



LB≡BW

Breaking new ground

UN Principles for Responsible Banking. LBBW Progress Report 2022.

June 2022



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FINANCE
INITIATIVE

PRINCIPLES FOR
RESPONSIBLE
BANKING

In 2019 Landesbank Baden-Württemberg became the first German universal bank to sign up to the Principles for Responsible Banking, launched by the United Nations Environment Programme Finance Initiative (UNEP FI).

The PRBs provide a uniform framework for integrating sustainability in all areas of business. This allows banks to systematically align with social objectives like the Paris Agreement and the UN Sustainable Development Goals (SDGs).



Principle 1 Alignment

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.



Principle 2 Impact & 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.



Principle 3 Clients & 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.



Principle 4 Stakeholders

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



Principle 5 Governance & culture

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



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.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s) to bank's full response/ relevant information
<p>Principle 1: Alignment 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.</p>		
<p>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.</p>	<p>Landesbank Baden-Württemberg (LBBW) is one of the largest mid-sized universal banks and the central institution for savings banks in the German federal states of Baden-Württemberg, Saxony, and Rhineland-Palatinate. With total assets of EUR 282 billion and roughly 9,900 employees (as of 31 December 2021), LBBW is one of the largest banks in Germany.</p> <p>Its core activity is corporate customer business, especially with small and medium-sized enterprises, and business with retail customers and savings banks, which are served at roughly 100 locations in Germany in LBBW's regional customer bank Baden-Württembergische Bank (BW- Bank). In addition LBBW focuses on real-estate and project financing in selected markets as well as the customer-oriented capital market business with banks, savings banks and institutional investors.</p> <p>Specialized subsidiaries in areas such as leasing, factoring, real estate, commercial equity investment, venture capital and asset management complement the LBBW Group's in-house range of services.</p> <p>LBBW supports its corporate and institutional customers as well as the savings banks' corporate customers internationally in their business activities at 17 locations worldwide. Each LBBW location specializes in areas with particular demand in their respective territory, ensuring that customers are supported with relevant local and country expertise, market knowledge and financial solutions they need.</p>	<p>Annual Report 2021 (p. 28 – 31, 158)</p> <p>Sustainability Report 2021 (p. 8, 91f)</p>

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s) to bank's full response/relevant information
<p>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.</p>	<p>Sustainability is the cornerstone of our corporate strategy and the driving force of our corporate governance. As a state-owned institution, LBBW is committed to serve the common good. Since 2017, sustainability is a key strategic pillar for LBBW.</p> <ul style="list-style-type: none"> ● LBBW's sustainability policy ("the policy") is based on the six Principles for Responsible Banking (PRB) and sets the base line for all sustainability activities at LBBW. It specifies LBBW's strategic direction in greater detail and underpins the integration of social, economic and environmental issues into the organisation. ● The policy and the principles and guidelines based on the PRBs comprise specific exclusion criteria for individual projects, general principles on compliance, human rights, climate protection and the preservation of biodiversity and division-relevant principles for the investment and lending business, human resources and business operations. ● LBBW guidelines and operating procedures are modeled on laws, rules and regulations and based on internationally recognized standards and voluntary commitments. In particular, (i) UN Global Compact, (ii) UN Principles for Responsible Investments, (iii) core labor standards of the International Labor Organization (ILO), (iv) OECD Guidelines for Multinational Enterprises, and (v) Performance Standards of the International Finance Corporation (IFC) are included. <p>As a European universal bank recognized for its sustainability achievements, LBBW is actively supporting the real economy in the transformation towards climate-neutral business models. LBBW's goal is to align its credit and investment portfolio with the objectives of the Paris Agreement and attain the "net zero" target no later than 2050.</p> <p>The bank launched a comprehensive group-wide sustainability project in summer 2021 to fully implement the key objectives in every aspect of our business. In particular to</p> <ul style="list-style-type: none"> ● develop a group-wide vision, ambition and strategy for sustainability ● developing Paris-compliant sector path, targets and transition routes for all relevant sectors ● develop innovative sustainable products and services to support, finance and secure our customers' transformation requirements ● take environmental and climate risks into account in our internal control processes ● implement a sustainable human resources policy through group-wide talent management and broad expansion of training opportunities 	<p>Annual Report 2021 (p. 115 - 116, 128)</p> <p>Brochure Sustainability Practices</p> <p>Sustainability Report 2021 (p. 13 - 21, 24, 114 - 122, 124f)</p>

Reporting and Self-Assessment Requirements

High-level summary of bank's response (limited assurance required for responses to highlighted items)

Reference(s) to bank's full response/ relevant information

Principle 2: Impact & 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

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

A) Ambition & Approach

LBBW regards the alignment of its credit and investment portfolios with the Paris Agreement as key to its strategy. Related is the focus on the provision of advice and support to its customers in their transformation journey to full Paris alignment. Currently LBBW is in the process of analyzing its portfolios by calculating the financed CO₂ emissions (scope 3) and determining sector-specific transformation routes and targets. The portfolios are prioritized according to their CO₂-intensity while continuing to focus on the overall portfolio.

B) Analysis:

1. Financed greenhouse gas emissions (Scope 3) in LBBW's portfolio

Since 2018, LBBW's GHG footprint has been calculated by a specialized service provider. The 2021 report was prepared based on **PCAF** (Partnership for Carbon Accounting Financials) standards.

The calculations are based on LBBW's exposure (differentiated both by sector and by geography) as well as a data collection methodology which has been considerably improved by LBBW. In addition to the sectoral figures calculated by the service provider, the reported real emission intensities of especially portfolio-relevant customers are determined and taken into account into the calculation.

LBBW Carbon Tool was developed in-house for the purpose of conducting ongoing in-depth analysis of the CO₂ emission figures for Scope 1 and 2 at the customer level. It covers the entire LBBW portfolio of roughly 80,000 companies. The carbon tool features comprehensive analytical capabilities:

- Systematic screening
- assessment and quantification of complete loan portfolio (incl. private customers) in terms of transition risk
- financed emissions for every counterpart (Scope 1 and 2)
- emission intensities.

[Annual Report 2021](#)

(p. 64)

[IR Presentation per 31-12-2021](#)

(p. 26/27)

[Sustainability Report 2021](#)

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	<p>As a result, a GHG footprint of 13.3 million metric tons of CO₂ equivalents has been calculated. Loans and projects financed by LBBW in Germany account for three quarters of these emissions, with the energy sector responsible for over 40 %.</p> <p>2. ECB stress test climate risks in LBBW portfolios</p> <p>At the beginning of 2022, the European Central Bank ("ECB") initiated the most comprehensive regulatory stress test for climate risks to date. The test is intended to shed light on the extent to which banks are prepared to deal with financial and economic shocks triggered by climate risks. It is based on the three transitory climate scenarios – best case, normal case and worst case – and two physical climate scenarios (flood and drought/heat). LBBW has employed the carbon tool mentioned above for the analysis.</p> <p>LBBW exhibits a relatively high degree of stress resistance in all the climate scenarios defined by the ECB. This is attributable to factors including the portfolio's low degree of vulnerability to the effects of physical climate risks as well as the LBBW portfolio's relatively high level of resistance to transitory climate risks.</p> <p>LBBW's own internal climate-risk stress test which has been performed in 2021 and thus preceded the ECB's climate risk stress test produced consistent results. The results of both of these stress tests also have a high significance due to the fact that LBBW has an excellent availability and transparency of climate-related data (complete portfolio coverage of carbon emission data and near complete coverage of physical risk data as well as EPC data for real estate objects pledged as collateral).</p> <p>LBBW's credit exposure in Germany demonstrates this resilience: From the total credit exposure of roughly EUR 39 billion (share of total credit portfolio that ECB deems relevant for the exercise), only EUR 8.7 billion are attributable to CO₂-intensive sectors.</p>	

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	<p>C) Result: Based on the result, LBBW has prioritized the Energy and Automotive sectors as the most material.</p> <p>1.) Energy producers as the sector with the greatest CO₂ impact in LBBW's portfolio:</p> <ul style="list-style-type: none"> ● Net exposure in the energy and utilities sector totals EUR 8.7 billion, 43% are allocated to renewable energies (as of 31 December 2021). ● Context: Decarbonization in the energy sector is a key lever of the transformation. Germany's energy transition policy for the exit from coal-fired power generation has a significant impact on LBBW's corporates portfolio. <p>2.) Automotive as a sector with significant credit exposure in LBBW's portfolio</p> <ul style="list-style-type: none"> ● Automotive is an important sector for LBBW's portfolio. Net exposure totaled roughly EUR 10.4 billion as of 31 December 2020. ● Context: The state of Baden-Württemberg (which partially owns LBBW) is the center of Germany's automotive industry, and LBBW has traditionally maintained close ties with the sector. The climate protection efforts of the German federal government (exit from combustion engines/promotion of alternative powertrains) have a major impact on LBBW's corporates portfolio. ● In the interest of minimizing transformation risks/probabilities of default, LBBW's automotive lending business has focused on companies that can be expected to carry out the transition to electromobility since 2019. <p>The political and regulatory pressure on both sectors serves to create strategic business opportunities for LBBW with its positioning as an active shaper of the transformation.</p>	

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

On the basis of internationally recognized standards as well as considerably improved data availability stemming from the use of tools developed in-house, LBBW has substantively analyzed the climate impact of its portfolios and derived priorities for implementation of the targets.

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<p>2.2 Target Setting</p> <p>Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Timebound (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.</p> <p>Show that these targets are linked to and drive alignment with and greater contribution to appropriate SDGs, 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.</p> <p>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.</p>	<p>Target 1: Compatibility of our financing portfolio with the Paris Agreement's 1.5-degree target for 2050:</p> <ul style="list-style-type: none"> ● Carbon footprint reduction of LBBW portfolios: <ul style="list-style-type: none"> - Establishment of full transparency regarding financed GHG emissions; derivation of Paris-compliant sector targets using sector-specific decarbonization routes - Effective integration of the corresponding CO₂ targets into business strategy and portfolio management - Continuous improvement of the granularity of data on financed emissions ● Launch of the analysis and development of transformation routes for the energy producer and automotive sectors. ● Further diversification of the portfolio: Expansion of growth sectors, decrease in emission-intensive Sectors. <p>Target 2: Guiding and supporting our customers in the transformation towards a climate-neutral future by expanding our sustainable product range in all operating segments. Increasing the volume of sustainable financing from EUR 38 billion (2021) to EUR 65 billion by 2025:</p> <ul style="list-style-type: none"> ● As of 31 December 2021, our sustainable financing volume totaled EUR 38.3 billion (on-balance-sheet sustainable financing volume including irrevocable loan commitments. 13.6% share of total balance sheet assets). This figure encompasses development loans related to sustainability, sustainable project financing, financing for energy-efficient real estate, social bond-eligible financing in the corporate customer segment and green financing/ESG-linked financing. ● LBBW will continue to progressively expand its range of sustainable financing and investment solutions in terms of both breadth and depth. ● Our corporate customers expect that their bank will take ESG aspects into account in the context of financing advice. LBBW is confident that the trend towards an increasing share of sustainable financing solutions will continue, and intends to provide a competitive product portfolio to meet this demand. <p>Target 3: Further intensification of ESG guidelines in line with PRBs and SDGs:</p> <ul style="list-style-type: none"> ● One key subject on our ESG agenda is the further development of sustainability policies in both lending and investment business, particularly in the area of biodiversity. 	<p>Press Release</p>

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

LBBW has set three specific targets that have the most impact on further implementing the SGDs and reaching the Paris Climate Goals.

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<p>2.3 Plans for Target Implementation & Monitoring</p> <p>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.</p> <p>Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	<p>The group-wide balance scorecard KPIs for E S & G criteria are being developed and continuously upgraded under the cross-divisional sustainability project launched by the Board of Managing Directors in 2021 (the “Project”). The aim of the Project is to increase awareness of ESG risks and the establishment of a control framework in the interest of actively shaping the transformation and energy transition.</p> <p>Coordinated timetables and action plans have been prepared under the Project. The governance structure of the Project clearly defines roles and responsibilities for its committees (the Board Committee on Sustainability, the LBBW Sustainability Committee as the steering committee, the Project Management Office) and ensures the continuous monitoring of progress on sub-projects (see also section 5.3).</p>	

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

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<p>2.4 Progress on Implementing Targets</p> <p>For each target separately:</p> <p>Show that your bank has implemented the actions it had previously defined to meet the set target.</p> <p>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.</p> <p>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).</p>	<p>Target 1: Compatibility of our financing portfolio with the Paris Agreement's 1.5-degree target for 2050</p> <ul style="list-style-type: none"> ● The average emissions intensity (Scope 3) declined substantially from 53 to 48 metric ton of CO₂e per EUR million from 2021 to the previous year. This decrease mainly stems from the decrease in LBBW exposure to GHG-intensive sectors and, to a much lesser extent, from a slight decrease in sectoral GHG intensities. ● LBBW has reviewed its energy and automotive sector portfolios in order to set a path to decarbonization while continuing to develop sector-specific targets. Additional sectors include transport & logistics, oil, gas and coal, and mining and metals will follow by the end of 2022. LBBW has pledged to publish first sector-specific scenario-based climate targets for its portfolios by the end of 2022 at latest and to monitor these targets accordingly (Climate Commitment of the German Banking Sector). ● In order to ensure Paris-compliant management of its portfolio, LBBW is deriving sector-specific targets from the decarbonization routes. This includes the definition of sector-specific guardrails and targets at the portfolio level in consideration of the bank's overall strategy for sustainability. The preparatory work is done within the energy producer sector, which is crucial for all subsequent sectoral analyses. ● LBBW has adopted key measures in the interest of ensuring the most effective portfolio management possible: <ul style="list-style-type: none"> - LBBW has subdivided its portfolio into growth sectors and selective portfolios. In this context, LBBW conducts in-depth research to determine which companies are capable of transformation and willing to pursue it (see also: 3.2). LBBW is monitoring and steering its credit portfolio through "strategy boxes". On an individual borrower level, a qualitative assessment of the future viability of the business model, the rating and sustainability is made. Each borrower is classified in one of three groups: "observation", "neutral" or "future". Carbon intensive sectors will additionally be monitored quantitatively with decarbonization pathways and sectorspecific goals. Only business models with a good rating and a sustainable strategy are classified within the "future" box. 	<p>Annual Report 2021 (p. 34, 64, 112 - 114, 128)</p> <p>IR Presentation per 31-12-2021</p> <p>Sustainability Report 2021 (p. 118f, 126f, 132f, 206f)</p>

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	<ul style="list-style-type: none"> - LBBW develops individual climate goals conforming transformation and decarbonization paths for their clients to model and monitor carbon intensive sectors with the aim to steer sustainability of the business strategies in the loan portfolio on counterparty level (see also section 3.2). - LBBW examines ESG risks and maintains a risk inventory in accordance with the requirements of the ECB. LBBW is reviewing how its ESG risks could be integrated into the ICAAP as an additional KPI. <ul style="list-style-type: none"> ● In 2021 LBBW further reduced its automotive portfolio by EUR -0.3 billion from EUR 10.9 billion (2020) to EUR 10.6 billion. Since 2018 reduction of EUR -2.9 billion and share of corporate portfolio from 17.3% to 11,8% clearly declining. ● In mid-2021, LBBW introduced a new coal policy with clear maximum figures in the area of coal production/sales (energy producers plus coal producers; see also Progress on Target 3). <p>Target 2: Guiding and supporting our customers in the transformation towards a climate-neutral future by expanding our sustainable product range in all operating segments</p> <ul style="list-style-type: none"> ● In order to continuously and systematically develop the competitiveness and innovative strength of our product range, LBBW subjected the 2021 LBBW product portfolio to an indepth gap analysis with external assistance. LBBW is currently developing and reviewing the introduction of strategically fitting products. ● As an issuing company, LBBW recorded a total volume of sustainable customer issues supported of EUR 90.6 billion (LBBW share: EUR 11.4 billion) for 2021. These included products such as sustainable bonds, promissory notes and syndicated loans. LBBW was the lead arranger for several major EU issues. ● In our corporate lending business, LBBW creates concrete incentives for transformation with positive incentive loans/sustainable loans which reward sustainable business, e.g. by linking a credit facility to CO₂ savings. ● Since SME/corporate customers are increasingly interested in sustainable financing, LBBW has expanded its ESG product range specifically for this group of customers. This strengthens us by reducing barriers to entry and making sustainable financing solutions available to the broad range of small and medium-sized enterprises as well, who usually request smaller-sized transactions. 	

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	<ul style="list-style-type: none"> ● In the certificates business, LBBW was the first issuer of social impact bonds in 2021. The range of certificate products in the area of sustainable index concepts (focus: MSCI) has been expanded considerably. ● In the area of asset management, the range of sustainable mutual funds has been expanded by eight funds to a new total of 18 funds. This expansion encompassed the re-establishment of four sustainable mutual funds and the conversion of four existing funds into sustainable funds. ● In addition, LBBW has established ESG advisory services for its retail customer, corporate customer, and capital markets businesses which provide advice going far beyond the subject of investment/financing. LBBW's high degree of advisory expertise in this area has been affirmed by a first-place result in the FINANCE Banking Survey. <p>Target 3: Intensification of our ESG guidelines in line with PRBs and SDGs:</p> <p>a) LBBW coal policy:</p> <ul style="list-style-type: none"> ● In summer 2021, LBBW adopted a roadmap for its complete exit from coal financing under which it limits the scope of its financing for coal production and the supply of power on the basis of coal-fired energy. ● Energy producers that build new coal-fired power plants will no longer receive financing from LBBW in the future, including general corporate financing. LBBW will no longer enter into business relationships with energy suppliers for whom coal accounts for a share of more than 20% of power production or revenue. This limit also applies for existing international customers. Existing customers based in Germany are currently still permitted to have a coal share of up to 35% at most. This figure is scheduled to incrementally decrease to 25% by 2030. LBBW expects coal-using customers to make a clear commitment to phasing out coal and to establish a strategy for doing so with a concrete timetable. ● On the producer side, LBBW does not finance mining companies' projects related to the construction or expansion of coal mines unless the project in question involves technical modernization to improve the environmental or social conditions on-site. Particularly destructive mining methods such as mountaintop removal mining (mining coal by blasting mountaintops) are excluded as a rule. 	

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	<p>b) Industry guidelines on biodiversity</p> <ul style="list-style-type: none"> ● LBBW does not support projects that clearly lead to large-scale destruction of the environment and nature without adding ecological value. ● In May of this year, LBBW incorporated a detailed Agriculture and Forestry Policy for the lending business into our LBBW Sustainability Policy. <ul style="list-style-type: none"> - This contains provisions for the palm oil, soy, cotton and logging sectors and is based on sector-specific certifications. - LBBW expects new and existing customers involved in the production of palm oil, soy, cotton or wood to be members of the leading industry initiatives - the Roundtable on Sustainable Palmoil (RSPO), the Roundtable on Responsible Soy Association (RTRS), the Better Cotton Initiative (BCI), the Forest Steward- ship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC) - or alignment with comparable standards. ● Prospectively in Q3, LBBW is planning to adopt a corresponding policy on fishing and animal welfare. ● LBBW has established an internal Biodiversity Workgroup in order to establish the subject more thoroughly at the bank on a cross-divisional basis and to promote it in regard to its customers. <p>c) ESG investment policy for the LBBW Treasury (Depository Account A - bank book)</p> <ul style="list-style-type: none"> ● Investments in companies in the form of capital market investments make up a significant portion of LBBW's core business. As such, LBBW has already applied minimum requirements for investments in companies and governments for many years and takes a number of ESG factors into account in its investment decisions. ● The corresponding criteria for LBBW proprietary investments in securities (Depository Account A) were explicitly defined in a policy in the beginning of 2022. ● Under this policy, countries are excluded from LBBW Group investment if the following criteria apply: <ul style="list-style-type: none"> - Countries ranked in the bottom 20% of Transparency International's Corruption Perceptions Index - Countries that have not ratified the Treaty on the Non-Proliferation of Nuclear Weapons (Exception Israel) 	

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	<ul style="list-style-type: none"> - Countries that have not signed the Convention on Biological Diversity - Countries that have not ratified the Paris Agreement - Countries that have not ratified the Biological Weapons Convention (1972) (Exception Israel) - Countries that have not ratified the Chemical Weapons Convention (1992) (Exception Israel) <ul style="list-style-type: none"> ● Companies with severe violations in the area of child labor or substantial violations of recognized labor rights (ILO Core Labor Standards) or human rights (UN Universal Declaration of Human Rights) are excluded as a rule. ● In order to do justice to the constantly evolving and developing subject of sustainability, LB-BW's ESG investment policy is reviewed at least on an annual basis and revised as needed. <p>d) Tax strategy policy</p> <ul style="list-style-type: none"> ● LBBW holds itself to a particularly high standard of responsibility as a taxpayer in consideration of its status as a public-law institution under German law ("Anstalt des öffentlichen Rechts"). Thus LBBW extended its tax strategy in April 2022 which requires compliance with tax law regulations and rejects aggressive tax avoidance strategies. ● The provisions of the tax strategy apply to all domestic and foreign LBBW locations and are addressed to the managers and employees of all divisions and departments. ● The tax strategy's guidelines are implemented through a number of frameworks and procedures for the fulfillment of tax obligations under which responsibilities are assigned clearly. A key role is played by the policy for LBBW's tax compliance management system, under which all significant requirements for compliance with tax laws as well as monitoring and control functions are described and specified. 	

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.

We believe that we are on a very good course for adapting our business model to the requirements of the future. In 2021, we launched our group-wide sustainability project in order to advance the subject further in a holistic manner.

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<p>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.</p>		
<p>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.</p>	<p>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.</p> <ul style="list-style-type: none"> ● The LBBW Group considers ethical aspects, such as human rights, environmental protection, working conditions and anti-corruption, when granting loans and making investment (according to the UN Principles of Responsible Investment). ● Through mandatory in-house review processes and a comprehensive set of rules LBBW ensures that 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. 	<p>Annual Report 2021 (p. 115f, 126f)</p> <p>Brochure Sustainability Practices</p> <p>Sustainability Report 2021 (p. 139 - 141)</p>
<p>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.</p>	<ul style="list-style-type: none"> ● In order to actively contribute towards shaping the transformation, LBBW engages with its customers intensively and discuss their business models and plans for attaining climate neutrality with them. <ul style="list-style-type: none"> - One key element of this is the degree and speed of transformation. LBBW employs reference routes including the IEA as benchmarks and are currently preparing a toolset for this. - It is therefore precisely in CO₂-intensive sectors where the greatest impact can be achieved by financing the investments necessary for the conversion of a company's business model. - The discussions with our customers are intended to help us identify companies which are able and willing to undergo transformation and to support them along the way. - In addition, LBBW has established services like Sustainability Advisory for corporate customers in a targeted manner and have developed a robust portfolio of sustainable products. - LBBW's Sustainability Advisory for banks, savings banks, and institutional customers was able to acquire roughly 40 new advisory mandates in 2021. Well over 100 advisory meetings were carried out for these mandates alone. 	<p>Sustainability Report 2021 (p. 108, 126 - 128)</p>

Reporting and Self-Assessment Requirements

High-level summary of bank's response (limited assurance required for responses to highlighted items)

Reference(s) to bank's full response/relevant information

	<ul style="list-style-type: none"> - In 2021, LBBW's track record for green and ESG-linked products considerably expanded: The number of green bond and promissory note issues, ESG-linked promissory note loans and ESG-linked syndicated loans was more than quadrupled. Further bilateral ESG-linked loans were realized. ● LBBW is dynamically developing its products and services regarding investment and asset management for retail customers. <ul style="list-style-type: none"> - All of LBBW Asset Management's retail and business customers with ESG mandates have received an ESG reporting for their portfolios since the first quarter of 2021. - Additional ESG indicators (taxonomy, etc.) have been incorporated into the asset management investment process. - LBBW provides its employees in retail sales with support for targeted customer dialogues with its Sustainability in Advisory Business seminar. - As of 31 December 2021, LBBW managed and provided advice on assets of over EUR 4.1 billion on the basis of sustainability criteria for our asset management customers. 	
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Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s) to bank's full response/relevant information
<p>Principle 4: Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>		
<p>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.</p> <p>This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>LBBW maintains an ongoing dialogue with its stakeholders in order to focus our sustainability activities on the key issues.</p> <ul style="list-style-type: none"> ● LBBW maintains regular dialogues with NGOs and environmental organizations. One key subject of the last few years was the financing of energy from fossil fuels. Findings from these discussions were incorporated into the LBBW coal policy adopted in 2021 (see also: section 2.4, target 3). ● LBBW maintains intensive dialogues with the WWF in particular, that take place on the basis of comprehensive annual ESG questionnaires since 2019. ● LBBW is involved in approximately 270 memberships in associations, registered societies, and support groups. The memberships cover a broad spectrum of social, cultural, societal, and banking-related topics. ● In addition, LBBW maintains multiple climate cooperations with the city of Stuttgart, one of its owners. For example, LBBW jointly launched the Alliance for Air Pollution Control in Stuttgart and is working to improve air quality with a variety of measures – including the expansion of electric cars in the LBBW vehicle fleet, the promotion of cycling, and the expansion of home office options. ● LBBW shares information with its retail and corporate customers and institutional investors at conferences as well as at own events through investor presentations or participating in expert panels on the subject of sustainability. 	<p>Annual Report 2021 (p. 111)</p> <p>Sustainability Report 2021 (p. 46 – 54)</p>

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s) to bank's full response/relevant information
<p>Principle 5: Governance & Culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p>		
<p>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.</p>	<p>Even though LBBW is not a listed stock corporation but a public-law institution, management and supervisory rules applicable to listed corporations are observed. Our provisions in this context are based on the German Corporate Governance Code standards.</p> <p>LBBW maintains specialized Sustainability Governance in order to manage all ESG-relevant aspects as a whole:</p> <ul style="list-style-type: none"> ● The Board Committee on Sustainability is the key decision-making body and driver of sustainability as a strategic pillar - about 2/3 of the entire Executive Board are represented in it. Its core responsibilities include overall management and ongoing strategic development in regard to sustainability. ● LBBW's Sustainability Committee performs a coordinating and advisory function. The LBBW Sustainability Committee is tasked with creating transparency and cross-divisional networks in the interest of further solidifying and, where possible, expanding the subject of sustainability's importance as one of LBBW's four strategic pillars. ● For each business area, a person responsible for the business unit who is tasked with the operational implementation of the measures adopted has been appointed. Their key tasks include managing sustainability topics within the respective business unit, coordinating target attainment in the context of the balanced scorecard and advancing business unit-specific activities. ● LBBW's existing governance processes, sustainability targets and principles and guardrails for implementation apply worldwide for all international locations. An ESG Regional Hub Network consisting of representatives from the regional hubs and the Group headquarter in Stuttgart convenes on a regular basis in order to ensure the uniform implementation of ESG provisions and strengthen networking within the bank. 	<p>Annual Report 2021 (p. 104f, 109)</p> <p>Sustainability Report 2021 (p. 22f, 81)</p>

Reporting and Self-Assessment Requirements

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.

High-level summary of bank's response (limited assurance required for responses to highlighted items)

- LBBW complies with all applicable legal regulations. Internal rules and our Code of Conduct serve as the foundation for responsible action in compliance with the applicable legal requirements as well as ethical and societal standards.
- A program of mandatory, web-based training courses ensures that our employees' knowledge of compliance-relevant subjects is always up to date. These learning modules cover a range of topics such as fraud prevention, the General Data Protection Regulation, capital markets compliance and anti-money laundering.
- A mandatory web-based training on the subject of "Sustainability at LBBW" was introduced in 2021. All of our roughly 10,000 employees must complete this training every two years.
- Since 2019, LBBW has used a **balanced scorecard** to manage the strategic objectives of the LBBW Group. On a quarterly basis, internal key figures on LBBW's strategic objectives are collected, reported to the Board of Managing Directors and compared with the target figures. Key figures under the strategic pillar of sustainability include the volume of green bond-eligible real estate and the volume of sustainable investments. There is a focus on key figures on sustainable human resources policy (including women in management positions) and on reducing CO₂ emissions. **The results of the balanced scorecard influence the remuneration of the persons responsible.** This underscores the high level of importance LBBW places on its ambitious sustainability targets.
- COVID-19 has fundamentally transformed the working world. For this reason, LBBW launched the New Work project in 2021, which addresses the ways we will work together in the future (IT device strategy, office and space usage concepts, etc.). A fundamental shift in culture has been triggered in this context; in order for the new working world to function smoothly, we need a new understanding of togetherness and shared values. The **culture@NewWork** project provides all employees with an opportunity to be active participants. In particular, workshops at various LBBW locations are addressing potential guidelines for new forms of trusting cooperation and a for a new, open management culture.

Reference(s) to bank's full response/relevant information

- [Code of Conduct](#)
- [Annual Report 2021](#)
(p. 106, 118f, 122ff)
- [Sustainability Report 2021](#)
(p. 72 - 78, 151 - 169)

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s) to bank's full response/relevant information
<p>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.</p> <p>This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<ul style="list-style-type: none"> ● LBBW expressly encourages its employees to make potential abuses transparent and has established a whistleblowing process to facilitate this: Violations of statutory provisions or internal policies and criminal activities within LBBW can be reported in strict confidence to the Compliance department or an external and independent ombudsman appointed by LBBW. ● LBBW promotes internal dialogue and networking among its employees on the subjects of sustainability and sustainable finance in a targeted manner. On the bank's intranet, for example, a community for sustainability in corporate consulting has been created which is now followed by over 300 subscribers. 	
<p>5.3 Governance Structure for Implementation of the Principles</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <ol style="list-style-type: none"> target-setting and actions to achieve targets set. remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected. 	<p>LBBW's sustainability policy is based on the six Principles for Responsible Banking. An operational sustainability program is developed annually (bottom-up) based on the sustainability policy. For this purpose, KPIs are developed, incorporated into the balanced scorecard, and adopted by the Board of Managing Directors.</p> <ul style="list-style-type: none"> ● The division heads define concrete sustainability measures on the basis of these sustainability KPIs. These measures are incorporated into LBBW's sustainability program each year and published in the LBBW sustainability report. In the individual departmental roadmaps, each measure is substantively explained and provided with a timeline for implementation during the following financial year. ● The Sustainability Board is the platform for networking and coordinating the individual business unit roadmaps and for ongoing progress tracking. It is chaired by the group-wide head of sustainability and usually meets four times a year. All business unit heads are permanent members of this board. Setting, tracking and reviewing the business unit roadmaps are always on the agenda at meetings. The Sustainability Committee also performs the role of a steering committee in the context of the sustainability project. ● The head of sustainability reports regularly on status and progress of the program, either directly to the Chairman of the Board of Managing Directors or to the Board of Managing Directors Sustainability Committee. ● In 2021, the program comprised a total of 50 projects. 44 of these measures were completed. 	<p>Annual Report 2021 (p. 129)</p> <p>Sustainability Report 2021 (p. 22f, 32ff)</p>

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

LBBW was successful in generating great attention to the topic sustainability and has implemented various measures and structures to foster a culture of responsible banking, as well as reliable governance processes.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s) to bank's full response/ relevant information
<p>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.</p>		
<p>6.1 Progress on Implementing the Principles for Responsible Banking</p> <p>Show that your bank has progressed on implementing the six Principles over the last 12 Months in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p>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.</p> <p>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.</p>	<p>1. Alignment</p> <ul style="list-style-type: none"> ● In 2017, LBBW defined sustainability as one of four strategic pillars. Since then, LBBW has consistently advanced the development of our sustainability policies. Compelling ESG ratings confirm that LBBW is on the right path. ● In order to obtain transparency regarding potential action areas in sustainability subjects, LBBW commissioned an ESG rating for itself for the first time in 2021. In this solicited ESG rating done by imug (one of the leading German sustainability rating agencies), LBBW scored 69 points on a scale of 0 to 100. This corresponds to of the category "good". ● By expanding its guidelines for lending (see sections 2.2 and 2.4), LBBW is actively contributing to the sustainable transformation of the economy to achieve the Paris climate targets. Minimum requirements for our customers and exclusion criteria for selected industries and activities provide necessary incentives for transformation and promote the allocation of capital into sustainable projects. ● LBBW consistently pursues the objective of becoming CO₂ neutral (Scope 1 and Scope 2). LBBW has offset the unavoidable remainder of its CO₂ emissions since 2021, whereby it invests in reforestation rather than purchasing emissions certificates. LBBW has invested USD 3.5 million in the Arbaro Fund, a globally active reforestation fund. For 2021, LBBW set the goal of keeping the bank's own emissions below the level of 11,000 t, which was achieved through organizational and technical optimizations, e.g. in the area of building technology. ● In recent months, LBBW has focused particularly on the subjects of women's empowerment and gender equality. In order to further increase the ratio of women in management positions, LBBW has developed a comprehensive concept which includes elements such as a mentoring program and seminars on individual career planning. The goal is to steadily increase the percentage of women in management positions, which currently stands at 20%. In the interest of underscoring our commitment, LBBW ratified the UN Women's Empowerment Principles in March 2022. 	<p>LBBW's Ratings</p> <p>Annual Report 2021 (p. 34, 123)</p> <p>IR-Presentation 2021 (p. 11 - 13)</p> <p>Sustainability Report 2021 (p. 25, 51, 54 - 65, 82, 95ff. 100 - 104, 176f, 189)</p> <p>Press Release Green Bond Framework</p> <p>LBBW Green Bond Framework 03-2022</p> <p>LBBW Green & Social Bonds - Reporting as Of 31 Dec 2021</p> <p>LBBW Social Bond Allocation & Impact Reporting 2021</p> <p>LBBW Green Bond Allocation & Impact Reporting 2021</p>

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s) to bank's full response/ relevant information
	<p>2. Impact & Target Setting</p> <ul style="list-style-type: none"> ● LBBW's successes in financing and shaping the sustainable transformation in 2021 in figures: <ul style="list-style-type: none"> - EUR 38 billion sustainable financing volume - EUR 90 billion total volume of accompanied sustainable customer issues - EUR 33 billion sustainable investment products ● LBBW intends to continuously expand its track record in sustainable investment products and financing solutions. Innovative projects like climate-neutral leasing and bilateral ESG loans are currently being rolled out. ● LBBW is one of the largest issuers of sustainable bonds among Europe's commercial banks. This year, a new green bond framework designed specifically in consideration of the EU's taxonomy was developed. This was affirmed via a second-party opinion (SPO) from the independent sustainability rating agency ISS ESG, which recognized LBBW's green bond portfolio as a "significant contribution" towards the UN Sustainable Development Goals. ● LBBW's green bond portfolio consists of two parts: energy-efficient buildings and renewable energy (wind and solar). The business volume for energy-efficient buildings expanded considerably over the past year and totaled EUR 6.8 billion as of year-end - corresponding to an increase by nearly 30 %. ● In commercial real estate financing, LBBW intends to increase its ESG new business volume continuously. To this end, LBBW has vigorously expanded its expertise in supporting sustainable customer projects (e. g. wood-hybrid houses). Since last year, LBBW has actively contributed to the ECORE Initiative (ESG Circle of Real Estate) in developing a real estate ESG scoring system as a standard for the European and global real estate markets. ● LBBW contributes its expertise to other industry-wide collaborative projects; for example to the Pathway to Paris initiative launched by the WWF and PricewaterhouseCoopers (PwC) in the beginning of 2021. ● Since it was established in 1984, the LBBW Foundation has donated approximately EUR 27 million to roughly 11,500 projects. 	

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s) to bank's full response/ relevant information
	<p>3. Clients & Customers</p> <ul style="list-style-type: none"> ● Our aim is to actively shape change processes through sustainable investment products, green finance, and digital innovations and to support our customers on their way to a sustainable future as a reliable and responsible partner (see also section 3.2). ● LBBW invests in comprehensive ESG training programs for its sales employees to support our customers as a competent partner for sustainable products and services at all times. ● LBBW offers its retail customers diverse opportunities to invest their money profitably, while also financing environmental and social projects at the same time. ● In its corporate customer business, LBBW creates targeted incentives to bring about changes with innovative financing solutions, e.g. by linking conditions to a company's sustainable development. ● LBBW is one of Germany's leading research and capital market institutions. Our private investors and corporate customers benefit from our experience and our analyses on sustainability issues. Savings banks and institutional customers are provided for consultations, assessments, proprietary investment management and lending portfolio analysis. In 2021 LBBW published numerous studies and information related to sustainability and sustainable finance. <p>4. Stakeholders</p> <ul style="list-style-type: none"> ● LBBW plans to carry out a comprehensive update of its materiality analysis in 2022. The objective is to identify the most important sustainability topics and expectations of its stakeholders on the basis of interviews and to derive inspiration for its sustainability strategy. <p>5. Governance & Culture</p> <ul style="list-style-type: none"> ● 100% of LBBW's roughly 10,000 employees completed the mandatory ESG training course in 2021. ● LBBW has conducted a needs analysis to assess employees' needs for further training on the subject of sustainability and is expanding its e-learning program accordingly with 12 additional modules in 2022, including product-specific knowledge (green bonds, etc.) to regulatory requirements. 	

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s) to bank's full response/ relevant information
	<p>6. Transparency & Accountability</p> <ul style="list-style-type: none"> ● LBBW publishes a sustainability report based on the established reporting standards of the Global Reporting Initiative (GRI) on an annual basis. LBBW's sustainability report for 2021 achieved eighth place in the regular rankings of large German companies' sustainability reports by the Institute for Ecological Economy Research (IÖW). This represented the best ranking of any German bank and the best of any company in the financial industry. ● LBBW has published a non-financial report in accordance with the requirements of the EU Non-Financial Reporting Directive (NFRD) every financial year since 2017, which is audited by statutory auditors. ● As the first signatory (2020) of the Climate Commitment of the German Banking Sector, and through its accession (2021) to the Net Zero Banking Alliance Germany (NZBAG), LBBW committed to the goal of aligning its lending and investment portfolio with the Paris Agreement - i.e. the attainment of net-zero CO₂ emissions by 2050 at latest. It has also pledged to formulate and publish sector-specific, scenario-based climate targets for its portfolios by the end of 2022 and to monitor these accordingly and report on their progress at regular intervals. ● Since the beginning of 2022, LBBW has been a supporter of the Carbon Disclosure Project (CDP), which obligates us to disclose or climate impact in a transparent manner. ● LBBW has been a signatory of the UN Principles for Responsible Investment (UN PRI) since 2009. Under this commitment, LBBW's investments are audited annually by ISS ESG. A climate impact report is prepared by ISS ESG for LBBW depository account A (LBBW's banking book) that meets the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) for effective environmental reporting. ● LBBW signed the Green & Social Bond Principles of the ICMA (International Capital Markets Association) in 2018 and publishes Allocation and Impact Reporting for its green and social bond portfolio on its website each year in accordance with the ICMA guidelines. ● LBBW ratified the UN Global Compact in 2017 and publishes an annual report on its progress with implementation (COP - Communication on Progress). ● Since 2013, LBBW has been subject to the German Sustainability Code (GSC), an initiative of the German government, and conducts regular reporting on its progress as well. 	

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding.

LBBW contributes to all PRB Principles to a high degree. It has joined national and international climate- and sustainability initiatives and delivers various respective reports on its progress.