

Sustainability Practices at Landesbank Baden-Württemberg.

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01 Introduction

We live in a time of upheaval. Advancing digitalization, ecological challenges and considerable political turbulence demand agility and foresight at the same time. As a medium-sized universal bank, we want to actively contribute to positively shaping the future for the people and companies in our region. Thinking and acting sustainably is the foundation for achieving this and is firmly enshrined in our values.

This document provides a high-level view of the key sustainability practices at Landesbank Baden-Württemberg.

02 Management and review of sustainability aspects.

2.1 Sustainability at the LBBW Group

Our sustainability policy establishes the ground rules for all sustainability activities at the LBBW Group and underpins the integration of economic, environmental and social issues into our operations as a whole. It lays out LBBW's guiding sustainability principles for strategy, management, customers, employees, operations, corporate citizenship and communication. We have defined overarching goals for the implementation of our sustainability policy. All the goals and principles in detail → *LBBW Sustainability Report 2019* starting on page 13.

Unconditional compliance with all statutory provisions and internal rules as well as the integrity of each individual employee constitute the foundations of sustainable corporate governance. We have adopted our Code of Conduct as an overarching guideline for this purpose → *LBBW Code of Conduct*.

Various committees and departments coordinate the strategic exploration of sustainability issues as well as the operational management and specific execution of sustainability activities. Organizational structure → *LBBW Sustainability Report 2019* starting on page 21.

Our sustainability management system implements sustainable policies and practices throughout the Bank, in all specialized divisions, subsidiaries and branches, and therefore embeds sustainability-related aspects in all business policy decisions. The "Principles and Guidelines for Implementing LBBW's Sustainability Policy and Goals" give our managers and staff concrete guidance on how to conduct everyday business. The responsible specialized divisions of LBBW and its subsidiaries then use this guidance to define specific projects in the sustainability program. The Sustainability team has an advisory role in this context. At the end of each year, we document whether the projects have been completed successfully. The Board of Managing Directors is updated on project progress once a year as part of the management review.

→ *Principles and guidelines for implementing the LBBW sustainability policy and goals*

In the LBBW Sustainability Report, we comprehensively report on all sustainability practices and activities each year. The report complies with Global Reporting Initiative (GRI G4) requirements and is audited by an external environmental auditor.

→ *LBBW Sustainability Report 2019*

2.2 Guiding principles for risk management

We foster a responsible risk culture and engage in agile risk management. We identify key laws, regulations and stipulations that apply to the Bank on an ongoing basis and monitor our compliance with them. The following risk management guidelines set out the main principles used when considering risks and opportunities within the LBBW Group and drive how its goals are consistently understood in relation to risk management throughout the Group.

- The LBBW Group aims to act in the best long-term interests of its customers and stakeholders.
- Transactions that are liable to jeopardize the Bank's reputation on a sustained basis should be avoided. The sustainability policy of the LBBW Group must be observed.
- Tax and regulatory requirements are considered when concluding transactions in the Bank's own name and in customer relationships. We do not offer or trade products that breach these requirements.
- The LBBW Group considers ethical aspects, such as human rights, environmental protection, working conditions and anti-corruption, when granting loans and making investments. It goes without saying that the Bank does not support any unlawful acts, such as tax evasion or actions in violation of tax compliance and criminal activities.
- Financing or hedging of deliveries of weapons of war or arms to other countries and other critical sustainability issues are subject to restrictions defined in the Bank's internal rules. We generally do not support projects that will clearly cause large-scale environmental destruction without providing any added environmental value.

03 International standards and compliance in the core business.

The guidelines and operating procedures at LBBW are modeled not only on laws, rules and regulations, but also on internationally recognized standards and voluntary commitments. They include the UN Global Compact, the core labor standards of the International Labour Organization (ILO) (see section 4.1.3), the OECD Guidelines (Organization for Economic Co-operation and Development) for Multinational Enterprises, and the Performance Standards of the International Finance Corporation (IFC).

3.1 UN Global Compact

The United Nations Global Compact (UNGC) is the world's largest initiative for responsible corporate governance. As an open forum, it aims to initiate change processes leading to a sustainable global economy that benefits all people, communities and markets, and to provide a platform for sharing ideas. As a signatory, LBBW has committed to integrating the Ten Principles of the UN Global Compact (www.unglobalcompact.org) into corporate strategy, corporate culture and daily operations (including in the investment and lending business and in its own investments) and to participate in cooperation projects that promote the general goals of the United Nations, especially the Sustainable Development Goals.

3.2 OECD Guidelines for Multinational Enterprises

This Code of Conduct for responsible corporate governance includes joint recommendations made to industry by the member countries of the Organization for Economic Co-operation and Development (OECD) on issues such as human rights, the environment, corruption and transparency.

For example, multinational enterprises should publicly report on all key aspects of their business activities, including compliance with environmental and social standards and foreseeable risk factors associated with their business activities. They should implement an efficient environmental management system and use the precautionary approach. They should also generally compete fairly with other companies and follow fair business practices in dealings with consumers.

3.3 IFC Performance Standards

The Performance Standards of the International Finance Corporation (IFC) were developed by the World Bank Group in order to ensure globally financed projects and programs meet minimum environmental and social standards. Compliance is mandatory for projects in developing and emerging countries that are funded by entities such as the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA) or the International Finance Corporation (IFC).

3.4 Review process in the lending business

We are well aware of our corporate responsibility in all financing projects. For this reason through mandatory in-house review processes and a comprehensive set of rules we ensure that reputational and sustainability risks relating to the environment, society or ethics are identified, analyzed and assessed early in the process of deciding on extending credit. This can result in LBBW rejecting such transactions.

Client advisors also check loan inquiries against internal lending rules for compliance and sustainability risks. In unclear cases or cases involving issues not yet covered by binding regulations and screening criteria, an opinion can be requested from Group Compliance and/or the Sustainability team. A standardized opinion request form is used to capture data such as all involved parties, the type and purpose of the business relationship, past research findings, any red flags with respect to compliance risks (including money laundering, fraud) or sustainability risks (including arms, genetic engineering, nuclear power, environmental degradation, protection of species and biological diversity, climate change, workers' rights and human rights). Once the compliance and/or sustainability experts have made their assessment, the appropriate client advisor decides whether to pursue the transaction. If the decision is affirmative, the compliance/sustainability assessments are added to the loan inquiry and considered in the loan decision-making process.

A standardized sustainability review of loan customers by the front office was introduced in the corporate clients business in 2019 (except for export and project financing, which have specific review processes). The review criteria are based on the Ten Principles of the UN Global Compact as a framework for socially and environmentally responsible corporate governance. Each question is given a green, yellow or red rating based on a traffic light system. If the sum of all ratings is red (negative), no business can be conducted with the company going forward. For investment projects outside the DACH region (Germany, Austria, Switzerland), the review process also stipulates using the Protected Planet database (www.protectedplanet.net) to check whether the project is located in a protected area (UNESCO World Heritage Site, Ramsar site (Ramsar Convention; international treaty on wetlands), UNESCO program "Man and the Biosphere" (MAB) (United Nations Educational, Scientific and Cultural Organization), IUCN (International Union for Conservation of Nature) protected area category Ia, b or II). The Sustainability team must be brought in whenever a protected area is involved.

3.5 Criteria for own investments and asset management

We are convinced that socially and environmentally responsible practices are the best guarantee for long-term success.

3.5.1 Own investments

By signing the United Nations' "Principles for Responsible Investment" (PRI), we agree to incorporate more aspects of our environmental and social responsibilities and corporate governance principles (environmental, social and corporate governance issues (ESG)) into analysis and decision-making processes for our own investments.

For LBBW's investments, the exclusion criteria at the level of corporate investments include debatable human and workers' rights¹, controversial environmental practices and restrictions on coal producers. At the level of government investments, we do not enter into exposures in countries with authoritarian regimes. The review is conducted annually by the sustainability rating agency ISS ESG.

→ *LBBW Sustainability Report 2019* starting on page 65

3.5.2 Asset management

LBBW Asset Management Investmentgesellschaft mbH is a wholly owned subsidiary of LBBW and the central provider of investment solutions within the LBBW Group. We strive to align our investment activities with the principles for responsible investment with regard to the mandates and investment products under our management.

These principles also include non-financial criteria relating to the observance of environmental, social and corporate governance (ESG) criteria. We aim to achieve long-term success. LBBW Asset Management Investmentgesellschaft mbH includes ESG criteria for analysis and decision-making processes in its investment activities and, in keeping with our fiduciary duties, does so while giving full consideration to our investors' requirements and objectives. In addition, more and more assets under our management are affected by engagement and the active exercise of shareholder rights via proxy voting.

Implementation guideposts include internationally recognized standards such as the UN Global Compact, the United Nations "Principles for Responsible Investment" (PRI), the "Wohlverhaltensregeln" (rules of conduct) of the Bundesverband Investment und Asset Management e.V. (BVI) and the German Corporate Governance Code.

¹ **Child labor:** At a country level, this means it is considered a violation if the employment of children is widespread in a country. At a company level, this means: See workers' rights exclusion criteria (child labor is part of the exclusion criterion). **Violation of workers' rights:** At a country level, this means it is considered a violation if working conditions in a country are especially poor, particularly regarding minimum wages, working hours, and safety and health. At a company level, this means it is considered a violation to flagrantly breach at least one of the four Fundamental Principles and Rights at Work of the International Labour Organization (ILO) concerning association and collective bargaining, forced or compulsory labor, child labor, and/or discrimination. It is also considered a violation to systematically circumvent minimum labor standards (e.g. in safety and health, pay, working hours) even if they are not directly related to the four ILO conventions. This exclusion criterion applies to minimum standard violations by the company itself as well as its suppliers/subcontractors. **Violation of human rights:** At a country level, this means it is considered a violation if human rights are severely restricted in a country with regard to political arbitrariness, torture, privacy, freedom of movement, freedom of religion, etc. At a company level this means it is considered a violation to egregiously breach internationally recognized principles like the UN Universal Declaration of Human Rights, provided they do not exclusively relate to governmental obligations and are not already covered by the ILO Declaration on Fundamental Principles and Rights at Work (see workers' rights). This includes, without limitation, actions that deliberately expose the population, customers, etc. to serious threats to their health/life; human trafficking; severe use of force against third parties and the hiring and/or active support of such use of force; actions that seriously violate third parties' rights to self-determination; actions that seriously disregard cultural rights to self-determination or cultural dignity. The exclusion criterion applies to violations by the company itself as well as its suppliers/subcontractors.

The following exclusion criteria apply to all mandates and investment products of LBBW Asset Management Investmentgesellschaft mbH:

- Investments in companies that manufacture anti-personnel mines and cluster munitions. This is based on the two corresponding UN conventions.
(See also section 4.2.5 Armament: Exclusion for LBBW Group)
- Exclusion of investments in agricultural commodities

By signing the PRI, LBBW Asset Management Investmentgesellschaft mbH wishes to contribute to the development of a more solid and more sustainable financial system.

More information on the guidelines for responsible investment of LBBW Asset Management mbH:
→ [Leitlinien | LBBW Asset Management \(lbbw-am.de\)](#)

04 Management of environmental and social risks and of governance aspects.

4.1 General guidelines

Our top priority is to be honest in our approach and respectful in our treatment of customers, employees and direct and indirect business partners. The Group Compliance division drives compliance with all internal and external rules, regulations and laws and prevents undesirable things such as crime and corruption. We consider the climate and biodiversity impact of transactions in the investment and lending business, project financing and our business operations.

LBBW believes it is important for companies receiving investment (including own investments and asset management) or funding (corporate customers and project financing) from the Bank to include criteria on climate change, (anti-)corruption, human rights and workers' rights in their procurement and operating policies and incorporate clauses regarding compliance with climate change and corruption criteria in their contracts with subcontractors and suppliers. It holds the same views regarding the inclusion of gender, women's rights and tax criteria in procurement and operating policies and the incorporation of tax criteria in contracts with subcontractors and suppliers.

4.1.1 LBBW climate strategy

We actively support the substitution of low-emission business practices for practices that generate large quantities of greenhouse gases – not just in other companies but in our own business operations, too. We had reached our CO₂ goal for 2020 by the end of 2017 – a 25% reduction in absolute carbon dioxide emissions versus 2009 levels. We are constantly making technical and organizational improvements to reduce CO₂ emissions even more.

LBBW moved early to develop expertise in markets of the future such as renewable energies (especially wind power) and energy efficiency and provides related products and services to its customers.

We advise companies on challenges involving the energy transition and the transformation of their business into a resilient, sustainable model. This is a core issue of our strategy for the future.

LBBW's climate strategy aims to achieve carbon neutrality. In addition, LBBW supports the goals of the Paris Agreement and does its part to keep increases in global temperatures well below 2 degrees Celsius.

We expect our employees, customers and suppliers to do their part to reduce direct and indirect emissions of pollutants such as particulates, nitrogen oxide and ammonia, avoid pesticides wherever possible and apply them responsibly where necessary, minimize water consumption and prevent water pollution.

LBBW expects large companies and multinational enterprises to publish a sustainability report modeled after the GRI standards. Companies that we invest in are expected to include environmental, social and governance criteria in their procurement and operating policies and incorporate clauses on compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.

4.1.2 Biodiversity principles and protection of species

All companies directly or indirectly use services that affect biodiversity. It is our policy not to support projects that clearly cause large-scale destruction of biodiversity without simultaneously adding environmental value.

This is particularly true of projects in internationally recognized protected areas (e.g., High Conservation Value Areas (HCVA), IUCN protected areas, UNESCO World Heritage Sites, wetlands according to the Ramsar Convention) and where endangered species live (e.g., the Washington Convention (CITES)).

Living genetically modified organisms should only be produced or traded if the importing country has given its permission and all the requirements of the Cartagena Protocol have been met. LBBW also deems it important for activities relating to genetic material and genetic engineering to take place only if they meet the approval and processing requirements described in the UN Convention on Biological Diversity and the related Bonn Guidelines or Nagoya Protocol.

Regarding the protection of animals and species, LBBW expects its customers and suppliers to avoid any adverse impacts on the populations or number of plants and animals included on the IUCN Red List of Threatened Species.

LBBW also rejects trading in endangered animals and species of plants placed on the CITES lists.

4.1.3 Human rights and workers' rights

As a member of the international community, LBBW is committed to the United Nations' Universal Declaration of Human Rights.

LBBW is also committed to the UN Guiding Principles on Business and Human Rights.

We endeavor not to work with any company or institution known to disregard basic human rights. This applies to all types of business, transactions, projects, products, operating decisions, strategies, and plans of the LBBW Group.

Human rights are an integral part of our values and beliefs. We have embedded human rights considerations in our investment and lending process to the greatest extent possible in order to identify, prevent and mitigate human rights violations. We are well aware of the fact that certain sectors could pose a greater risk with respect to the disrespect for human rights. Because of this, we have defined specific industry guidelines for the lending business, see section 4.2.

If companies receiving investment or funding from us acquire natural resources in a way that affects land rights, we expect the purchase to be made with the free prior and informed consent (FPIC) of the land users.

The protection of basic worker rights is very important to us.

All the LBBW Group's employees are covered by the International Labour Organization's (ILO) eight core labor standards (conventions) governing equitable working conditions (www.ilo.org), provided they have been ratified in the relevant country:

- Forced Labor Convention
- Freedom of Association and Protection of the Right to Organize Convention
- Right to Organize and Collective Bargaining Convention
- Equal Remuneration Convention
- Abolition of Forced Labor Convention
- Discrimination (Employment and Occupation) Convention
- Minimum Age Convention
- Worst Forms of Child Labor Convention

We include sustainability considerations relating to respect for human and workers' rights in our guidelines on the lending business and retail customer advice.

What is important in this context is that the rights of children are respected without exception. This applies to our customers, employees, suppliers and other partners with whom we cooperate.

We also expect our suppliers and their subcontractors to respect these human and workers' rights.

All business we conduct with our suppliers is based on supplier registration. To become an approved LBBW supplier, companies must answer multiple questions, including several relating to sustainability issues, on LBBW's supplier portal. The questions concern issues such as social and environmental management systems, employee environmental training, waste disposal plans, and the publication of environmental or sustainability reports. Every supplier is additionally required to acknowledge the "Sustainability Agreement for LBBW Suppliers" when registering with LBBW and sign it when entering into a contract. This agreement compels our suppliers to meet environmental and social criteria that we consider essential. Any supplier violating the social standards contained in the sustainability agreement (e.g. prohibition on human rights abuses such as child labor) must accept this violation as grounds for termination of the agreement without notice for cause.

4.1.4 Indigenous peoples

We recognize the need to protect indigenous peoples and their connection to ancestral lands. For this reason, LBBW pays particular attention to the protection of indigenous peoples and their cultural heritage in transactions, business relationships and project financing. If transactions have an impact on indigenous peoples, LBBW considers factors such as respect for human rights, regional ecological impacts and land rights.

If resettlements are unavoidable, we expect our customer companies to abide by national laws and regulations and – where applicable – the International Finance Corporation's (IFC) Performance Standard PS 5 ("Land Acquisition and Involuntary Resettlement").

Wherever project financing has the potential to affect indigenous peoples, we expect our customer companies to abide by the goals and requirements set out in IFC Performance Standard PS 7 ("Indigenous Peoples"). We require them to obtain free, prior and informed consent (FPIC) from the affected groups and to actively involve these groups in their decision-making and implementation processes.

This is particularly true for land, natural resources and the environment (territory), equal legal treatment including the right to culturally adapted education and health care, political participation and self-administration. LBBW considers it important for companies that it invests in or finances not to undertake or support settlements in occupied territories that violate humanitarian law.

4.1.5 Compliance and corruption prevention

We comply with all applicable laws and regulations. Our internal rules and Code of Conduct inform every individual's responsible actions at LBBW in compliance with the legal requirements and ethical and societal standards. Our effective compliance management organization primarily monitors compliance with financial sanctions and data protection requirements and prevents crimes such as money laundering, terrorism financing, fraud, corruption, and insider trading.

Unconditional compliance with all statutory provisions and internal rules as well as the integrity of each individual employee constitute the foundations of sustainable corporate governance. We have adopted a Code of Conduct as an overarching guideline for this purpose. This Code applies to LBBW and its subsidiaries. → **LBBW Code of Conduct**

Special compliance functions (including MaRisk Compliance and Capital Market Compliance²) monitor the adoption and satisfaction of minimum requirements defined by regulators regarding risk management (MaRisk) and the compliance function (MaComp), among other things, and also monitor security systems and controls aimed at preventing money laundering and the financing of terrorism. Further information on LBBW compliance management:

→ **LBBW Sustainability Report 2019** starting on page 59

Fraud prevention at LBBW aims to prevent crimes that could harm the LBBW Group's reputation or present a risk of loss to LBBW's or its customers' assets. It analyzes risks, tracks leading indicators, and implements security systems and controls for customers and transactions. The annual risk analysis includes the identification and assessment of all internal and external risks relating to crimes relevant to the Bank and the Group. Preventive measures are then developed based on this information. More generally, LBBW is also guided by the OECD Guidelines for Multinational Enterprises, which also provide anti-corruption recommendations (see section 3.2).

The regulatory framework for combating crimes that applies to the Bank and the Group includes all essential preventive measures and general organizational requirements (e.g. suspicious activity reporting channels). These standards have been incorporated into the framework instruction on giving and receiving benefits (gifts, meals, events), for example. Concerns and suspicious activity can also be reported anonymously to an external ombudsman. This option is available at all branches and subsidiaries throughout the LBBW Group. The ombudsman is also available for external third parties (e.g. customers, business partners and suppliers).

Further information on money laundering: → lbbw.de/anti-money-laundering

² Minimum Requirements for Risk Management (MaRisk) and Minimum Requirements for the Compliance Function and Additional Requirements Governing Rules of Conduct, Organization and Transparency (MaComp).

4.1.6 Donations

Donations are integral to our being a good corporate citizen. We mainly donate to social, cultural and scientific projects. Having strong regional roots, we generally support recipients in relevant core markets. LBBW has a policy of not donating to politicians, political parties or governments.

4.1.7 Complaints management

LBBW has a well-established complaints management system aimed at ensuring that customer complaints are handled appropriately and immediately. Incoming complaints are analyzed to correct recurring issues or mistakes. This is essential for ensuring a high level of customer satisfaction and long-term customer loyalty.

Our complaint procedure works as follows: Customers, employees and stakeholders with complaints can contact LBBW by phone, mail, our online contact form or by visiting an LBBW branch or BW Bank branch to discuss their concerns. LBBW responds to these complaints orally or in writing within a reasonable period with a view to finding a solution.

Consumers can also contact the consumer arbitration body of the Association of German Public-Sector Banks (VÖB) to settle disputes with the Bank. Business clients can contact the arbitration body as well to handle disputes regarding payment services and electronic money. All further details are covered by the arbitration rules of the consumer arbitration body, which can be made available on request. The Bank participates in dispute resolution procedures. If the dispute relates to a contract concluded online, consumers can alternatively contact a dispute resolution body via the online platform of the European Commission at www.ec.europa.eu/odr. Customers can also either file a complaint with the Federal Financial Supervisory Authority, BaFin (if their complaint pertains to an alleged violation of regulations monitored by the BaFin) or seek recourse through the courts.

4.1.8 Tax compliance

LBBW does business and pays taxes mainly in Germany. It is committed to meeting all of its tax obligations in and outside Germany. LBBW receives no benefits whatsoever from tax authorities.

The following information is published pursuant to the Banking Act (section 26a (1) sentence 2 et seq.), broken down by EU Member States and third countries, for companies consolidated in LBBW's consolidated financial statements that maintain a branch or headquarters abroad:

- Name of company, type of business and geographical location of branches
- Revenues
- Number of wage and salary earners in full-time equivalents
- Pre-tax profit or loss
- Taxes on profit or loss
- Public-sector aid received

Further information: → [LBBW Country-by-country reports](#)

LBBW never advises customers to create international structures with the primary goal of evading taxes and eschews any involvement in transactions with international structures that are obviously primarily designed to evade taxes.

4.2 Sector-specific principles

4.2.1 Review process for industry/country risks relating to wood/paper, mining, crude oil/natural gas and bioenergy

In order to identify, analyze and assess sustainability risks in international financing projects, LBBW conducts sustainability reviews of certain loan inquiries in highly relevant industries (i.e. wood/paper, mining, crude oil/natural gas and bioenergy) in certain countries deeply affected by these industries.

Financing for foreign companies in critical industry-country combinations involving raw materials extraction, import/export, or primary processing has to complete a careful process aimed at weighing the risks. This process does not extend to financing backed by the German government or another government export credit agency in an OECD member state since it will have already passed an environmental/social review. The review process also does not apply to documentary bulk operations (e.g. letters of credit, guarantees and surety bonds) in which the Bank acts merely as an intermediary between the importer and exporter.

Issues reviewed for the above sectors include:

| Wood/paper | Mining | Crude oil/natural gas | Bioenergy |
|---|--|--|---|
| <ul style="list-style-type: none"> • Illegal logging/deforestation of virgin forests • Activities in protected areas³ • Endangerment of biodiversity⁴ • Waste management • Rehabilitation/restoration • Human rights • Existing land use rights • Environmentally friendly production processes (e.g. soil conservation, erosion control) • Fair working conditions (ILO core labor standards) | <ul style="list-style-type: none"> • Accident prevention • Land consumption (in surface mining) • Waste management • Decommissioning of production sites • Activities in protected areas³ • Mountaintop removal⁵ • Human rights • Existing land use rights • Fair working conditions (ILO core labor standards) • Adherence to ICMM⁶ principles | <ul style="list-style-type: none"> • Accident prevention • Waste management • Decommissioning of production sites • Especially in Canada: Extraction of tar sands in the province of Alberta (surface mining) • Activities in protected areas³ • Human rights • Existing land use rights • Fair working conditions (ILO core labor standards) | <ul style="list-style-type: none"> • Direct or indirect change in land use of primary forests and wetlands (e.g. displacement for food production) • Activities in protected areas³ • Endangerment of biodiversity⁴ • Handling of chemicals • Use of genetically modified plants • Waste management • Human rights • Existing land use rights • Fair working conditions (ILO core labor standards) |

Outside Germany, LBBW provides project financing primarily in western and central European countries and in North America, where particularly strict statutory environmental and social standards apply. In general, we make project financing in non-OECD countries contingent on obtaining export credit insurance (from Euler Hermes, etc.) that includes an extensive review of environmental standards. We do not disburse loans until a project has been approved and compliance with environmental standards is assured. Moreover, we extend loans with environmental conditions attached if necessary, such as a contractual obligation to decommission equipment.

³ E.g. IUCN protected areas (International Union for Conservation of Nature), UNESCO World Heritage Site (United Nations Educational, Scientific and Cultural Organization), wetlands according to the Ramsar Convention (international treaty on wetlands).

⁴ E.g. endangered animals and species of plants pursuant to the Washington Convention, CITES

⁵ Coal mining method that uses explosives to remove mountaintops

⁶ International Council on Mining and Metals

4.2.2 Energy

4.2.2.1 Energy efficiency in construction

LBBW Immobilien Development GmbH is a member of Deutsche Gesellschaft für Nachhaltiges Bauen e.V. (DGNB – German Sustainable Building Council). It prioritizes the construction and certification of sustainable office, administrative, and residential buildings according to DGNB standards. In cases where DGNB certification is not explicitly planned, the internal “LBBW Immobilien Development GmbH Standard for New Construction of Sustainable Office and Administrative Buildings” and “LBBW Immobilien Development GmbH Standard for New Construction of Sustainable Office, Administrative, and Residential Buildings” are applicable. These internal standards are aligned with selected DGNB criteria and ensure the use of sustainably sourced wood and healthy indoor climates in residential buildings.

Tenders by LBBW Corporate Real Estate Management GmbH (LBBW CREM) for properties to be used by the Bank include extensive stipulations concerning the construction materials and their health and ecological safety.

4.2.2.2 Bioenergy

Financing in the bioenergy sector is subject to the existing provisions on critical sector-country combinations, see 4.2.1.

4.2.2.3 Coal mining and coal-fired power plants

The enormous scale of the consumption of fossil fuels such as coal, oil and gas is a major cause of climate change. Burning coal is one of the biggest sources of CO₂ emissions that contribute to global warming. Therefore, the following guidelines apply to the financing of coal mining and coal-fired power plants:

LBBW finances no projects in or outside Germany that, as far as we know, are run by

- energy suppliers for the purpose of
 - building new coal-fired power plants (of any type)
 - expanding the capacities of coal-fired power plants (unless this improves their efficiency or fuel consumption or reduces emissions),
- mining companies for the purpose of
 - the construction of new coal mines or the expansion of existing coal mines (of any type) (unless this involves technical upgrades that improve local environmental or social conditions)
 - particularly destructive mining techniques such as mountaintop removal⁷ activities.

Supplies or services for coal mines or coal-fired power plants located abroad only receive export financing if

- they have ECA coverage (export insurance from a government export credit agency, e.g. Euler Hermes) from an OECD country, or
- certain thresholds with regard to the overall investment amount or nominal volume are not exceeded.

Otherwise, financing is only possible if

- technical upgrades demonstrably improve environmental and social conditions relating to coal mines or coal mines are reclaimed, or
- the efficiency of coal-fired power plants is significantly improved or emissions are reduced.

We do not knowingly provide export financing related to particularly destructive mining methods such as mountaintop removal.

⁷ Mountaintop removal mining is a special type of surface mining which uses explosives to blast away mountaintops. The process is used to mine coal; blasting away the mountaintops provides access to the coal seams beneath. Blasting is cheaper than mining the coal underground – but it also destroys the environment and ecosystems in the area. Other harmful consequences of this type of mining are the accumulation of huge volumes of overburden and the release of heavy metals which may pollute rivers and groundwater. It also produces dust emissions that are classified as potentially carcinogenic.

We provide general company financing that helps electric utility companies in order to drive the energy transition to renewable energies. In doing so, we are aware that in its capacity as a technology bridging the gap between conventional and renewable energy, electricity from coal will continue to play a role in maintaining supply security for some time yet. We do not provide general company financing to companies known to directly engage in mountaintop removal.

4.2.2.4 Nuclear power

Nuclear power is extremely risky due to the incalculable health risks of radiation, especially following accidents, and the unresolved problem of how to permanently dispose of radioactive waste. LBBW's business practices are aligned with the prevailing political view on the use of nuclear power as a bridge technology. In Germany, the decision to stop using nuclear power put a halt to the construction of new nuclear power plants. Rules regarding this scenario are therefore not needed. LBBW does not support projects identifiably related to the construction of new nuclear power plants or expansion of existing nuclear capacity in other countries.

As a consequence:

- General corporate financing is not provided to energy suppliers that operate nuclear power plants abroad if nuclear power accounts for more than 25% of the total legally attributable plant output.
- No financing is provided for specific projects by energy suppliers that promote the construction of new nuclear power plants or expansion of existing nuclear capacity in other countries.
- No financing or security for supplies or services is provided for nuclear power plants outside of Germany if certain thresholds regarding the total investment amount or nominal volume are exceeded.

There are no limits on financing for nuclear power plant decommissioning projects or investments intended to ensure safety (technical modernization projects).

4.2.3 Mining

The existing provisions on critical sector-country combinations in mining apply to the mining sector in general (see section 4.2.1).

In considering project financing for mining operations, LBBW generally considers

- how the company operates the mine (e.g. environmental pollution from discharging toxic chemicals, further processing of overburden),
- protection of designated High Conservation Value Areas and/or UNESCO World Heritage Sites,
- respect for human rights, especially the rights of local communities and indigenous people,
- observance of minimum occupational health standards and working conditions pursuant to the standards of the International Labour Organization (ILO),
- performance of mine reclamation.

4.2.3.1 Uranium mining

Uranium mining for nuclear power plants, nuclear weapons or medical purposes entails significant radiation exposure and therefore endangers the health of people living near the mines. LBBW rejects uranium mining activities without sufficient health protection and safety standards and refrains from engaging in business activities that it identifies as directly involving uranium mining. Furthermore, export finance is not provided to suppliers of uranium mining companies that fail to meet health, environmental and safety standards.

This means the following:

- General corporate financing is not provided to companies that engage in uranium mining, generate at least 1% of their revenue from such activities and do not provide proof of compliance with health and safety standards (e.g. ISO 14001, OHSAS (Occupational Health and Safety Assessment Series) 18001, ICMM (International Council on Mining and Metals), UN Global Compact, ILO core labor standards, IFC Safety Guidelines, Voluntary Principles on Security and Human Rights).
- No financing is provided for specific uranium mining projects if no proof of compliance with health and safety standards is submitted (see above).
- No financing or security is provided for supplies or services used in uranium mining that exceed a certain nominal volume if no proof of compliance with health and safety standards is submitted (see above).

4.2.3.2 Responsible Gold

Under the Responsible Gold banner, BW-Bank offers its customers sustainably produced gold that comes solely from certified mines in the Nevada desert. Production is subject to strict guidelines: Mining is required to involve the sparing use of chemicals such as mercury and minimal CO₂ emissions. A special environmental impact system ensures that water quality is not endangered, among other things. The miners work under conditions that comply with all human rights requirements and international regulations (e.g. those issued by the UN). They are paid union wages.

4.2.4 Crude oil/natural gas

LBBW does not participate in project financing in connection with the extraction and production of oil and gas (upstream). This also means it does not engage in controversial oil production practices such as Arctic drilling, oil and tar sands mining, deep sea drilling, oil drilling in the Amazon rainforest, and fracking (crude oil and natural gas drilling under high pressure, e.g. to extract shale gas).

Furthermore, the extraction of tar sands in the province of Alberta (Canada) is defined as a critical industry-country combination for foreign company financing (see section 4.2.1).

4.2.5 Arms

- LBBW does not enter into any business relationships with companies that produce *cluster munitions and/or anti-personnel mines* (which are prohibited by international conventions). To accomplish this, LBBW (Bank) and all subsidiaries majority-owned by LBBW use a Group-wide company exclusion list that is also integrated in the Bank's automated embargo monitoring system.
- LBBW does not finance international shipments of *weapons of war*⁸ even if the Federal Office of Economics and Export Control (BAFA) has approved the export.
- *Arms exports*⁹ are subject to strict requirements and restrictions. Exports of these goods to foreign military facilities can only be financed or secured if they are shipped to EU or NATO member states.
- Nuclear, biological and chemical weapons, also known as weapons of mass destruction (*WMDs*), are banned internationally because they pose a significant threat to the civilian population and environment. We do not enter into any transactions relating to the production of these weapons systems with companies whom we determine to be involved in the production of WMDs, key components (e.g. plutonium, highly enriched uranium, mustard gas) or enrichment facilities. As a consequence:
 - General corporate financing is not provided to companies generating 5% or more of their revenue from WMDs.
 - No financing is provided for specific projects connected with the production of WMDs, key components or enrichment facilities.
 - No financing or security is provided for exports of WMDs abroad (see exclusion of weapons exports).

4.2.6 Pornography

LBBW does not provide financing relating to the production and sale of pornographic products, the operation of brothels, providers of sex tourism, phone sex hotlines and the like.

4.2.7 Gambling

LBBW refuses to provide financing for controversial forms of gambling.

⁸ Weapons of war pursuant to the annex to the German Weapons of War Control Act (KrWaffKontrG)

⁹ Arms according to Federal Office for Economic Affairs and Export Control (BAFA) export lists

05 Equal opportunity and diversity, pay.

A company that wishes to benefit from the knowledge and skills of its employees must create a working environment that is free of prejudice. All employees should feel valued regardless of their gender, nationality, ethnic origin, religion or worldview, disability, age, sexual orientation, or identity.

Our sustainable human resources management helps every individual to further develop their professional and social skills throughout their career. LBBW offers a wide range of training and continuing education programs for this purpose. We focus on promoting talented young employees and prospective managers who are ready to actively take on responsibility for their colleagues and their Bank. We have successfully filled management positions with participants from our mentoring program for women. LBBW aims to fill at least 25% of its management positions with women.

Any form of bias or discrimination at LBBW or in relations with employees, customers, business partners, suppliers, or other individuals will not be accepted. LBBW has a zero-tolerance policy for any kind of gender discrimination, including verbal, physical and sexual harassment. This is backed up by our "Service Agreement on Protection against Discrimination and Fair Conduct at the Workplace" and our Code of Conduct. All employees are required to take online training on the German General Anti-Discrimination Act (AGG).

For more information on the human resources policy:
→ [LBBW Sustainability Report 2019](#) starting on page 116

5.1 Pay

For the Board of Managing Directors and employees entitled to bonuses alike, the LBBW Group's performance is evaluated on the basis of four strategic cornerstones: business focus, digitalization, agility, and sustainability. The bonus pool varies depending on the fulfillment of targets in these four areas. This means the topic of sustainability plays a key role when it comes to performance-based variable remuneration.

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