporations for the benefit of the investment assets concerned. The companies of the DZ BANK Group exercise their voting rights in the relevant bodies (annual general meeting, shareholders' meeting) either actively or with the help of voting advisors. In this context, the DZ BANK Group's influence also relates to environmental, social, and ethical issues to support the long-term positive development of the company's value, which is in line with shareholders' interests. This includes, among other things, influencing the composition, compensation, and discharge of the Board of Managing Directors and Supervisory Board, but also reviewing (and voting on) case-based shareholder proposals on, for example, improved reporting with regard to human resources management and labour standards, or on transparency with regard to the consideration of climate change. The DZ BANK Group uses various communication formats, such as the Voting Dashboard or Union Investment's Proxy Voting Policy, to create transparency about voting behaviour at general meetings.

---

## Insurance

R+V Versicherung is one of the largest insurers in Germany—the insurance business therefore represents a special line of business for the DZ BANK Group. R+V Versicherung sells the entire range of personal insurance (health and life insurance, including pension, endowment, and risk insurance) and non-life insurance (vehicle, liability, property, credit, accident, and legal expense insurance) and is increasingly infusing ecological considerations into its products. In addition, R+V Versicherung aims to be climate neutral in its capital investments (security assets) by 2050.

### **Fund-linked pension insurance**

The DZ BANK Group offers fund-linked pension insurance policies through R+V Versicherung, where customers can choose between numerous sustainable funds as part of the investment process. In addition to economic decision-making criteria, ecological, social, and ethical aspects also play a role in these sustainable funds. For instance, investments in certain controversial industries are excluded (DZ BANK Group exclusion criteria) or specific “positive ESG criteria” (for example eco-efficiency, equality, and social standards) are considered in the investment decision. The offer of sustainable funds as part of fund-linked pension insurance applies to all layers of a private pension scheme (basic pension, Riester-pension and private pension, and company pension).

### **E-Mobility insurance solutions**

R+V Versicherung is one of the largest vehicle insurers in Germany and therefore plays an essential role in the e-mobility turnaround in road traffic. R+V Versicherung offers special insurance solutions for electric cars that provide extra benefits in addition to classic comprehensive or partial comprehensive insurance, such as insurance for mobile chargers or cables, free towing service if the battery is flat, or coverage for the costs of disposing of vehicle batteries. R+V Versicherung also offers insurance for car-sharing users, for example, by covering the deductible in the event of an accident with a car-sharing car.

### **Environmental liability and environmental impairment insurance**

R+V Versicherung offers environmental liability and environmental impairment insurance as well as insurance against natural disasters and advice on risk prevention in these areas aimed at covering environmental and climate-related risks. In this way, too, the DZ BANK Group is making an important contribution to environmental sustainability.

### **Renewable energy competence center**

R+V Versicherung stands out in particular for insurance products that accompany the energy transition. It is one of the major insurers of renewable energy plants in Germany. To be able to provide tailored solutions, R+V Versicherung has therefore established a center of excellence for renewable energies, a nationwide network of corporate customer advisors and key account managers. R+V Versicherung’s insurance products in this area can essentially be categorized into standardized bundled products for small and medium-sized plants and individual rates for large-scale projects. The products cover all major risks over the entire life cycle of the plants. Covered are, for example, technical risks, liability risks, loss of earnings, unnamed or legal risks.

---

## 4. Climate and environmental risk within the DZ BANK Group

Ongoing climate change poses an increasing challenge to the global economy. In response, the DZ BANK Group has classified climate and environmental risks as material risk factors and implemented appropriate structures to identify corresponding risks at an early stage, assess their financial impact<sup>3</sup>, and implement measures to avoid or mitigate the risks. In this context, climate change entails two categories of risk for the DZ BANK Group in the medium to long term: physical and transition risks. Physical risks describe risks arising from an increased occurrence of natural disasters, extreme weather events, or ecosystem pollution, resource scarcity, and biodiversity loss. Transition risks arise, among other things, from changes in consumer behaviour or from legislative initiatives associated with sustainability, such as Carbon Contracts for Difference (CCfD). Sustainability risks (ESG risks) are events or conditions in the areas of climate and environment, social affairs or corporate governance, the occurrence of which may have actual or potential negative effects on the net assets, financial position, results of operations and liquidity, as well as on the reputation. In the DZ BANK Group, ESG risks are not regarded as a separate type of risk, but in accordance with the supervisory authorities (including ECB, BaFin) are considered to be drivers of the traditional financial and non-financial risk types. Sustainability risks can have both a direct impact on the DZ BANK Group and an indirect impact on all business relationships.

### Risk types

#### Physical risks

In the core business, physical risks for the DZ BANK Group are primarily reflected in the potential impact of natural disasters or extreme weather events, as well as long-term changes in climatic and environmental conditions, on issuers of securities, investment properties, financed companies, or the insurance portfolio, depending strongly on the financing, investment, or insurance object. Specifically, individual sectors (e.g., the agricultural sector) or companies may be more strongly affected by physical climate events and thus have a greater effect on credit, investment, or actuarial risks for the DZ BANK Group, for example. In the DZ BANK Group's lending business in particular, physical climate risks can impact credit risk by reducing the value of collateral deposited for the credit exposure due to extreme climate events. In addition, reputational risks for the DZ BANK Group may also arise from physical risk drivers. For example, the DZ BANK Group products, services, and/or customers with negative physical climate and environmental impacts may be associated with, among other things, pollution of the environmental system and thus pose a risk to the Group's reputation. Finally, physical climate risks can trigger operational risks in both the banking and insurance sectors due, for example, to the unavailability of buildings and data processing systems due to weather and environmental events.

<sup>3</sup> Sustainability tools currently being implemented and tested.

### Transition risks

Transitory climate and environmental risks for the DZ BANK Group result from climate policy and the adapting regulatory environment, changing consumer preferences, and new technologies. Exemplary regulatory changes include CO<sub>2</sub> pricing or energy transition policies (e.g., Renewable Energy Sources Act of Germany). Technological changes as climate and environmental risk drivers include energy-saving technologies, "green" energy sources, and alternative propulsion systems.

Business models of financed companies or investment properties may no longer be sustainable in the long term due to the aforementioned transition risk drivers or may come under severe pressure in the future and therefore also have an impact on the financial risk of the DZ BANK Group. The DZ BANK Group's risk of loss may increase if, as a result of transitory effects, the profitability of an investment property (particularly relevant for customers with the corresponding company in their fund portfolio) or a borrower (in the case of corporate finance and real estate finance) declines. In addition, transition risks can also have an impact on credit risk via a change in collateral valuation. In insurance and asset management, transition risks can manifest themselves primarily in the investment of capital. So-called stranded assets arise as a result of changing environmental conditions such as market developments or technological innovations. These changes affect the demand for certain assets and may therefore reduce their value and increase the depreciation risk in a DZ BANK Group lending transaction. Transition risk drivers can affect not only credit and investment risk but also reputational risk and operational risk. This is the case, for instance, with climate- and environment-driven legal risks (for example incorrect application/consideration of legal framework conditions).

---

## Measures to mitigate climate and environmental risks

The DZ BANK Group manages climate and environmental risks jointly and all times in line with the expectations of the European Central Bank (ECB) and the European Banking Authority (EBA) (e.g., sustainability-related disclosure requirements or expansion of risk management against the backdrop of the EU Action Plan) and, specifically for the insurance sector, in line with the expectations of the European Insurance and Occupational Pensions Authority (EIOPA) and the German Federal Financial Supervisory Authority (BaFin). The constant Group-wide exchange on risk management processes and the active consideration of climate and environmental risks is ensured by governance bodies of the DZ BANK Group, for example the Group Risk and Finance Committee. The GSC also provides support by addressing sustainability issues across the board. This brings together all relevant ESG issues at a group level, provides appropriate strategic impetus, creates transparency, and bundles synergies in sustainability activities.

With regard to sustainability-related risks resulting from its own business activities, various concepts are used within the DZ BANK Group in the lending, financing, investment, and insurance business with the aim of keeping potentially adverse sustainability impacts to a minimum. So-called outside-in climate and environmental risks, in other words, the impact of ESG challenges on the risk position of the DZ BANK Group, are implicitly integrated into the respective risk management processes as part of the ESG risks in the DZ BANK Group.

Great importance is attached to the early identification and communication of potential risks within the respective company and in the Group. The DZ BANK Group therefore monitors long-term developments and plans to use targeted internal climate stress tests to identify potential risks at an early stage and respond to them proactively, developing concrete measures to mitigate climate and environmental risks in its organisational and process structures.

In addition, the Group carries out a risk driver analysis at a group level, which covers a list of significant physical and transitory climate and environmental risk drivers as well as an assessment along the Group companies. In this way, concrete further development of a conceptual and methodological nature can be formulated for the full integrating of climate and environmental risks into the risk management processes of the Group companies.

In addition, intensive consideration and analysis of climate and environmentally relevant (emission-intensive) sectors is already taking place within DZ BANK AG—with plans for gradual expansion to the DZ BANK Group—for example, the automotive sector, the oil and gas sector, or the steel and cement sector. In this process, the financed emission intensities of the business customers from the respective sector are measured using a CO<sub>2</sub> accounting tool developed in-house. In this way, it is possible not only to analyse the current alignment of a sector portfolio with the Paris climate target but also to simulate the future transformation development of a sector by comparing it with a reference path (scenario decarbonisation path, for example limiting global warming to 1.5°C by 2045). In this context, concrete risk and business potentials can be identified. Creating transparency in this way currently provides DZ BANK AG and, in the future, the DZ BANK Group with a structured view of current and future risk and business potential and strengthens strategic group management in addition to group risk monitoring.

## 5. Group-specific climate and environmental activities

The DZBANK Group has a comprehensive range of financial products and services offered and thus combines various business models within a single group. The Group companies have therefore set different ESG priorities depending on their business model. The climate and environmental activities described in this document represent a group-wide standard. Further standards may exist or be determined for the respective Group company and its business model-specific activities. These are communicated directly by the respective Group companies.

## Imprint

### **DZ BANK AG**

Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main  
Platz der Republik  
60325 Frankfurt am Main

Postal address:  
60265 Frankfurt am Main

Telephone +49 69 7447- 01

Fax +49 69 7447-1685

mail@dzbank.de

www.dzbank.de

### **Board of Managing Directors:**

Uwe Fröhlich (Co-Chief Executive Officer)

Dr. Cornelius Riese (Co-Chief Executive Officer)

Souâd Benkredda

Uwe Berghaus

Dr. Christian Brauckmann

Ulrike Brouzi

Michael Speth

Thomas Ullrich