Reporting and Self-Assessment Template

The following table sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking. Signatory banks need to report on their implementation of the Principles the first time within latest 18 months after signing and annually thereafter (in line with their annual reporting cycle).

How to use this template?

This template does NOT require your bank to produce an additional report. Rather, this template is designed for your bank to provide references/links to where in your existing reporting/public domains the required information can be found. The aim is to keep additional reporting burden to a minimum while ensuring transparency and accountability as set out in Principle 6.

Within this reporting template, there are six areas for self-assessment that are key to showing that your bank is fulfilling its commitments as a signatory of the Principles for Responsible Banking. They are highlighted.

1. Impact Analysis
2. Target Setting
3. Plans for Target Implementation and Monitoring
4. Progress on Implementing Targets
5. Governance Structure for Implementation of the Principles
6. Progress on Implementing the Principles for Responsible Banking

Only for these six highlighted items, it is required that:

a) An assurer provides limited assurance of your self-assessment. You can do this by including it in your existing assured reporting. Where third-party assurance is not feasible, an independent review may be conducted.

b) You provide your bank’s conclusion/statement if it has fulfilled the respective requirements.

Accommodating different starting points:

Banks have different starting points and operate in different contexts. Your bank may not be able to provide all information required in this template the first time you report. That is fine. Your bank has up to four years from signing to bring its reporting fully in line with the requirements. Feedback, support and peer learning are available to all signatory banks to help them progress with both implementation and reporting.
**Reporting and Self-Assessment Requirements**

<table>
<thead>
<tr>
<th>Principle 1: Alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</td>
</tr>
</tbody>
</table>

1.1 Describe (high-level) your bank’s business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

With total assets of around EUR 250 billion and circa 10,000 employees, LBBW is one of Germany’s largest banks and is by far the most significant one in the southwestern region. Its core activities are business with companies, particularly with small and medium-sized enterprises (SMEs), key accounts and the public sector, private customers and savings banks. Additional areas include real estate and project financing as well as customer-oriented capital market operations. LBBW finances companies throughout the country with loans amounting to around EUR 60 billion and therefore serve as a reliable pillar of the economy. In the development loan business, together with the savings banks, LBBW is promoting innovation and environmental protection with a credit volume of around EUR 20 billion. Its private customers have entrusted LBBW with around EUR 25 billion in deposits. In asset management, LBBW manages around EUR 70 billion of customer assets in special and mutual funds, plus an additional EUR 8 billion in wealth management.

**Reference(s)/Link(s) to bank’s full response/relevant information**

- Corporate brochure
- 2019 Annual Report

1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society’s goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

In recent years, LBBW has done a great deal to become increasingly sustainable. A clear strategy – with clear objectives. LBBW is focusing on a process of transformation to business models that are consistent with sustainability in its various dimensions. This applies both to LBBW and to its customers, for whom LBBW intends to develop sustainable business models as a reliable financing partner.

The key elements of this process:
- Transformation demands the will to change.
- Transformation demands innovation to create change.
- Transformation demands cooperation, because these changes can only be achieved by working together.

This is why transformation, innovation, and cooperation are the central catalysts of LBBW’s sustainability strategy. The strategy is then transferred into yearly-defined sustainability targets which are based on the SDGs. With view to the Paris Climate Agreement in particular, LBBW implemented a climate strategy in order to align its actions with the Paris targets.

**Reference(s)/Link(s) to bank’s full response/relevant information**

- 2019 Sustainability Report of Landesbank Baden-Württemberg
Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:

a) Scope
b) Scale of Exposure:
c) Context & Relevance
d) Scale and intensity/salience of impact:
(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

Show that building on this analysis, the bank has

- Identified and disclosed its areas of most significant (potential) positive and negative impact.
- Identified strategic business opportunities in relation to the increase of positive impacts/reduction of negative impacts.

LBBW sets public targets annually, which reflect LBBW’s business model and its sustainability performance. In order to do so LBBW is conducting a materiality review annually taking the requirements of Sustainability rating agencies and the standards and expectations of its stakeholders into account.

In 2020 LBBW identified its own carbon footprint and the necessity of a broader sustainable governance structure which reflects the different approaches of the major fields of LBBW’s activities.

Especially the dialogue with multiple NGOs regarding LBBW’s activities had an impact when setting LBBW’s 2021 suite of ESG targets.

Since 2019, a balanced scorecard has been used to manage sustainability performance at the LBBW. This involves collecting internal Key-Performance-Indicators (KPI) for all the strategic sustainable objectives on a quarterly basis. The Sustainability Committee supervises this progress at least four times a year. It is the communications bridge between the Board of Managing Directors and the specialized divisions. This body consolidates and drives the shaping of opinions within the Bank concerning strategic sustainability issues.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.
2.2 Target Setting

Show that the bank has set and published a minimum of two **Specific, Measurable** (can be qualitative or quantitative), **Achievable, Relevant and Time-bound (S.M.A.R.T)** targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

LBBW’s 2020 ESG targets were approved by the Sustainability Committee and subsequently added to the management’s balanced scorecard. LBBW’s overall sustainability goals can be found in its current Sustainability Report on page 14, further projects, that will be key to get to LBBW’s goals are listed on page 37.

Two new S.M.A.R.T targets LBBW has announced for the 2020 cycle are LBBW’s own carbon footprint and the necessity of a broader sustainable governance structure which reflects the different approaches of the major fields of LBBW’s activities.

LBBW’s carbon footprint is the reason for LBBW’s climate strategy: LBBW aims to reduce the CO₂ emissions of its business operations and to support low-emission business activity through its banking services. In this way, LBBW is contributing to UN SDG 13 on combating climate change and its impacts. LBBW currently expects to achieve its CO₂ target for 2020 (minus 25 % in terms of absolute CO₂ emissions compared with 2009) and is continuously working to further reduce CO₂ emissions through technical and organizational optimization as well as compensation. From 2021, LBBW will be completely climate-neutral. The bank will achieve this goal by continuing to systematically reduce its CO₂ emissions and offsetting all remaining unavoidable emissions. The bank’s strategy here is not to buy emissions certificates, but instead to invest in forestation itself.

Specifically, LBBW invested USD 3.5 million in the global forestation fund Arbaro Fund. The fund’s resources are used for long-term forestation projects in Latin America and Africa. In addition to positive effects on the climate, the investments help protect the environment and the social needs of populations near the projects. The UN’s Green Climate Fund (GCF), the central and biggest multilateral international tool for funding environmental protection, also invested in Arbaro Fund together with LBBW.

The second S.M.A.R.T target is the efficient sustainable organisation within LBBW. In early 2019, the central sustainability project was translated into a new organisational structure. Since then, a member of the Board of Managing Directors of BW-Bank has been responsible for Sustainability activities in the six action areas (lending, investment, carbon footprint, human resources, regulation, and sustainability management).
2.3 Plans for Target Implementation and Monitoring

Show that your bank has defined actions and milestones to meet the set targets.

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

Since 2019, a balanced scorecard has been used to manage the four strategic objectives at the LBBW Group. This involves collecting internal Key-Performance-Indicators (KPI) for all the strategic objectives on a quarterly basis. These are then reported to the Board of Managing Directors and compared with the defined target figures. KPIs within the sustainability strategic objective include for example the volume of green bond-eligible real estate and the volume of sustainable investments.

After this year’s cycle LBBW’s plan is to further align the management’s sustainability KPIs and being able to communicate them more openly as well as report on their developments on a regular base.

2.4 Progress on Implementing Targets

For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target.

Or explain why actions could not be implemented/needed to be changed and how your bank is adapting its plan to meet its set target.

Report on your bank’s progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

LBBW has provided a review of its 2019 target achievement in its Sustainability Report on page 24. Within the list, all of LBBW’s sustainability projects can be found including the respective policy, focus area and issue as well as its effect on LBBW’s sustainability performance, a short description and targeted SDGs.

As one example from the 17 sustainable projects:
Focus area: Sustainability standards in investment business (environment, social issues, corporate governance)
Focus issue: Management of reputational risks in business with customers and in proprietary investments, definition of exclusion criteria
Effect on LBBW’s sustainability performance: Significant Macro sustainability issues and influencing laws: Environmental violations and violations of human rights in investment transactions, climate change, biodiversity and loss of species diversity, worldwide scarcity of raw materials and natural resources, destruction of nature reserves and forests essential to life, UN SDGs
Selected more detailed, internal LBBW parameters, internal standards, and voluntary commitments signed: Principles for Responsible Investment (PRI), guidelines for sustainability in investment business, exclusion criteria for proprietary investments, company exclusion list for anti-personnel mines, cluster munitions, and delivery systems for cluster munitions, Principles for Responsible Banking
SDGs: 1-17

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.
### Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

#### 3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.

LBBW is a skilled, effective, and reliable partner to its customers and aims to establish long-term customer relationships. LBBW’s sustainability policy when dealing with customers consists of three pillars:

1. **Sustainability issues are considered when LBBW makes lending and investment decisions.**
2. **LBBW offers sustainable products and services to all customer groups whenever possible.**
3. **LBBW supports its customers in strengthening their commitment to climate protection, sustainable development, and reducing environmental pollution.**

As to the standards, LBBW recognizes the United Nations’ Universal Declaration of Human Rights as applicable to all people around the world and expects its contract partners to do the same. As a signatory to the United Nations’ Global Compact, LBBW supports the protection of international human rights and ensures that it is not complicit in human rights violations. Special significance is given to protecting universal human rights as well as safeguarding the fundamental rights of labor. LBBW also expects its customers and business partners to adhere to the above values named. Any form of discrimination or bias within LBBW or in relations with employees, customers, business partners, suppliers, or other individuals will not be accepted. In particular, this applies to discrimination or bias based on race, gender, origin, age, religion, disability, marital status, sexual orientation, or citizenship. LBBW does not tolerate any subversive statements or efforts of organizations that do not respect the above named values; it refuses to work with such organizations or groups of individuals.

#### 3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

Since signing the PRB LBBW achieved the following significant projects together with its customers:

1. **Sustainability standards in financing business (environment, social issues, corporate governance):** Financing taking into account environmental protection, human rights and working conditions, definition of exclusion criteria.
2. **Sustainability standards in investment business (environment, social issues, corporate governance):** Management of reputational risks in business with customers and in proprietary investments, definition of exclusion criteria.
3. **Sustainable investment products:** Offering sustainable investments (e.g., investment funds, structured products, green bonds, social bonds), sustainable asset management.
4. **Financing with a sustainable focus:** Promotion of climate-friendly projects and technologies (e.g., renewable energies, building renovation to improve energy efficiency), positive incentive loans.
5. **Product responsibility/consumer protection:** Responsible sales practices, customer-oriented advice, compliance with legal regulations pertaining to advertising, prevention of poverty among the elderly and excessive debt, fraud prevention for customers, personal finance education for youth, dealing with customers with payment problems.
6. **Real estate:** Real estate financing, financing and consulting on building renovation to improve energy efficiency, sustainable construction standards for customer projects, municipal development, cleanups of existing contamination, and return of sites to their natural state.
**Principle 4: Stakeholders**

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

<table>
<thead>
<tr>
<th>2019 Sustainability Report of Landesbank Baden-Württemberg</th>
</tr>
</thead>
<tbody>
<tr>
<td>LBBW identified following groups as significant stakeholders for its sustainability approach: Owners (State of BW, City of Stuttgart, Savings banks), Media (TV, Daily newspapers, Financial press), Capital markets (Rating agencies, Analysts, Institutional investors), Science and research (Institutions, Universities, Trend researchers), Politics (German, Federal, Government, UN, EU, Regulatory), Employees (Salaried employees, Freelancers, Potential employees), NGOs (Environmental NGOs, Globalization NGOs, Social NGOs), Society (Consumer associations, Young people, Trade unions, Churches), Suppliers and customers (Suppliers, Customers, Retailers).</td>
</tr>
</tbody>
</table>

In order to focus its sustainability activities more precisely on the central issues, LBBW conducted a so called “materiality analysis”. The main objective of this exercise was finding out how future global changes will affect LBBW and what its stakeholders expect of LBBW in this regard. Subsequently, LBBW launched a dialog series to engage with various customer groups to learn about their particular concerns and what they expect from their Bank and the products it offers.

---

**Principle 5: Governance & Culture**

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.

<table>
<thead>
<tr>
<th>2019 Sustainability Report of Landesbank Baden-Württemberg</th>
</tr>
</thead>
<tbody>
<tr>
<td>LBBW implemented the following governance structure in order to further align its actions with the Principles: The Board of Managing Directors of LBBW is responsible at the highest level for the sustainable Corporate governance of the Group and compliance with the sustainability policy. The Sustainability Committee is the communications bridge between the Board of Managing Directors and the specialized divisions. This body consolidates and drives the shaping of opinions within the Bank concerning strategic sustainability issues and prepares information to enable the Board of Managing Directors to make decisions. The head of the Sustainability Committee is a member of the Board of Managing Directors of BW-Bank. The members of the Committee are division heads (second management level) with responsibility for sustainability issues and the managing directors of key subsidiaries. The Sustainability Committee met five times in 2019. The Sustainability Management &amp; ESG (Environment, Social, Governance) Group consolidates the Group’s many sustainability activities into a sustainability program that is drawn up annually. It coordinates all sustainability activities at LBBW, collects the relevant data, prepares statements for rating inquiries, prepares sustainability reporting, and initiates the further development of LBBW’s sustainability policy. In 2019, action area owners were nominated for the four action areas of lending, investment, carbon footprint, and human resources. In each case, the respective manager is assigned to departmental management level or higher and is responsible for managing and coordinating the operational working groups.</td>
</tr>
</tbody>
</table>
5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

<table>
<thead>
<tr>
<th>Measures LBBW has implemented to foster a culture of responsible banking among its employees:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Corporate governance: Transparency in business activities, management structure, tax transparency, creation of incentive systems for implementing environmental issues, social responsibility, and responsible corporate governance.</td>
</tr>
<tr>
<td>2. Corporate citizenship: Promoting foundations, corporate volunteering, promoting nature-related environmental, education, and social projects.</td>
</tr>
<tr>
<td>5. Corporate culture: Equal opportunities and cultural diversity, health management, fair compensation models, occupational safety, inclusion, co-determination by employees, mobile working.</td>
</tr>
</tbody>
</table>

5.3 Governance Structure for Implementation of the Principles

Show that your bank has a governance structure in place for the implementation of the PRB, including:

- a) target-setting and actions to achieve targets set.
- b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

As early as 2017 the Board of Managing Directors of LBBW defined sustainability as one of only four of LBBW’s strategic core values. The main target by doing so was to integrate a sustainable approach into every department of LBBW and every aspect of its banking products and services. In order to get there, the management defined five major fields of action namely: Investment, finance, human resources, carbon footprint and regulatory affairs and named a single responsible member of the respective senior management as its responsible coordinator. The Board of Managing Directors of LBBW sets out the sustainable targets for each field of action and tracks their implementations via previously defined KPIs. Like any other KPI the sustainability targets have therefore a major impact on the assessment of the overall performance of each department.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.
**Principle 6: Transparency & Accountability**

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.

### 6.1 Progress on Implementing the Principles for Responsible Banking

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

<table>
<thead>
<tr>
<th>LBBW’s progress made over the last 18 months since the signing of the Principles can be found throughout this report in detail. Additionally, a short roundup of LBBW’s progress in each Principle can be found below:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Alignment: Defining an overall sustainability strategy aligned with the SDGs and a climate strategy aligned with the Paris Climate Agreement while also taking LBBW’s major field of activities into account.</td>
</tr>
<tr>
<td>2. Impact and Target Setting: LBBW is conducting a materiality review annually taking the requirements of Sustainability rating agencies and the standards and expectations of its stakeholders into account in order to revalue its impact as well as reshape its targets.</td>
</tr>
<tr>
<td>3. Clients and customers: LBBW’s sustainability policy when dealing with customers consists of three pillars. Sustainability issues are considered when LBBW makes lending and investment decisions. LBBW offers sustainable products and services to all customer groups whenever possible. LBBW supports its customers in strengthening their commitment to climate protection, sustainable development, and reducing environmental pollution.</td>
</tr>
<tr>
<td>4. Stakeholders: LBBW identified its major stakeholders regarding sustainable progress and launched a dialogue series to engage with various stakeholder groups to learn about their particular concerns and what they expect from their Bank and the products it offers.</td>
</tr>
<tr>
<td>5. Governance and culture: LBBW put an efficient sustainable organisation within its organisation into place. In early 2019, the central sustainability project was translated into a new organisational structure. Since then, a member of the Board of Managing Directors of BW-Bank has been responsible for Sustainability activities in the six action areas (lending, investment, carbon footprint, human resources, regulation, and sustainability management).</td>
</tr>
<tr>
<td>6. Transparency and accountability: LBBW sets targets, reflected them with its stakeholders and conducted a materiality analysis. In 2021, LBBW is going to use this cycle’s experience to refine its methodology, set more communicable S.M.A.R.T targets and integrate PRB’s Reporting and Self-Assessment Template into LBBW’s sustainability report in order to further align with the requirements set out in the Principles and ensure a maximum of transparency.</td>
</tr>
</tbody>
</table>

2019 Sustainability Report of Landesbank Baden-Württemberg

Sustainability Practices at Landesbank Baden-Württemberg

---

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

### Annex: Definitions

**a) Impact:** An impact is commonly understood as being a change in outcome for a stakeholder. In the context of these Principles this means (aligned with GRI definition) the effect a bank has on people/the society, the economy and the environment and with that on sustainable development. Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.

**b) Significant Impact:** Impact that in terms of scale and/or intensity/salience results in a particularly strong/relevant change in outcome for a stakeholder. In the context of these Principles, the concept of significant impact is used to ensure banks focus where their actions/business (can) matter most for people, economy and environment and to provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of “materiality.”