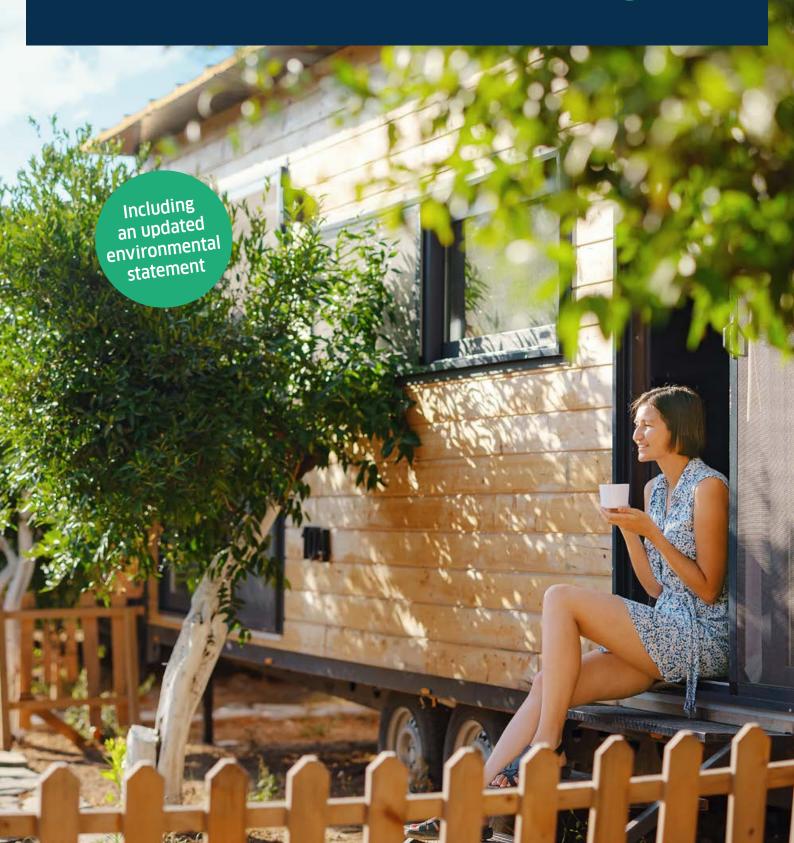
## LB≡BW

Sustainable actions. 2023 Sustainability Report of Landesbank Baden-Württemberg.



## 2023 Sustainability Report. Shaping the future.

Sustainability is about being ready for future challenges. It is now more important than ever to actively take responsibility, facilitate change and be a reliable partner, especially in turbulent times. We strive to be one of the most sustainable universal banks in Europe. We are proud to have been able to help overcome many crises and create something new in our 200-year history.

We want to continue to drive the sustainable transformation of the economy and society in partnership with our customers, our employees and the people in the regions that we call home as a state bank.

#### ~

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## About this report.

#### Reporting period

LBBW's 2023 Sustainability Report covers the period from 1 January to 31 December 2023. The time series for environmental data generally refer to the calendar years from 2019 to 2023. LBBW's previous sustainability report was published on 28 April 2023. The report is published annually.

#### Report content

LBBW reported on the information included in the GRI Index<sup>1</sup> for the period from 1 January 2023 to 31 December 2023 with reference to the GRI Standards.

Individual items of content in this sustainability report have been allocated to the respective Sustainable Development Goals (SDGs). These 17 goals are at the heart of Agenda 2030, which was adopted by all of the United Nations member states at a summit in September 2015. Agenda 2030 lays the foundations for global economic progress in harmony with social justice and within the Earth's ecological limits.



#### Scope of reporting

Our sustainability management system is applicable to LBBW (Bank) (including BW-Bank) and the wholly owned subsidiaries Gastro Event GmbH, LBBW Immobilien Management GmbH, LBBW Corporate Real Estate Management GmbH (formerly BW-Immobilien GmbH), and LBBW Asset Management Investmentgesellschaft mbH. The sustainability report therefore covers LBBW (the Bank) and the above-mentioned subsidiaries.

The following subsidiaries were also taken into account in environmental data: MMV Group, Berlin Hyp AG, SüdLeasing GmbH, SüdFactoring GmbH and ALVG Anlagenvermietung GmbH.

The following were registered as locations under EMAS and certified according to ISO 14001 in the 2023 reporting year:

- four buildings at "Am Hauptbahnhof" in Stuttgart,
- two buildings at "Pariser Platz" in Stuttgart and
- the "Kleiner Schlossplatz 11" building in Stuttgart.

#### **Editorial notes**

All the information in this report was compiled with the utmost care. To the best of our knowledge, this information and data are correct. Nonetheless, no liability can be assumed for any errors or omissions in the information provided.

We would like to thank the numerous colleagues who participated in preparing this report for their support.

# 01

## Strategy and management

#### Growth and relevance.

relevant. At the same time, we strive to be one of the most sustainable universal banks in Europe. Sustainability is firmly enshrined in our Group Strategy and is the driving force behind our corporate governance. As a state bank, we are aware of our corporate responsibility. "We enable sustainable transformation by making it affordable."

RAINER NESKE, CHAIRMAN OF THE BOARD OF MANAGING DIRECTORS OF LANDESBANK BADEN-WÜRTTEMBERG



## Foreword by the Chairman of the Board of Managing Directors.

Dear readers.

The need to focus on sustainability became even more urgent in 2023. It was the hottest year since the beginning of industrialization. Ongoing climate change fueled numerous extreme weather events that, in addition to all the political uncertainty, resulted in terrible human tragedy and devastating economic loss.

This highlights the importance of society being willing to advance the cause of sustainability. For many people, sustainable transformation seems far too costly in a weak economy, as exemplified by ever-increasing energy prices.

We at LBBW bear a great responsibility in this situation. While our own carbon footprint is important, I am referring to something else, too. Obviously, as a service company, our greenhouse gas emissions are comparatively low – yet we continue to work hard to reduce the carbon footprint of our operations. But our real leverage comes from our key function in the economy: organizing the flow of money in an environmentally, economically and socially responsible way.

We ensure prosperity as the basis for social cohesion by finding ways to provide funding for companies and projects in our country, whether through our own balance sheet or the capital market. We enable sustainable transformation by making it affordable.

Over the past year, we have also worked hard to develop ways to implement our sustainability strategy even more rigorously. We have set ambitious goals to make our own processes more sustainable while providing our customers with innovative solutions and tailored advice. In this report, you can read about what we have done and what we still aim to do.

The path to a sustainable economy is an ongoing process that requires commitment, innovation, collaboration and mutual concessions – from us as a financial institution, from our customers and from policymakers. The past few years have shown that we are on the right track – and that we have achieved a great deal together with our customers. But they have also made it clear where the challenges are, where solutions are not easy to implement and where the solution is out of our hands entirely. One thing is clear: there is still plenty for everyone to do. Let us continue together on our chosen path.

Sincerely,

Rainer Neske

Chairman of the Board of Managing Directors of Landesbank Baden-Württemberg

## Facts and figures.

Net profit/loss .\_\_\_\_\_\_

Growth trajectory continues in 2023, creating a resilient foundation for 2024. LBBW posts very good net profit of EUR 1,374 million before taxes.

**Outstanding** green bonds

The LBBW Group has outstanding green bonds of EUR 14.1 billion.

### **Strategic** levers improved



The strategic levers were refined as part of LBBW's Group Strategy in the 2023 financial year.

→ see page 25 et segg.

No. of training modules increased 0 0 0 to 68 courses



After adding 22 new training classes on sustainability to our continuing education program in 2022 - covering topics from the analysis of sustainability risks to sustainability regulations to green bonds - we increased the number of courses to 68 in 2023. More than 6,600 employees completed these training courses (not including the mandatory sustainability learning

three-person households with green power

LBBW financed one of the largest renewable repowering projects in Europe in 2023. In Germany, 50 wind turbines were replaced by 16 more efficient ones, increasing energy output sixfold. This is enough to power 67,000 three-person households with green

# over 1,000 processes optimized

With this new process, we were able to increase the number of ideas by 50% to 4,213 in 2023 and increase the already high number of benefits by 59% to 18.9 million. Thanks to the high quality of the ideas, more than 1,000 processes were optimized and innovative, sustainable and digital solutions were created.

The LBBW Group assisted a total of 380 charitable institutions with donations of around EUR 1,119,000 in 2023.

1,119,000

Collection of over



LBBW has more than 50 years of experience in successfully and actively accumulating a complex collection of modern and contemporary art. Today, the collection comprises more than 3,000 works of various genres and

## Cost reimbursement for the **JobTicket**



LBBW has been covering the costs of the Deutschland-JobTicket since August 2023, effectively encouraging people to switch to local public transportation and thus driving sustainable mobility.

bicycles ordered



LBBW has already

- established electronic charging structure with nearly 170 vehicle charging points at the LBBW locations – including 60% in Stuttgart, more are in the pipeline for the coming years;
- installed over 30 e-bike charging stations more are in the pipeline - and a bike service station at Stuttgart Campus:
- developed a bicycle salary conversion model together with JobRad and has ordered nearly 900 bicycles so far - 80% of which are for the Stuttgart workforce (as of November 2023);
- was certified as a "bike-friendly employer" by the ADFC cycling association for Stuttgart;
- participated several times in the City Cycling campaign and successfully defended its 3<sup>rd</sup> place ranking in recent years.

## The company.

#### **Profile**

Landesbank Baden-Württemberg (LBBW) is a mid-sized universal bank and a central institution for the savings banks in Baden-Württemberg, Saxony and Rhineland-Palatinate. With total assets of EUR 333 billion and about 10,434 employees (as of 31 December 2023), LBBW is one of the largest banks in Germany. LBBW's owners are Sparkassenverband Baden-Württemberg (Savings Banks Association of Baden-Württemberg), the state of Baden-Württemberg, the state capital Stuttgart and Landesbeteiligungen Baden-Württemberg GmbH. Its core activities include corporate customer business, primarily with SMEs, and business with retail customers and savings banks. It also focuses on real estate and project finance in selected markets and customer-oriented capital markets business with banks, savings banks and institutional investors. Together with its regional customer bank Baden-Württembergische Bank (BW-Bank), LBBW has supported numerous retail and corporate customers for many years as their principal bank. As well as its expertise in innovative and complex financing, support in tapping international markets also plays a key role for SMEs. Internationally, LBBW operates at 16 locations in 15 countries. Specialized subsidiaries, such as Berlin Hyp, Süd-Leasing, SüdFactoring, LBBW Asset Management Investmentgesellschaft mbH, LBBW Immobilien and LBBW Venture Capital, round off the LBBW Group's in-house services.

#### Developments in 2023

LBBW ended the 2023 financial year with a further improvement in its operating income thanks to its successful strategic realignment. Operations in all customer segments made a nine-figure contribution to the Group's net consolidated profit of EUR 1,374 million, underlining the strength of the universal banking business model. The positive earnings trend was clearly influenced by the development of interest rates over the course of 2023.

Activities in the 2023 financial year focused on the evolution of LBBW's business model and strategic focus on the long-term Group objectives of growth and relevance in order to position the Bank competitively for the increasing challenges of the future. The Group is laser focused on growth through profitable income growth, rigorous risk management and active cost control. At the same time, LBBW strives to achieve a relevant position among its competitors and stakeholders so that it can support and shape the complex transformation processes in the long term as a reliable partner of industry and society.

Despite the continued challenging environment, this strategy proved to be effective and resulted in significant achievements in all operating segments in line with the strategic objectives.

The positive performance of the corporate customer segment was driven by the continued expansion of the growing corporate finance area. LBBW again defended its market leadership in the Schuldschein market, placing a volume of EUR 22.8 billion in 2023. The M&A advisory business also expanded. For example, LBBW played a leading role in the Transnet BW deal. Sustainability is also increasingly reflected in customer products. Following the implementation of ESG-linked factoring at SüdFactoring, SüdLeasing has also launched an ESG-linked financing option.

The Real Estate and Project Finance segment continued to be impacted by the integration of Berlin Hyp. The impact of the difficult environment in the real estate market was also clearly evident. Despite high inflation and a sharp rise in interest, raw material and construction costs for real estate projects, LBBW realized and initiated attractive transactions. The large proportion of sustainable financing in new business means that LBBW is continuing on its chosen path as a transformation partner. The bank has established itself in sustainable financing, contributing to the necessary transformation of the real estate sector. The project finance business also showed encouraging growth. LBBW contributes to the sustainable and digital transformation of the economy through transactions in renewable energy and digital infrastructure.

The Capital Markets Business segment benefited above all from the satisfactory performance of the certificates business, which continued to experience strong demand. Once again, LBBW received several prizes at the German Certificate Awards in recognition of its performance as a certificate provider. In addition to placing first in the credit-linked bonds category, LBBW also received a special award for being the best ESG certificate provider. This was prompted by the first issue of a fixed-rate climate change mitigation bond (in line with the EU Taxonomy) in October 2023, based on a concept developed by the German Structured Securities Association → see page 136.

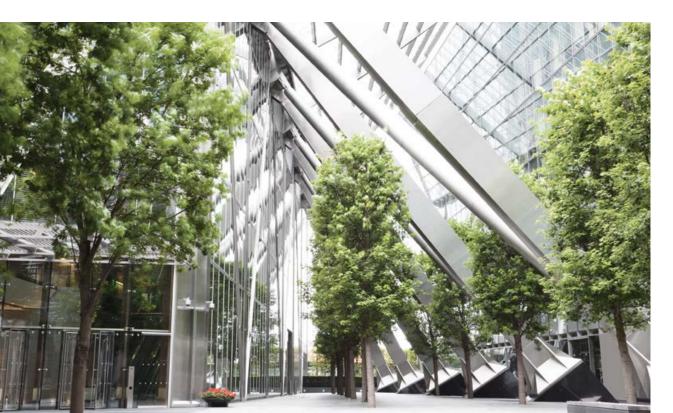
Volatile markets ensured stable demand for hedging products, particularly for interest rates and currencies. LBBW Asset Management Investmentgesellschaft mbH made further progress in the expansion of its sustainable product portfolio. Ten LBBW AM funds were awarded the Forum Nachhaltige Geldanlagen (FNG) (German Sustainable Investment Forum) quality seal during the year.

The Private Customers/Savings Banks segment performed well after years of low interest rates came to an end. Rising interest rates fueled growing demand for overnight, term and savings products in particular. As a result, the volume of deposits increased slightly year-on-year, underlining the confidence that customers have in their bank. The successful completion of the Digital Asset Management – BW ON project marked a milestone in the digitalization strategy for the retail customer business.



## Key figures of the LBBW Group

Income statement (EUR million)	1 Jan 31 Dec. 2023	1 Jan 31 Dec. 2022
Net interest income	2,826	2,305
Net fee and commission income	589	628
Net gains/losses on remeasurement and disposal	162	55
of which allowances for losses on loans and securities	- 254	- 239
Other operating income/expenses	205	1,061
Total operating income/expenses	3,781	4,048
Administrative expenses	- 2,227	-1,985
Expenses for bank levy and deposit guarantee system	- 184	-188
Net income/expenses from restructuring	4	-2
Consolidated profit/loss before tax	1,374	1,873
Income taxes	- 378	- 363
Net consolidated profit/loss	996	1,510
Key figures in %	1 Jan 31 Dec. 2023	1 Jan 31 Dec. 2022
Return on equity (RoE)	9.1	13.4
Cost/income ratio (CIR)	59.6	50.7
Balance sheet figures (EUR billion)	31 Dec. 2023	31 Dec. 2022
Total assets	333.3	324.2
Equity	16.1	15.4
Ratios in accordance with CRR/CRD IV (after full implementation)	31 Dec. 2023	31 Dec. 2022
Risk weighted assets (EUR billion)	92.1	93.5
Common equity Tier 1 (CET 1) capital ratio (in %)	14.6	14.1
Total capital ratio (in %)	20.1	20.0
Employees	31 Dec. 2023	31 Dec. 2022
Group	10,434	10,384



#### ESG subsidiary network

A network was established in 2022 to create a standardized framework for networking with key subsidiaries. The network is a platform for discussing ESG topics and issues, such as the coordination of LBBW's sustainability targets and their significance for the key subsidiaries. Discussions typically take place once every quarter.

The following subsidiaries are members of the ESG subsidiary network:

#### **Berlin Hyp**

The real estate and Pfandbrief bank offers custom sustainable financing solutions for the commercial real estate sector for all common asset classes in Germany, France, Benelux and Poland.

Strategic sustainability management focuses on coordinating internal ESG projects and intensifying Group-wide cooperation with LBBW's Real Estate and Project Finance segment as part of the ESG content hub and other activities within the Bank. Other key areas are reporting, committee work and support for sustainability agencies.

#### Sustainable range of services:

→ <a href="https://www.berlinhyp.de/en/sustainability/sustainable-finance">https://www.berlinhyp.de/en/sustainability/sustainable-finance</a>

#### Framework:

→ <a href="https://www.berlinhyp.de/files/media/corporate/kunden/produkte/berlin-hyp-sustainable-fi-nance-framework-e-v5-2603-20240102.pdf">https://www.berlinhyp.de/files/media/corporate/kunden/produkte/berlin-hyp-sustainable-fi-nance-framework-e-v5-2603-20240102.pdf</a>

#### **LBBW Asset Management Investmentgesellschaft mbH** → see page 141 et seqq.

LBBW Asset Management Investmentgesellschaft mbH is a wholly-owned subsidiary of Landesbank Baden-Württemberg and has central responsibility for asset management within the LBBW Group. The Sustainability Office of LBBW Asset Management Investmentgesellschaft mbH coordinates ESG issues for the asset management company. This will primarily involve regulatory compliance over the next few years. In addition, internal and external communication will be strengthened, including through training, sustainability certificates for funds (e.g. FNG) and participation in initiatives (e.g. UN PRI).

#### LBBW Corporate Real Estate Management

LBBW Corporate Real Estate Management combines and coordinates all energy and sustainability issues for real estate owned and occupied by LBBW. It focuses on sustainable management and continuous, demand-driven development of the real estate portfolio. This includes energy monitoring, the expansion of e-mobility, the strategic development of the real estate portfolio in line with ESG criteria, and the targeted reduction of the carbon footprint through sustainable construction projects.

#### **LBBW Immobilien-Gruppe** → see page 265 et seqq.

LBBW Immobilien-Gruppe is the real estate competence center at Landesbank Baden-Württemberg Group and offers the full range of real estate services from a single source. A key sustainability issue is the strategic management and implementation of ESG criteria in asset management and in project and community development in line with LBBW's sustainability targets.

#### LBBW Pensionsmanagement GmbH

LBBW Pensionsmanagement GmbH, a wholly-owned subsidiary of Landesbank Baden-Württemberg (LBBW), is a consulting company and insurance broker for company pension plans.

Providing security for LBBW's employees during their working and retirement years is an important social aspect of sustainability management. LBBW Pensionsmanagement GmbH provides employers with the know-how and all the tools they need to sustainably finance, legally formulate and implement commitments.

#### **MMV** Gruppe

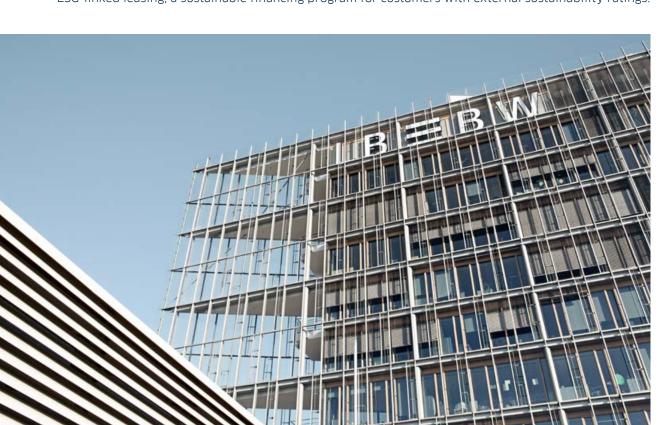
MMV Gruppe is one of the leading financing and leasing specialists for mobile assets in Germany and offers medium-sized companies products and solutions in investment financing and sales promotion. MMV Gruppe not only supports customers on their way to e-mobility but also finances photovoltaic systems and LED technology, among other things.

#### **SüdFactoring**

SüdFactoring is one of the leading factoring companies with a German shareholder background and one of the oldest players with more than 50 years of experience. It buys receivables from tradespeople and businesses and offers a wide range of related services. In 2021, SüdFactoring became the first German factoring company to launch the innovative ESG-linked factoring program, which links financing conditions to external sustainability ratings in order to incentivize sustainable business practices.

#### **SüdLeasing**

SüdLeasing specializes in large-volume equipment leasing and provides distinctive industry and property expertise to businesses and dealers in Germany and Switzerland. In 2022, it started offering ESG-linked leasing, a sustainable financing program for customers with external sustainability ratings.



#### International network

LBBW supports business and corporate customers of savings banks worldwide in their international activities at 16 locations in 15 countries. The international network comprises five branches, ten representative offices, three German Centers and a financing company. Each of the LBBW locations specializes in services that are in particularly high demand and required locally – customers are assisted with country expertise, market knowledge, and financial solutions. The German Centers offer a broad consulting network as well as office and exhibition space.

It is important to integrate the foreign branches into the Group-wide sustainability management system to ensure a uniform framework for compliance with ESG requirements at LBBW. Three regional hubs (EMEA, Asia/Pacific, Americas) centrally manage local units from New York, Singapore and London and ensure compliance with local ESG regulations. These regional hubs are part of LBBW's Group-wide sustainability management system. This means that LBBW's existing governance processes, its sustainability targets and principles and guidelines for implementation apply to all foreign locations worldwide.

An ESG Regional Hub Network comprising representatives from the regional hubs and the Group head office in Stuttgart meets quarterly to strengthen bank-wide networking. The regional hubs again carried out a wide range of activities and projects to promote sustainability in 2023.

#### Regional hub EMEA (Europe, Middle East, Africa)

LBBW's London branch serves as the regional hub for the EMEA region. It is continuing to work on increasing the share of climate-friendly projects in its real estate business and in its financing of energy-efficient buildings and renewable energy projects. Sustainability projects that address climate risks and ESG reporting are being advanced in cooperation with the head office in Stuttgart. Climate risks are part of the internal meeting and committee structure; monthly reporting on climate risks is ongoing. To raise our employees' awareness of sustainability issues and strengthen their skills, internal workshops and training courses are held and professional qualifications are promoted through certifications from reputable external providers.

#### Asia/Pacific (APAC) regional hub

LBBW is committed to environmental, social and governance (ESG) principles in its activities in the Asia-Pacific region. The Bank integrates sustainable practices, considers social impacts and adheres to high governance standards in its financial activities in the region, in line with global sustainability goals. We help customers expand their range of sustainability-focused products, including ESG-linked loans and green financing such as ESG-linked promissory note loans. We also continued to improve our performance as a partner in international renewable energy projects such as wind farms in Vietnam. We want to continue the success story in Vietnam and expand our renewable energy expertise to other Asian countries.

#### **Regional hub Americas**

The Corporate Desk New York, the point of contact for LBBW's corporate customers abroad, offers loans whose terms and conditions are linked to sustainability criteria. This allows customers to benefit from implementing ESG objectives in their financing. Capital Markets New York is also exploring opportunities related to products with sustainability features and the energy transition. The Real Estate Finance Group is part of LBBW's green bond initiative.

## Sustainability strategy and management.

Growth and relevance – these are the two guiding principles that shape the strategic direction of our Bank. Sustainability is deeply rooted in these principles and key to our thinking and actions. After all, it is the basis for long-term success. This is why we consistently work towards our strategic and operating sustainability targets.

To achieve our goals of growth and relevance, we have defined five strategic levers: We want to play our part in the sustainable transformation of the economy, support our customers with innovative solutions, increase our Bank's resilience, inspire our employees and make a substantial contribution to society.

To ensure LBBW's sustainable alignment, we have established rules, principles and standards that are binding for all employees. They guide our day-to-day actions and ensure that we act responsibly with regard to people, our environment and the natural world. On this basis, we define specific measures in our sustainability program each year. We engage in regular dialog with our stakeholders in order to focus our activities on the key issues.



## Sustainability policy and goals as well as principles and guidelines for their implementation

Our sustainability policy is the basis for integrating economic, environmental and social aspects into all business activities. It establishes a framework for meeting the sustainability targets and thus for all sustainability activities in the LBBW Group.

The principles and guidelines derived from the sustainability policy guide the day-to-day actions of all employees and ensure that they act responsibly with regard to people, the environment, and the natural world.

The following section describes the sustainability policy and goals as well as the guidelines and principles in detail.

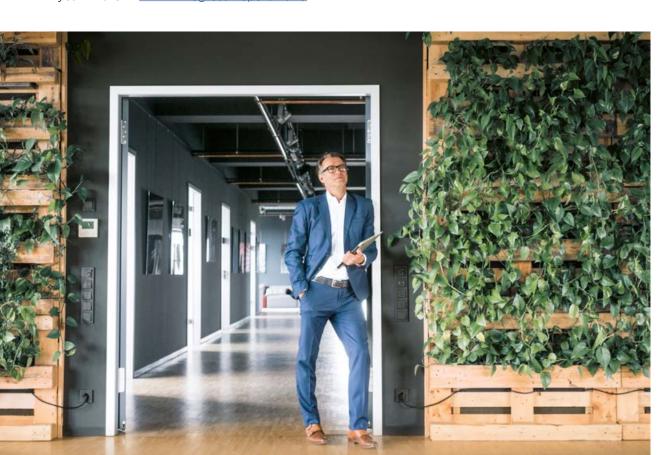
#### LBBW sustainability policy



LBBW's sustainability policy is based on the Principles for Responsible Banking (PRB) of the United Nations Environment Program Finance Initiative (UNEP FI). This global initiative for responsible banking is based on a partnership between the United Nations Environment Program (UNEP) and voluntary members of the financial sector.

The PRB provides a uniform framework for integrating sustainability in all areas of business using six principles. This allows banks to systematically align with social objectives like the Paris Agreement and the United Nations Sustainable Development Goals (SDGs).

LBBW reports on its progress in implementing the Principles for Responsible Banking in English each year in the → LBBW Progress Report 2023





## 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.

#### Principle 1: Alignment

- Sustainability has long since been part of LBBW's DNA. Back in 2017, we made sustainability one of our strategic objectives. It will continue to play a central role as a sustainable transformation lever in the continued development of the strategic alignment initiated in 2022.
- Our goal is to actively promote sustainable and economically, environmentally, and socially responsible development as part of our banking business, drive our own transformation and support the transformation of the real economy.
- We endeavor to use our sustainability management system to put into practice sustainable thought and action throughout the Group, in all functional departments, subsidiaries, and branches, and therefore to take sustainability-related factors into account in all business policy decisions.
- The Principles and Guidelines for Implementing LBBW's Sustainability Policy and Goals
  provide our managerial staff and employees with concrete guidance on how to conduct everyday
  business.
- Sustainability issues are considered when we make lending and investment decisions.

#### **Principle 2: Impact & Target Setting**

- LBBW is committed to the UN's Sustainable Development Goals and the Paris Agreement.
- We contribute actively to the transition from a greenhouse-gas-intensive to a low emissions way of doing business.
- In addition to the future-oriented approach of the LBBW portfolio, we continuously work on further reducing our consumption of natural resources and aligning our banking operations with the Paris Agreement.
- We add value to society with our sustainable products and services and promote nature/environmental, education, and social projects and initiatives.
- We give preference to sustainable products and sustainability-focused suppliers and service providers in our purchasing and procurement processes wherever this is an economically viable option.

#### **Principle 3: Clients & Customers**

- We want LBBW to be a skilled, effective and reliable partner to our customers and aim to establish long-term customer relationships.
- We offer sustainable products and services to all customer groups whenever possible.
- We support our customers in strengthening their commitment to climate change mitigation, sustainable development and reducing environmental pollution.

#### Principle 4: Stakeholders

• We engage in continuous dialog with our stakeholders so that we can focus our sustainability activities even more precisely on central issues.

#### Principle 5: Governance & Culture

- LBBW acts in the long-term best interests of its customers and other key stakeholders. Fair, responsible action is the bedrock of our business policy.
- Systematic sustainability management is safeguarded by incorporating it into the existing Group structure.
- It goes without saying that we comply with all applicable legal regulations.

- LBBW has a sustainable human resources policy. We are committed on an ongoing basis to being an attractive employer of and reliable partner to its employees.
- We sustainably promote our employees so that we can shape a successful future with a team of healthy, motivated, and qualified employees.
- All employees should be valued regardless of their gender, nationality, ethnic origin, religion or worldview, disability, age, sexual orientation and identity. LBBW does not tolerate any form of discrimination within the Bank or with respect to its employees, customers, business partners, suppliers, or other persons.
- We keep our employees informed about sustainability and provide sustainability training.

#### Principle 6: Transparency & accountability

• LBBW reports to the public regularly on the progress made in fulfilling its commitment to sustainability.

#### LBBW's sustainability goals



LBBW has set itself the following strategic goals, which are specified in the sustainability program. The sustainability program is required by the EMAS Regulation. → For more information, please refer to the sustainability program, page 35 et seqq.

- **1.** We have successively implemented **sustainability** as an **integral component of our business** policy. For this reason, we strive for an active focus on products and services with a positive impact on sustainability.
- 2. We offer sustainable investment products to all customer groups and in all asset classes. The goal is to increase the share of sustainable investments in all business areas including in our own investment portfolio. We take sustainability risks and earnings potential for customers and the Bank into account in our lending advice and lending decisions. We treat our customers fairly, collaboratively, and respectfully, ensure data protection and transparency, and provide high-quality advice.
- **3.** We **promote the health and performance of our employees** with specific measures for this purpose. At LBBW, we ensure a good work-life balance, and promote diversity and equal opportunity. We intend to maintain and further raise the high education and training level in our Bank.
- **4.** We will further optimize the **use of resources** within our **organization**. Our efforts to reduce the CO<sub>2</sub> emissions generated by our business focus on energy usage and business-related travel. We apply sustainability criteria in the selection of products and service providers when procuring **materials** and **awarding contracts**.
- **5.** In addition to providing our banking services, we are actively involved in the creation of **value for society**. We do this through donorships and sponsorships. In the regions in which we do business, we support education initiatives and various other social projects, both financially and through employee volunteerism during working hours.
- **6.** We inform our **stakeholders** about our commitment to sustainability and engage in a **constructive dialog** with them.

#### LBBW guidelines and principles for implementation of the sustainability policy and targets



#### 1. Business guidelines

#### 1.1 Guidelines for investment

We actively promote sustainable investments. In customer business, we offer sustainable investment products to all customer groups and in all asset classes. The goal is to continually increase the share of sustainable investments in all business areas - including in our own investment port-

LBBW is committed to the Principles for Responsible Investment (PRI), an initiative launched by the United Nations in 2006.

#### The 6 PRIs:

- 1. We will incorporate environment, social and governance (ESG) issues into investment analysis and decision-making processes.
- **2.** We will be active owners and incorporate ESG issues into our investment policies and practices.
- 3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4. We will promote acceptance and implementation of the Principles within the investment in-
- 5. We will work together to enhance our effectiveness in implementing the Principles.
- **6.** We will each report on our activities and progress towards implementing the Principles.

#### 1.2 Guidelines for lending

- When making lending decisions, we consider the key sustainability factors associated with projects to be financed, such as climate and environmental impact, human rights and labor laws, and social value-added.
- During the process of analyzing and deciding whether to finance projects, we use suitable tools for identifying, avoiding, and managing sustainability risks.
- We aim to actively gear the lending business toward transactions, projects, products, and customer groups that positively impact the living conditions of all people, the global climate, and biological diversity, and therefore also improve our sustainability performance.

#### 1.3 Guidelines for human resources management

Our employees are our most important resource. They are the key factor in shaping a successful future. Sustainable human resources activities therefore focus primarily on increasing their satisfaction, motivation, and performance. These activities are based on the following principles:

#### Compensation and benefits

We provide an up-to-date, complete remuneration system in which salary components can be structured flexibly. Attractive social benefits express our appreciation for our employees. Performance at the LBBW Group is measured on the basis of LBBW's growth and relevance strategy using the five strategic levers for members of the Board of Managing Directors and non-pay-scale employees. This means that sustainability plays a significant role when it comes to performance-based variable remuneration.

#### Change management

We strive to continuously improve working conditions and organization. Necessary changes are made in a socially responsible manner. Employee co-determination is respected and supported.

#### Work-life balance

To achieve the best possible balance between work and personal goals, we offer our staff various models for managing their working time flexibly as well as support for caring for their children and other family members.

#### Communication and information

We keep our employees informed about important and current issues. The partnership between the staff councils and the Bank is characterized by openness and mutual trust. Employees have the right to exercise the freedom of association and assembly throughout the Group.

#### Management

LBBW values a respectful and appreciative leadership culture. Our requirement profile for managers ensures that there is a uniform understanding of how cooperation between employees and managers should be structured.

#### Personnel development

We help our employees to continue to develop themselves and their skills throughout their careers as well as to leverage their existing potential. LBBW offers a wide range of training and continuing education options for this purpose.

#### Employee retention

Employee retention at LBBW begins on the very first day of work and is an ongoing process that aims to keep our employees and their skills, abilities and personalities at LBBW for as long as possible. This is built on motivating and attractive working conditions that ensure high employee satisfaction.

#### Demographic developments

Our personnel planning and management take account of the age breakdown of our employees and demographic trends.

#### Promoting health

Professional in-house healthcare management allows us to keep our employees healthy, motivated and productive for the long term.

#### Equal opportunity and diversity

We guarantee an unprejudiced working environment free of bias. All employees are valued regardless of gender, nationality, ethnic origin, religion or worldview, disability, age, sexual orientation or identity.

#### 1.4 Guidelines for business operations

LBBW has pledged to further reduce its CO2 emissions. Accordingly, we set ambitious standards for our own resource use.

- We reduce our energy consumption by continually optimizing our building systems and our IT hardware in the data centers and the workplace.
- By offering expanded video conferencing and teleconferencing options, we strive to further reduce the volume of business travel. We are also working actively to decrease the average fuel consumption of our vehicle fleet → see page 256 et seqg.
- Environmental friendliness, fair compensation systems and primarily regional origin are key factors for us when selecting products and services. In order to ensure compliance with the sustainability criteria in our procurement standards, we require our suppliers to provide information about product origin, manufacturing processes, and materials used. Furthermore, we reserve the right to extraordinary termination in the event of non-compliance with our social and environmental standards, which all of our suppliers are required to accept.

#### 2. General principles and commitments

#### 2.1 LBBW exclusion criteria

We are aware of our corporate responsibility in all financing projects. This is why we apply mandatory internal review processes and a comprehensive set of rules to ensure that reputation and sustainability risks relating to the environment, society or ethics are identified, analyzed and assessed at an early stage in the process of deciding on extending credit. Existing guidelines are reviewed and further guidelines added on a regular basis. → Detailed exclusions and ESG criteria are described starting on page 155 et segg.

We also incorporate sustainable criteria into the analysis and decision-making processes for our investment activities. Both LBBW and LBBW Asset Management Investmentgesellschaft mbH thus place greater focus on ESG criteria and corresponding exclusions in their investment practices → see page 132.

#### 2.2 UN Principles for Responsible Investment (PRI)

By signing the United Nations' PRI, LBBW undertakes to increasingly incorporate aspects relating to responsibility for the environment, society and corporate governance into the analysis and decision-making processes for investment activities.

→ see Guidelines for investment on page 20.

#### 2.3 Human rights, children's rights

LBBW recognizes the United Nations' Universal Declaration of Human Rights for all people throughout the world and expects its contractual partners to do the same. As a member of the United Nations' Global Compact, we help protect international human rights and ensure that we are not complicit in human rights abuses. In keeping with the United Nations Guiding Principles on Business and Human Rights, LBBW does not undermine the human rights of others. We do not work with any company or institution known to disregard human rights.

LBBW advocates unconditional respect for the rights of children and the abolition of child labor and also expects this from its customers, employees, suppliers and other partners.

#### 2.4 Workers' rights

The eight core labor standards of the International Labour Organization (ILO) on fair working conditions apply for all LBBW Group employees, provided these have been ratified by the country in question. We also expect our suppliers and their sub-contractors to comply with human rights and workers' rights. LBBW regularly publishes a declaration on the Modern Slavery Act on its sustainability website at

→ www.LBBW.de/sustainability

#### 2.5 Code of Conduct/compliance

It goes without saying that we comply with all applicable legal regulations. Internal rules and our Code of Conduct are the foundation for responsible action of every individual at LBBW in compliance with the legal requirements as well as ethical and societal standards.

We do not tolerate fraud or other punishable offenses of any kind. We avoid any breaches of financial sanctions and embargo regulations and always comply with all guidelines that protect us as employees and LBBW from negative consequences.

→ For more information on LBBW's Code of Conduct, see page 97 and here.

#### 2.6 Biodiversity

All companies directly or indirectly use services that affect biodiversity. LBBW does not fund projects that clearly lead to large-scale destruction of the environment and nature without adding ecological value.

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

#### 2.7 Combating climate change



We are committed to operating our business in a manner that is climate friendly and aim to support the decarbonization of the economy through our banking services. In this way, we are contributing to UN SDG 13 on combating climate change and its impacts, among other things.

LBBW (Bank) met or even came in below its self-imposed limit of 10,500 tons of  $CO_2$  emissions from business operations through organizational and technical optimizations. In 2023, it generated 9,630 tons of  $CO_2$  (excluding subsidiaries). Further information and detailed figures can be found in the Environment section  $\rightarrow$  see page 239 et segg.

LBBW has also set itself the goal of reducing the emissions it finances and has developed sector pathways and formulated concrete sector-specific and scenario-based interim targets for 2030 for the most greenhouse gas-intensive sectors. Further information can be found in the Financing section  $\rightarrow$  see page 154 et seqq.

LBBW thus supports the goals of the Paris Agreement and does its part to limit the rise in global temperatures.

Limiting global warming will require innovation and collective action as well as massive investments that can only be made if banks and other financial institutions provide the funding.

Accordingly, LBBW plays a key role in the economic transformation. As a strong universal bank with regional roots, LBBW is aware of its responsibility and helps actively shape the transformation of companies, the economy and society. We are a partner to our customers and support them as they work towards carbon neutrality.



#### Sustainable corporate governance

Sustainability has been on LBBW's agenda for many years now. In 2006, LBBW set specific sustainability targets for the Group for the first time and systematically focused its actions on meeting these goals. We initiated change processes, developed sustainable products and established ecological and social standards.

The strategic objectives of business focus, digitalization, sustainability and agility were defined in 2017. They primarily support successful ongoing development and the growth of the segments and define a strong sustainability stance.

In 2022, LBBW revised its existing strategic direction and defined five strategic levers ("Sustainable Transformation", "Innovative Solutions", "Enhanced Resilience", "Inspire Employees" and "Social Contribution"). The five defined strategic levers contribute to the corporate goals of growth and relevance over the long term.

The strategic levers were refined as part of LBBW's Group Strategy in the 2023 financial year. Key elements of the Group Strategy are the strategic corporate goals of growth and relevance. In addition to steady income growth, this includes rigorous risk management and active cost control. LBBW's second strategic corporate goal is to achieve a relevant position among its competitors and stakeholders so that it can support and shape the complex transformation processes over the long term as a reliable partner of industry and society.



## Five strategic levers support the implementation of the Group Strategy and its operationalization in LBBW's individual segments:

- Sustainable Transformation: The sustainable transformation of our industrial system presents companies with a variety of challenges. This strategic lever focuses on what can be very complex transformation requirements faced by LBBW's customers. As a transformation partner and shaper, LBBW takes these needs into account and develops appropriate solutions for its customers. For example, LBBW not only finances relevant transformation projects such as wind farms and photovoltaic systems but also offers a sustainable range of products and services. The range of services includes personalized advisory services for sustainable business models, digital transformation and the optimization of existing value chains. LBBW uses specific phase-out pathways for individual sectors (sector pathways) to sustainably reduce the CO₂ emissions of its lending portfolio. In addition, LBBW identifies and actively manages its own ESG risks.
- Innovative Solutions: LBBW's "Innovative Solutions" lever promotes the development of new products, production processes and services throughout the Group. LBBW relies on cross-segment collaboration to meet the diverse needs of its customers with a complete selection of products and services. LBBW's goal is to offer its own customers a broad range of banking expertise across its extensive product portfolio as an integrated solutions provider.
- Enhanced Resilience: Continued challenging environmental factors underscore the importance of resilience and flexibility for LBBW's business policy. In addition to diversifying the business model and strategically developing risk management, this lever focuses on resource discipline through capital and cost management as well as improving operational resilience (including cyber security).
- Inspire Employees: Committed employees are the most important resource in successful banking. Demographic change and the associated shortage of skilled labor and management personnel make it essential to recruit and retain highly skilled top performers. LBBW is initiating a fundamental cultural change with the aim of increasing its attractiveness as an employer in the long term. All employees not just the youngest generation of employees want their work to have a purpose. Furthermore, the "Inspire Employees" lever combines initiatives for the promotion and further development of employees, establishes new work and career models and thus promotes employees' long-term identification with LBBW.
- Social Contribution: LBBW takes its responsibility to society and industry very seriously as a responsible market player. For this reason, LBBW supports its employees' charitable initiatives through a variety of programs, including corporate volunteering. LBBW also strives to play an active role in social discourse with its economic and financial expertise.



#### Managing and implementing sustainability in the LBBW Group

We have firmly established operational responsibilities within the LBBW Group for the deliberate achievement of our strategic sustainability targets.

Responsibilities for managing and implementing sustainability are shown below.

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

Strategic positioning

#### **Board of Managing Directors** Sustainability Committee

Decision-making and steering committee and provides key momentum for LBBW's sustainability ambitions



Member of the Board of Managing Directors responsible for the strategic "Sustainable Transformation" lever

Participants: Members of the business unit's board

- · Central divisions (Chair of the Board of Managing Directors)
- Real Estate and Project Finance
- Risk Management and Compliance
- Corporate Customers Finance and Operations
- Head of Sustainability and other

participants as per the bylaws

#### Sustainability committee

Committee for implementing sustainability ambitions; steering committee for relevant projects



Head of Sustainability

Participants: Business unit heads for all Board of Managing Directors departments and other participants as

per the bylaws

Steering committees

#### Responsible in business unit

- Management of sustainability issues in respective business unit
- Coordination of target attainment as part of the strategy house
- Support for business-unit-specific activities and helping ensure these are put into practice



Implementation

#### **Decentralized dialog**

- Monthly open-house exchange between employees of sales and functional departments
- Sharing of information/expertise on sustainability issues and projects



Decentralized network

**ESG Group Transformation department** 

Central unit



#### Decision-making and steering committee:

The Board of Managing Directors Sustainability Committee serves as the central decision-making and steering committee and also acts as a catalyst for sustainability issues. It meets each quarter (or more frequently if required) and comprises the Chair of the Board of Managing Directors, other members of the Board of Managing Directors and the head of Sustainability. The committee is chaired by the member of the Board of Managing Directors who is responsible for the Sustainable Transformation lever. All members are entitled to vote.

The core responsibilities of the Board of Managing Directors Committee include overall management and strategic ongoing development of sustainability. It is also responsible for making decisions on recommendations made by the Sustainability Committee.



#### Coordinating and advisory committee:

The LBBW Sustainability Committee is responsible for creating transparency and networks across business units to further reinforce and expand the importance of sustainability. The Sustainability Committee has a coordinating and advisory function and decides on proposals to be decided by the Board of Managing Directors Sustainability Committee. It also serves as the steering committee for the Sustainability project. The committee generally meets once per month.



#### Implementation:

A business unit head is appointed for each business unit and is responsible for implementing the measures decided. The business unit heads' core tasks include managing sustainability issues in their business unit, coordinating target attainment as part of a new management model and supporting and promoting activities specific to that business unit.

#### Central unit:

LBBW established the new ESG Group Transformation department as of 1 January 2023. It comprises the two groups ESG Management & Strategy and ESG Reporting & Guidelines. As a central unit, the department is the competence center for technical questions on all aspects of sustainability and supports all decentral units.

#### **Business strategy**

LBBW's business strategy analyzes the consequences of climate change on an annual basis as part of the driver analysis and assesses their impact on LBBW's business model and strategic direction. The Sustainable Transformation lever in LBBW's Group Strategy addresses the relevant requirements for LBBW resulting from climate change. The business strategy process also defines the focus of the strategic lever in consultation with the individual market segments and identifies the resulting opportunities for the Group and market segments.

In general, LBBW sees itself as a relevant partner and companion in the complex transformation process. Key areas include financing transformation projects and providing sustainable products, services and advice. LBBW follows a clearly defined plan for the long-term reduction of greenhouse gases associated with LBBW's lending portfolio in order to sustainably reduce the LBBW Group's carbon footprint. This allows climate-related opportunities and risks to be measured, managed and rigorously tracked in line with the phase-out plan → see page 169 et seqq.

#### Sustainability project

The large number of new regulatory requirements imposed by banking regulators highlights the increased relevance of sustainability. Moreover, demands by customers, who are primarily seeking innovative and sustainable solutions, mean that it is essential to address the matter from a risk and regulatory perspective and consider sustainability holistically.

LBBW launched the Sustainability project in 2021 to take a proactive, cross-divisional approach to further sustainability development and to promptly comply with regulatory requirements.

As well as implementing regulatory requirements such as the EU Taxonomy Regulation, the project included identifying customer needs and further refining the ESG product range. An IT target vision required for implementation was developed at the same time. The project also focuses on integrating ESG risks into lending, risk management and back office processes. Formulating sector targets and defining customer-side transformation pathways are other focal areas in terms of portfolio management  $\rightarrow$  see page 169 et seqq.

The project is also supported by internal and external communication and the expansion of training courses for employees. We enjoyed further success in this area in 2023 and provided a total of 23 new learning pathways on sustainability. We also collaborated with other banks to develop six e-learning modules on sustainable finance. To train employees on the EU Taxonomy, additional training courses and introductory sessions were held on the EU Taxonomy and on how to conduct the audits. The Communication and Education sub-projects were completed by the end of 2023 and the issues were passed down to the line staff.

# 23 learning pathways on sustainability are included in the expanded training program.



The EU Taxonomy sub-project launched in 2022 addresses the Bank-wide implementation of the EU Taxonomy Regulation. For the first time, LBBW is required to review and report on Taxonomy alignment in addition to Taxonomy eligibility. You can find detailed information on the Taxonomy and related data in LBBW's annual report for 2023 in the Non-financial statement chapter.

The Taxo tool developed by VÖB (Federal Association of Public Banks in Germany) was introduced to support the verification of the Taxonomy eligibility and alignment of individual economic activities as part of the disclosure of the green asset ratio. The current focus is on the real estate finance, corporate customers and development loan segments. In the coming year, the focus will shift to the optimization of the processes implemented in 2023 and compliance with new regulatory developments.

The Portfolio Transformation sub-project developed the ESG Dashboard, a digital customer platform for sustainable business transformation that allows customers to track their company's sustainability indicators. The first pilot customers started testing in 2023.

The Sustainability project reports regularly to the Sustainability Council as the steering committee and to the board of Managing Directors Sustainability Committee.

#### **Corporate Sustainability Reporting Directive**

The EU's Corporate Sustainability Reporting Directive (CSRD) requires companies that fall within its scope to use their financial reporting to publish the data previously included in their non-financial reporting moving forward. This underscores the importance of sustainability reporting. The CSRD reporting requirements are effective for financial years beginning on or after January 1, 2024 and initially only apply to a limited group of companies that will be expanded in subsequent years. This means that the new EU directive also extends LBBW's existing reporting obligation and will require this reporting to be included in the Group management report in the future. LBBW has launched a Bank-wide project to comply with the requirements. The project aims to establish the strategic, professional and technical requirements for CSRD reporting and publish the first CSRD report in 2025. To kick off this process, a double materiality analysis in accordance with the CSRD was initiated in 2023 to determine the scope of future reporting. The Board of Managing Directors Sustainability Committee is informed of the project's progress.

## Materiality analysis pursuant to the German CSR Directive Implementation Act (CSR-RUG)

In 2023, the materiality analysis was reviewed and updated in accordance with the CSR Directive Implementation Act (CSR-RUG). This was done in two stages:

1. Discussion of the 2022 materiality analysis amid important current developments and review of the classification of the various topics at an internal workshop.

The LBBW focus areas were reviewed and supplemented and the valuation (on a scale from 1 to 5) adjusted to meet current conditions. The internal assessment was carried out by LBBW employees, while the external assessment was conducted by a consulting firm. The LBBW focus areas were compared with relevant external developments and drivers of political, economic, social, technological, environmental and legal areas as part of a PESTEL analysis (PESTEL = Political, Economical, Social, Technological, Environmental, Legal).

2. Interviews with selected stakeholders (NGOs, sustainability rating agencies, nonprofits, industry associations).

As part of the interviews, LBBW's commitment to sustainability in the areas of E (Environment), S (Social) and G (Governance) was discussed using a structured questionnaire and evaluated by the external stakeholders. The results were assigned to topics in the materiality analysis.

Focus areas receiving the highest rating of "5" in internal and external assessments were considered material. The following material focus areas have been identified for LBBW (Bank) for 2023:

- Stakeholder dialog
- Regulation
- Corporate governance
- Compliance
- Product responsibility/consumer protection
- Sustainability standards in investment
- Sustainability standards in financing
- Investment products with a sustainable focus
- Financing with a sustainable focus
- Real estate
- Resource consumption and CO₂ emissions
- NEW: Personnel management, expansion and development

Priority measures are defined for the focus areas identified as material under the sustainability program in order to further develop these topics.

In 2023, we began the CSRD materiality analysis (double materiality) that forms the basis for the scope of future reporting.



### Materiality analysis 💷

#### Environmental/sustainability aspects of our business activities and their score

#### Influence on our commitment to sustainability

#### Making our commitment measurable

Topic	LBBW focus areas	LBBW focus topics	Classification within the meaning of double materiality*	Sustainability issues, environmental impact and influencing laws	GRI indicators	Selected, more-detailed, internal LBBW parameters, internal standards, and signed voluntary commitments	External stakeholders	External score (1 = not important at all, 5 = very important)	Internal score (1 = not important at all, 5 = very important)
Strategy and management	Corporate governance	Inclusion of sustainability in the LBBW Group (committee structure and sustainability policy)	Material	Loss of confidence in banks, disclosure obligations, social development: clear focus on sustainability issues  Draft ECB Guide dated 20 May 2020: Climate and environmental risks are to be included in the frameworks for governance and risk appetite, duly incorporating all relevant functions.  Principles for Responsible Banking (PRB): standardized framework for all areas of business for systematic alignment with social objectives like the Paris Agreement and the United Nations Sustainable Development Goals (SDGs)	2-9, 2-23	Principles and Guidelines for Implementing Sustainability Policy and Goals, LBBW Sustainability Regulations	Supervisory authorities, society, sustainability rating agencies, owners	5, very important	5, very important
	Compliance	Internal and external fraud prevention, embargoes and financial sanctions, anti-corruption, data protection, business ethics	Material	Fraud, compliance with generally applicable laws and with laws concerning business, anti-money laundering, German Banking Act (KWG), German Securities Trading Act (WpHG)	2-27, 205-1, 205- 2, 205-3, 206-1; 418-1	Code of Conduct, money laundering prevention guidelines, fraud and corruption prevention guidelines	Supervisory authorities, sustainability rating agencies, owners	5, very important	5, very important
	Regulation	Compliance with sustainability laws	Material	German CSR Directive Implementation Act, Non-Financial Reporting Directive, EU action plan, recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), Taxonomy Regulation, BaFin information sheet, ECB Guide on environmental and climate risks, Benchmark Regulation, Green Bond Standard; Disclosure Regulation, MiFID-II Amendment Regulation		Regulation action area within the key strategic Sustainability objective at LBBW, voluntary commitment to climate change mitigation signed to the German financial sector and the German Savings Banks Finance Group (Sparkassen-Finanzgruppe)	Supervisory authorities, sustainability rating agencies, owners	5, very important	5, very important
Customers	Sustainability standards in investment business (environment, social issues, corporate governance)	Financing that takes account of envi- ronmental protection, human rights, working conditions, establishment of exclusion criteria	Material	Environmental violations and violations of human rights in financing projects, 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	2-23	Lending rules, company exclusion list for anti-personnel mines and cluster munitions, guidelines for sustainability in lending business, UN Global Compact, traffic-light review, Principles for Responsible Banking	Society, NGOs, sustainability rating agencies, owners	5, very important	5, very important
	Sustainability standards in investment business (environment, social issues, corporate governance)	Investment standards that take account of environmental protection, human rights, working conditions, establishment of exclusion criteria	Material	Environmental violations and violations of human rights in investment business, 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. Benchmark Regulation, Disclosure Regulation, Taxonomy Regulation	2-23	Principles for Responsible Investment (PRI), guide- lines 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	Supervisory authorities, society, sustainability rating agencies, owners	5, very important	5, very important

<sup>\*</sup> Double materiality:

1. Outside-in perspective: sustainability aspects that could present opportunities and risks that affect the company's business performance, earnings or position (company relevance) and

2. Inside-out perspective: business activities, business relationships and products and services of the company that have a positive and negative or likely severe impact on sustainability aspects (sustainability relevance).

#### Environmental/sustainability aspects of our business activities and their score

#### Influence on our commitment to sustainability

Sustainability issues, environ-

Classification within

#### Making our commitment measurable

Selected, more-detailed, internal LBBW

External score (1 =

Internal score (1 =

Topic	LBBW focus areas	LBBW focus topics	the meaning of double materiality*	mental impact and influencing laws	GRI indicators	parameters, internal standards, and signed voluntary commitments	External stakeholders	not important at all, 5 = very important)	not important at all, 5 = very important)
	Investment products with a sustainable focus	Offering sustainable investments (e.g., investment funds, structured products, green bonds, social bonds), sustainable asset management	Material	Disclosure of investment criteria and investment policies, engagement and participation policies, worldwide scarcity of raw materials and resources, destruction of nature reserves and forests essential to life, biodiversity and loss of species diversity, climate change, sustainability-related growth markets, UN SDGs	201-2	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	Owners, society, customers, sustainability rating agencies	5, very important	5, very important
	Financing with a sustainable focus	Promotion of climate-friendly projects and technologies (e.g. renewable en- ergies, building renovation to improve energy efficiency), positive incentive loans	Material	Climate change, financing needs in innovative and promising sectors, projects and technologies: worldwide scarcity of raw materials and resources, UN SDGs	201-2	Percentage of total project finance portfolio accounted for by credit facilities drawn for renewable energy projects, financed emissions, percentage of portfolio accounted for by credit facilities drawn for green buildings, LBBW green bond framework, guidelines for sustainability in lending business, Principles for Responsible Banking	Owners, society, customers, sustainability rating agencies	5, very important	5, very important
	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	Material	Loss of confidence due to the financial crisis, safeguarding customer interests, excessive debt, needs-based advice, transparency, protecting banking secrecy, data protection	417-1	Voluntary commitments in advertising according to "Deutscher Werberat" (German Advertising Council) guidelines, guidelines for retail customer advice at BW-Bank	Legislators, customers, sustainability rating agen- cies, owners	5, very important	5, very important
	Payments, cards, accounts	Financial inclusion/access to financial services for disadvantaged groups in society, cards or accounts with sustainability themes		Data protection, avoidance of social exclusion	418-1	Code of Conduct, guidelines on data protection at the LBBW Group	Society, sustainability rating agencies	3, somewhat important	3, somewhat important
	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	Material	Worldwide scarcity of raw materials and natural resources, climate change, energy efficiency	302-4	Standards for construction of new sustainable buildings, LBBW green bond framework, share of total commercial real estate financing accounted for by energy-efficient buildings	Owners, society, sustainability rating agencies	5, very important	5, very important

<sup>\*</sup> Double materiality:

1. Outside-in perspective: sustainability aspects that could present opportunities and risks that affect the company's business performance, earnings or position (company relevance) and

2. Inside-out perspective: business activities, business relationships and products and services of the company that have a positive and negative or likely severe impact on sustainability aspects (sustainability relevance).

#### Environmental/sustainability aspects of our business activities and their score

#### Influence on our commitment to sustainability

Sustainability issues, environ-

Classification within

#### Making our commitment measurable

Selected, more-detailed, internal LBBW

External score (1 =

Internal score (1 =

Topic	LBBW focus areas	LBBW focus topics	the meaning of double materiality*	mental impact and influencing laws	GRI indicators	parameters, internal standards, and signed voluntary commitments	External stakeholders	not important at all, 5 = very important)	not important at all, 5 = very important)
Employees	Personnel management, expansion and development	Training and education, employee management, talent management, women in leadership positions, digital and alternative learning and working methods	Material	Impact of demographic increasingly apparent, social responsibility as em- ployer, UN SDGs	404-1 to 404-3	Personnel development measures per employee, employee review percentage, sustainability guidelines in human resources policy, women in leadership positions	Society, sustainability rating agencies	5, very important	5, very important
	Work-life balance	Flexible working time models, childcare options, remote work		Social responsibility as an employer, collective bargaining regulations, demographic change	401-3	Number of places at internal LBBW childcare facilities, sustainability guidelines in human resources policy	Sustainability rating agencies	3, somewhat important	4, important
	Working environment	Healthcare management, fair remuneration models, occupational health and safety, employee co-determination		Social responsibility as an employer, demographic change, equality of opportunity, discrimination, co-determination rights, collective bargaining regulations, Pay Structure Transparency Act	403-1 to 403-10	Leadership positions, Diversity Charter, sustain- ability guidelines in human resources policy	Society, sustainability rating agencies	3, somewhat important	4, important
	Diversity & inclusion	Equality of opportunity and cultural diversity, inclusion, fair remuneration models		Gender/diversity discussion and equal treatment	405-1, 405-2, 406-1	Leadership positions, Diversity Charter, Women's Empowerment Principles, sustainability guide- lines in human resources policy	Society, sustainability rating agencies	4, important	4, important
Business operations	Resource consumption and CO <sub>2</sub> emissions	Responsible use of resources (paper, water, energy), facility management, hazardous materials, waste, fleet management, sustainable business travel (including e-mobility), responsible construction of own buildings, compensation	Material	Worldwide scarcity of raw materials and resources, destruction of nature reserves and forests essential to life, biodiversity and loss of species diver- sity, climate change, UN SDGs	305-1 to 305-7, 306-1 to 306-5	Sustainability guidelines in business operations, collection of environmental data using accounting software	Society, sustainability rating agencies, owners	5, very important	5, very important
	Sustainable procurement	Integration of sustainability criteria into supplier selection/evaluation and product procurement, trusting and long-term collaboration with suppliers		Environmental violations and violations of human rights at suppliers, 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	204-1, 414-1	Supplier self-assessment, sustainability declaration for suppliers, product group strategies, sustainability guidelines in business operations	Society, sustainability rating agencies	3, somewhat important	3, somewhat important
Community involvement and communication	Corporate citizenship	Supporting foundations, corporate volunteering, promoting nature/environmental projects, education and social issues		Contribution to regional development of company locations	203-2		Society, sustainability rating agencies, owners	3, somewhat important	4, important
	Stakeholder dialog	Dialog with social stakeholders and employees	Material	Transparent business activities, identify social expectations of our own company	2-29	LBBW sustainability targets, Principles for Responsible Banking	Stakeholder expectations, sustainability rating agencies	5, very important	5, very important

<sup>\*</sup> Double materiality:

1. Outside-in perspective: sustainability aspects that could present opportunities and risks that affect the company's business performance, earnings or position (company relevance) and

2. Inside-out perspective: business activities, business relationships and products and services of the company that have a positive and negative or likely severe impact on sustainability aspects (sustainability relevance).

#### Sustainability program 2023



The various departments play a significant role in the sustainability management system. It is not until environmental and social criteria are integrated into their business activities that sustainability can be actively pursued and put into practice.

Based on the Principles and Guidelines for Implementing LBBW's Sustainability Policy and Goals, the responsible functional departments at LBBW and its subsidiaries define specific projects for the sustainability program. The Sustainability team acts in an advisory capacity. The successful implementation of the measures is documented at the end of each year. The Board of Managing Directors is informed about the status once a year as part of the management review.

In 2023, the program comprised a total of 62 projects. Of these projects, 46 projects were completed, 12 projects were partially completed and four were not completed. The following tables provide an overview of the 2023 program, along with each project's status.



#### Strategy and management

Project	Responsible area	Status	Implementation
Implementing the sustainability compass from N-Motion in business unit 2 (D2)	D2 Retail and Business Customers/Savings Banks	√	N-Motion's sustainability compass was executed. BW-Bank took first place among all participating savings banks.
Distributing mutual funds via pillar 2 of the associations/target market concept by implementing sustainable investment in accordance with the Disclosure Regulation.	D4 Capital Markets Business and Asset Management/In- ternational Business	<b>√</b>	A total of 11 mutual funds have committed to a minimum quota of sustainable investments and can therefore be marketed to retail customers with a corresponding target market (pillar 2).
Preparing Capital Markets Business for Taxonomy eligibility	D4 Capital Markets Business and Asset Management/In- ternational Business	√	LBBW broke new ground in the issuance of sustainable investments in 2023 with the introduction of LBBW fixed-rate climate-protection bonds in accordance with the EU Taxonomy. ISS ESG, a sustainability rating agency, confirmed the Taxonomy alignment assessment process in a second party opinion.
			In addition, the Capital Markets Business business unit has been working intensively on the new EU Green Bond Standard, which is based on the EU Taxonomy, and is monitoring further developments.
Carrying out a materiality analysis with external stakeholders	D4 Capital Markets Business and Asset Management/In- ternational Business	√	The previous year's materiality analysis was reviewed and updated in 2023. Selected stakeholders were interviewed. For details, → see page 30 et seqq.
Further developing the quantification of financed emissions and physical risks to meet the requirements of disclosure, future climate stress tests and risk management processes	D5 Risk Management and Compliance	*	Internally developed models have been fully integrated into the model risk management process. The Corporate Sustainability Reporting Directive (CSRD) requires that financed emissions be calculated in accordance with the Partnership of Carbon Accounting in Finance (PCAF) standard. Appropriate compliance steps are planned for 2024.

Project	Responsible area	Status	Implementation
Further ensuring ESG risk management process:  Expanding the internal data infrastructure to include physical and transitional risks as well as financed emissions  Connecting external data providers  Using internally identified proxies	D5 Risk Management and Compliance	≈	<ul> <li>Ongoing process</li> <li>External emissions data providers have been connected.</li> <li>The calculation of financed emissions according to PCAF is gradually being transferred to IT.</li> <li>Preparations are underway for the IT implementation of physical risk data.</li> </ul>
Optimizing the ESG risk assessment process by further integrating quantifiable data into the lending process	D5 Risk Management and Compliance	√	Quantifiable data is integrated as long as sufficient customer-specific data is available. Increased reporting requirements under the CSRD are expected to improve data availability.
Actively supporting regulatory and lobby work, occasionally acting as a driver	D4 Capital Markets Business and Asset Management/In- ternational Business	√	Involvement in the (further) development of a software solution for checking the EU Taxonomy. Participation and contribution to comments/ consultations (coordinated by the Federal Association of Public Banks in Germany, (VOB)).



## Customers

Project	Responsible area	Status	Implementation
Checking account price adjustment project for 2024 (end of price guarantee on 31 December 2023)  Evaluating the results from the German Savings Banks Association (DSGV)'s checking account and card strategy project.	D2 Retail and Business Customers/Savings Banks	<b>√</b>	The implementation went according to plan. The relevance of sustainability was assessed as part of the checking account strategy. It was considered to be of minor or secondary importance and therefore no action was taken.
Construction green financing: expanding the pilot project to all segments in stages, Expanding to up to 30 pilots in Q1 2023	D2 Retail and Business Customers/Savings Banks	√	The pilot was implemented in 2023. The project will continue into 2024, including product development and market launch.
Preparing the regular report and integrating it into the quarterly accounting report to meet the regulatory requirements of the Sustainable Finance Disclosure Regulation (SFDR)	D2 Retail and Business Customers/Savings Banks	<b>√</b>	The implementation took place as planned on the regulatory application date.
Preparing and publishing the PAI declaration for BW-Bank asset management in accordance with Article 4 SFDR	D2 Retail and Business Customers/Savings Banks	√	The implementation took place as planned on the regulatory application date.
Offering asset management mandates with ESG impact approach	D2 Retail and Business Cus- tomers/Savings Banks	×	Re-launched following the adoption of the Sustainable Finance Investments Act (Gesetz für nachhaltige Finanzanlagen) in Baden-Württemberg and implementation of additional topics pursuant to the Sustainable Finance Disclosure Regulation (SFDR).
Optimization of the BW Vermögen asset management app: incorporation and display of sustainability information analogous to the sustainability analysis in portfolio reporting	D2 Retail and Business Customers/Savings Banks	×	Under implementation with an extended time-frame
Expanding the advisory and product monitoring process based on the requirements of the European Securities and Markets Authority (ESMA guidelines on suitability declaration and product monitoring).	D2 Retail and Business Customers/Savings Banks	√	The implementation took place as planned on the regulatory application date.
Individualizing securities advisory services by adding new sustainability clusters, including product recommendation rules based on the clusters	D2 Retail and Business Customers/Savings Banks	×	The individualization of securities advisory services was not yet launched in 2023.
Digitalizing letters to customers	D2 Retail and Business Customers/Savings Banks	<b>√</b>	Implementation as part of the OSPlus Neo customer data update process. This eliminates around 150,000 paper letters per year.

Project	Responsible area	Status	Implementation
Expanding advisory capacity for savings banks, other banks and institutional customers.	D4 Capital Markets Business and Asset Management/In- ternational Business	<b>√</b>	We successfully expanded our advisory capabilities and acquired new mandates, enabling us to support many customers in the dynamic environment of sustainability.
Expanding the range of sustainable certificates (green and social)	D4 Capital Markets Business and Asset Management/In- ternational Business	√	First issue of a Taxonomy-aligned bond in accordance with MiFID II in 10/2023. LBBW also offers a wide range of certificates with sustainability characteristics.
Expanding the range of sustainable funds and mandates:  Expanding the sustainable product range by way of new issues with innovative fund ideas  Switching existing funds and ESG solutions for institutional customers  Offering transformation funds that invest in companies with carbon-neutral or low-CO <sub>2</sub> business models	D4 Capital Markets Business and Asset Management/In- ternational Business	*	The ESG strategy for selected existing sustainable mutual funds was revised and expanded to include new components such as the sustainable investment ratio, focus PAIs (principal adverse impacts) and focus SDGs (United Nations Sustainable Development Goals). In addition, we worked with customers to develop an ESG strategy for numerous special funds, upgrading them from Article 6 to Article 8. Work is also underway on a number of innovative fund ideas, such as adherence to sector phase-outs for CO <sub>2</sub> emissions or biodiversity.
Supporting green and social bond transactions	D4 Capital Markets Business and Asset Management/In- ternational Business	√	More than 20 customer transactions were successfully supported, including 17 green bonds and four social bonds.
Publishing various In Focus spotlight studies on sustainability  On individual corporate sectors (e.g. automotive) and financial institutions (banks, sovereigns, SSAs (i.e. sub sovereigns, supranationals and agencies), insurance companies)  On key terminology and regulatory changes relating to sustainability	D4 Capital Markets Business and Asset Management/In- ternational Business	<b>√</b>	These are regular new publications on sustainability. The series will be continued in 2024.
Launching a regular publication type entitled ESG Insight (in the future: ESG Monthly), covering new issues of ESG bonds from four asset classes (corporates, financials, sovereigns and SSAs) and regulatory changes relating to sustainability	D4 Capital Markets Business and Asset Management/In- ternational Business	<b>√</b>	esc Monthly was given a revised look in 2023 and its content was restructured around these main topics: market, regulatory and issuer of the month. The section on market developments for each asset class remains unchanged.
Regular social media posts on key termi- nology and regulatory changes relating to sustainability	D4 Capital Markets Business and Asset Management/In- ternational Business	*	We sporadically issued publications on sustainability issues. There is still work to be done in this area.
Reapplying for certification of selected sustainable mutual funds with the FNG transparency logo	D4 Capital Markets Business and Asset Management/In- ternational Business	<b>√</b>	A total of nine funds received the highest rating of three stars; one fund received two stars.
Preparing ESG customer reports based on ESG data from the data provider MSCI for special funds customers	D4 Capital Markets Business and Asset Management/In- ternational Business	√	ESG customer reports for MSCI-based specialty fund customers were successfully developed and implemented.
Improving the track record for green, sustainable and ESG-linked products through a high number of sustainable finance transactions supported	D6 Corporate Customers	<b>√</b>	In 2023, we again supported a large number of transactions under lead mandates for Schuldschein loans and syndicated financing. We used both KPI-based and ESG rating-based ESG links, although the standard is increasingly moving towards specific and ambitious KPIs, particularly for syndicated financing. Additionally, the product range of SüdLeasing GmbH (wholly owned subsidiary) was expanded to include ESG-linked leasing.
Expanding Sustainability Advisory's advisory services for corporate customers	D6 Corporate Customers	<b>√</b>	LBBW acted as an ESG advisor in a large number of transactions for a broad range of customers. This involves providing strategic advisory services, conducting materiality analyses and developing ambitious, specific KPIs, which in turn are used for ESC-linked financing (including Schuldschein loans, syndicated financing).





## **Employees**

Project	Responsible area	Status	Implementation
Increasing the proportion of women in management positions	All business units	<b>√</b>	<ul> <li>Ongoing process</li> <li>The proportion of women in management positions increased 1.8% compared to the previous year (as of 31 December 2023).</li> </ul>
Better communication and internal education about women in management positions to continue raising awareness among all employees, including managers, and to motivate ambitious women to actively compete for positions.	D1 Central Divisions Responsibility: HR	V	<ul> <li>Ongoing process</li> <li>17 women completed the mentoring program.</li> <li>A new program was launched.</li> <li>The women's networks at LBBW held events and conducted programs such as the women's power break and the annual celebration of International Women's Day with 140 people</li> <li>LBBW's chief economist published an internal article on the underrepresentation of women in business.</li> </ul>
Providing professional support for HR changes at the bank	D1 Central Divisions Responsibility: HR	<b>√</b>	<ul> <li>Ongoing process</li> <li>Various projects were implemented for the strategic "inspire employees" lever.</li> <li>Organizational developers provided support at the request of managers at all levels (e.g. team and department development, conflict support).</li> </ul>
Managing staff costs, negotiating with employee representatives and advising senior executives	D1 Central Divisions Responsibility: HR	<b>√</b>	<ul> <li>Ongoing process</li> <li>Staff costs were managed within the approved target staffing plans and agreed-upon staffing budgets.</li> <li>Negotiations with employee representatives took place in working group meetings relating to individual department issues and within the general staff council for overarching HR issues, particularly when positions were filled in connection with business cases.</li> <li>Management staff were advised by HR managers and HR.Direkt on all operational and strategic HR issues.</li> </ul>



Project	Responsible area	Status	Implementation
Providing high-potential employees across the Group	D1 Central Divisions Responsibility: HR	~	<ul> <li>Ongoing process</li> <li>The talent groups managed centrally by HR and the local talent groups were all continued in 2023.</li> <li>Identified high-potential employees were systematically developed and regularly placed on staffing lists.</li> <li>In the future, high-potential employees will be targeted even more closely in the recruitment process according to their skills profile.</li> </ul>
Consciously weighing up succession planning and applications for the potential suitability procedure with the goal of ensuring that candidates have a realistic chance of passing the procedure and being able to move into a suitable position.	D1 Central Divisions Responsibility: HR	*	<ul> <li>Ongoing process</li> <li>Successful graduates without a target function are considered at the divisional level as part of the following year's personnel planning; this information is then used to calculate the registration capacity for the next aptitude test.</li> <li>In the future, existing high-potential workers will be given even greater consideration in succession planning processes. There are plans to introduce an HR-managed succession pool for levels 3 and 4.</li> </ul>
Restructuring of diversity	D1 Central Divisions Responsibility: HR	*	<ul> <li>Diversity was identified as a focus topic under the "Inspire Employees" lever.</li> <li>A position for the conceptual design of diversity and inclusion was advertised.</li> <li>In addition to the diversity officer position, the topic has also been adopted at the management level; personnel resources have been made available for this purpose. There is also an interdisciplinary group working on diversity.</li> </ul>
Promoting diversity and inclusion	D1 Central Divisions Responsibility: HR	<b>√</b>	<ul> <li>Internal communication over the intranet has been strengthened (e.g. interview with the diversity officer and reports).</li> <li>A dialog forum was held on German Diversity Day on May 23, 2023. Additional discussion forums with up to 300 participants were offered.</li> <li>Diversity was discussed during orientation week for new employees and with Cooperative State University freshmen and new apprentices.</li> <li>We also conducted a study on digital collaboration in mixed-age teams with 170 participants.</li> </ul>
Promoting team resilience	D1 Central Divisions Responsibility: HR	~	<ul> <li>175 participants took part in resilience workshops in the 2023 financial year, compared to 136 in the full year of 2022.</li> <li>A Resilience for Teams workshop was piloted. The results will be utilized for further development.</li> <li>The focus on personal resilience in basic management training was revised. The first-ever refresher workshop for managers was held as well.</li> </ul>
Improving personal health consciousness	D1 Central Divisions Responsibility: HR	√	<ul> <li>Blood drives were held in Mainz, Leipzig, Karlsruhe, Tübingen and, for the first time, Stuttgart on 7 December 2023.</li> <li>The Eager to Exercise challenge took place as well. As part of this challenge, 70 international teams joined forces, traveled 73,000 kilometers together and virtually visited 20 LBBW locations around the world. The intrinsic goals were team building, international networking and joint outdoor exercise.</li> </ul>

Project	Responsible area	Status	Implementation
Launch of the new technical and leadership program: #Potentials@D2	D2 Retail and Business Customers/Savings Banks	<b>√</b>	<ul> <li>#Potentials@D2 First Level started in November 2022 with 16 participants and will end in spring 2024.</li> <li>Round 2 started in September 2023 with another 19 participants.</li> <li>The #Potentials@D2 Next Level advanced program started in April 2023 with six participants.</li> </ul>
<ul> <li>Implementing the sustainability training concept for Business Customers in practice</li> <li>Preparing an expansion to all segments</li> </ul>	D2 Retail and Business Cus- tomers/Savings Banks	√	The implementation went according to plan and was a complete success for employees and managers.
Designing and introducing the quarterly publication "ESG Quartalsimpuls" for all employees in business unit 2.	D2 Retail and Business Cus- tomers/Savings Banks	√	The first "ESG-Quartalsimpuls" for employees in the Business Customers and Independent Professionals business unit was published in November 2023.
Creating a communication structure through sustainability discussions in the Retail Customers segment in line with existing formats in the Business Customers and Private Asset Management segments	D2 Retail and Business Cus- tomers/Savings Banks	×	The priority of this measure was downgraded. Standardized advisory processes, which are constantly being refined, incorporate sustainability into the advisory services provided to retail customers.
Training employees at LBBW Asset Management Investmentgesellschaft mbH on sustainability issues	D4 Capital Markets Business and Asset Management/Inter- national Business	√	Various training courses were held:  Basic ESG training  Training on MSCI ESG customer reporting  Training on the EU Taxonomy
Providing individual and job-specific training on sustainability for all employees in business unit 4	D4 Capital Markets Business and Asset Management/Inter- national Business	<b>√</b>	More than 600 employees registered for a total of three different learning pathways on sustainability and mostly completed them. The learning pathways provide both basic and capital market-specific knowledge.
Revising and updating Group-wide mandatory sustainability training	D4 Capital Markets Business and Asset Management/Inter- national Business	<b>√</b>	The basic training course "Ready for the Future: On Course for Sustainability" was rolled out to all Bank employees. For details, see page 129 et seq.







## **Business operations**

Project	Responsible area	Status	Implementation
IT efficiency program: Digitalization processes Taking down servers and optimizing infrastructure Expanding collaboration tools	D1 Central Divisions Responsibility: IT	√	<ul> <li>We continued to consolidate our infrastructure (servers, printers, workstation equipment).</li> <li>The expansion of virtualized infrastructure using the community cloud has resulted in sustainable cost savings of EUR 1.5 million per year (including associated electricity costs).</li> </ul>
Reaching a CO <sub>2</sub> target of 10,500 metric tons for LBBW (Bank)	D3 Real Estate and Project Finance	_ √	We further reduced CO₂ emissions and achieved our target.
Carbon footprint per employee: place in the top three among German banks with a branch network for LBBW (Bank)	D3 Real Estate and Project Finance	≈	LBBW (Bank) ranked 6 <sup>th</sup> among German banks with 1,476 kg per employee. LBBW (Bank) ranks 3 <sup>rd</sup> in Germany when adjusted for a comparable business model (universal bank, branch business, international business etc.).
Expanding charging infrastructure – where technologically possible – for e-bikes and pedelecs at main offices (outside Stuttgart) and larger branches and making improvements to parking in collaboration with LBBW-CREM	D3 Real Estate and Project Finance	√	<ul> <li>Ongoing process</li> <li>The charging infrastructure was expanded in 2023. Further expansion is in the pipeline for 2024.</li> </ul>
Further sustainable expansion of internal charging infrastructure for electric vehicles - where possible - in collaboration with LBBW-CREM	D3 Real Estate and Project Finance	√	<ul> <li>Ongoing process</li> <li>LBBW now has a total of 164 electric vehicle charging stations thanks to the expansion.</li> <li>Further expansion is in the pipeline for 2024.</li> </ul>
Installing and commissioning photovoltaic systems on the Stuttgart campus producing at least 350,000 kWh per year for own use	D3 Real Estate and Project Finance	~	Construction of the system was 95% finished. Other regulatory requirements of the grid operator still needed to be implemented structurally. As a result, only part of the system could be commissioned in 2023. Completion is scheduled for January 2024.
Further reducing space requirements by introducing desk sharing models. Roll-out: 2023 to 2025	D3 Real Estate and Project Finance	√	<ul> <li>CO<sub>2</sub> emissions from operations were further reduced.</li> <li>Space requirements and, in turn, utility bills (gas, water, heating, electricity) were reduced.</li> </ul>
Awareness projects to encourage employees to help protect the environment	D3 Real Estate and Project Finance	√	Campaigns such as "Klimawochen" and "Ackerhelden" and sustainability training courses were conducted. An intranet page provides information on the carbon footprint.
Going paperless for internal/external mail (where legally possible) in business unit 51 as pilot project and then Bank-wide roll-out	D7 Finance and Operations	*	The roll-out in three tranches took place as planned in 2023. Due to the opt-in nature of the roll-out, not all of the Bank's units have changed over yet. The final changeover is scheduled to take place in 2024.





## Community involvement and communication

Project	Responsible area	Status	Implementation
Communicating on an ongoing basis regarding all of the Bank's sustainability activities (products, services, climate change mitigation)	D1 Central Divisions Responsibility: Communi- cations	√	Numerous communication activities such as press releases, social media posts, videos and articles were implemented on the LBBW website and intranet in 2023.
Promoting social involvement	D1 Central Divisions Responsibility: Communi- cations	≈	The Bank launched central and local corporate volunteering programs to promote community involvement. Employees who participate receive one day off per year.
Communicating with Retail Customers/Asset and Wealth Management: information provided on sustainable investments, image campaign for the BW-Bank brand	D2 Retail and Business Customers/Savings Banks	√	In June/July 2023, an advertising campaign was launched for the sustainable balanced funds. Once again, the BW Premium Sustainability investment strategy was recognized by the business magazine "Capital" (5 out of 5 stars).
Communicating actively on sustainability ratings and NGO reports	D4 Capital Markets Business and Asset Management/ International Business	<b>√</b>	Reports were issued internally through committees and externally on the LBBW website, the sustainability report and various ESG leaflets.
Further developing and implementing training concepts on sustainability and sustainable finance	D6 Corporate Customers	<b>√</b>	The training program to become a certified sustainability adviser was continued, while sustainability knowledge was taught from different perspectives in around 20 individual courses. More than 150 employees from Corporate Customer Sales and Risk Management completed the program. In addition, a course on basic sustainability knowledge was launched as part of the Lerncampus platform.
Carrying out and publishing the fourth study entitled "Sustainability and green finance" together with the FINANCE magazine	D6 Corporate Customers	<b>√</b>	The study was released as part of the Green FINANCE Digital Conference in March 2023. Over 500 corporate participants and more than 1,000 downloads demonstrate the high level of interest in developments and trends in sustainable finance.
Providing regular updates of internal communication on issues relating to sustainability and sustainable finance via online conferences and the internal LBBW community sustainability@UK	D6 Corporate Customers	<b>√</b>	In 2023, there were numerous information and update calls on sustainability issues (including "News from the Sustainability Advisory", launch of the sustainability toolkit, web conference on the results of the "Sustainability and green finance" study).
Attending external events on sustainability for specific target groups (including the Green FINANCE Digital Conference)	D6 Corporate Customers	<b>√</b>	In addition to the Green FINANCE Digital Conference, sustainability was also a key topic at Structured FINANCE (the leading trade fair for corporate decision-makers and treasurers) where LBBW was represented in panel discussions at board level.  We also held central and local customer events to communicate sustainability issues. In particular, the ESG Customer Academy enabled more than 300 customers to expand their knowledge on a wide range of ESG topics.



## Sustainability program 2024 💷



The projects for 2024 and beyond are presented below, organized by key topic:



## Strategy and management

Project	Purpose	Timeline	Responsible business unit/responsibility
Active support of regulatory and lobby work, occasionally acting as a driver	Coordinate requests (Europe- an Banking Authority (EBA), European Central Bank (ECB)) Coordinate the determina- tion of the green asset ratio	Ongoing	D4 Capital Markets Business and Asset Management/International Business
Fulfilling reporting requirements according to the EU Taxonomy Regulation within LBBW Asset Management Investmentge- sellschaft mbH	Fulfill reporting requirements according to the EU Taxonomy Regulation within LBBW Asset Management Investmentgesellschaft mbH. Disclose how and to what extent the activities of LBBW Asset Management Investmentgesellschaft mbH are linked to economic activities that are classified as environmentally sustainable in accordance with Articles 3 and 9.	End of 2024	D4 Capital Markets Business and Asset Management/International Business
Fully covering the entire portfolio with an ESG checklist (above the threshold value for lending volume)	Actively manage sustainability risks     Comply with regulatory requirements     Improve reporting	End of 2024	D5 Risk Management and Compliance
Introducing an ESG review process	Active management of sustainability risks     Compliance with regulatory requirements     Improve reporting	End of 2024	D5 Risk Management and Compliance
Further developing the quantification of financed emissions and physical risks to meet the requirements of disclosure, the Corporate Sustainability Reporting Directive (CSRD), climate stress testing and risk management processes.	<ul> <li>Actively manage sustainability risks</li> <li>Comply with regulatory requirements</li> </ul>	End of 2024	D5 Risk Management and Compliance
Further ensuring ESG risk management process:  • Expanding the internal data infrastructure to include physical and transitory risks as well as financed issues  • Involving external data providers  • Using internally determined proxies	<ul> <li>Actively manage sustainability risks</li> <li>Comply with regulatory requirements</li> <li>Improve rating results</li> </ul>	End of 2024	D5 Risk Management and Compliance

## Customers

Project	Purpose	Timeline	Responsible business unit/responsibility
Offering asset management mandates with ESG impact approach	<ul> <li>New unique selling point in sustainable product range</li> </ul>	Q4 2024	D2 Retail and Business Customers/Savings Banks
Optimizing the asset management app "BW Vermögen". Incorporating and displaying sustainability information in the app like the sustainability analysis in portfolio reporting.	Mobile and up-to-date display of sustainability information on asset management customers' securities accounts	ESG screen go-live: Q1 2024  Adjustments to CO <sub>2</sub> intensity and sustainable investments: Q2 2024	D2 Retail and Business Customers/Savings Banks
Complying with the Sustainable Financial Investments Act in Baden-Württemberg	Create a new ESG product for Asset Management (AM), including 1.5 degree target data integration, ESG rules in AM tools, creation of documents according to the Sustain- able Finance Disclosure Regulation (SFDR), includ- ing compliance through regular reporting	Q2 2024	D2 Retail and Business Customers/Savings Banks
Regulatory: expanding and revising disclosure requirements on sustainability (SFDR, Delegated Regulation supplementing the EU Taxonomy Regulation)	Scoping based on the final report, technical conceptual design, imple- mentation and testing	Q4 2024	D2 Retail and Business Customers/Savings Banks
Regulatory: SFDR Level I review	Scoping based on the final report, start of technical conceptual design and workshops with external providers	Q4 2024	D2 Retail and Business Customers/Savings Banks
Construction green financing: product development and market launch	BW-Bank's positioning in sustainability	Q2 2024	D2 Retail and Business Customers/Savings Banks
Individualizing securities advisory services by adding new sustainability clusters, including product recommendation rules based on the clusters	Sustainability-specific advisory and product rec- ommendation beyond the regulatory sustainability features	Q4 2024	D2 Retail and Business Customers/Savings Banks
Further expanding advisory capacity for savings banks, other banks and institution- al customers with additional focus topics	Helping customers draw up and implement an individual sustainability policy, measure and assess sustainability risks and opportunities, develop decarbonization strategies and comply with regular requirements particularly in the context of the SFDR and EU Taxonomy, and supporting them during external assessments by sustainability agencies.	End of 2024	D4 Capital Markets Business and Asset Management/International Business

Project	Purpose	Timeline	Responsible business unit/responsibility
Creating ESG dashboards (interactive e-re- porting) for our specialty fund customers	Information from ESG customer reporting for institutional customers via the e-reporting portal	End of 2024	D4 Capital Markets Business and Asset Management/International Business
Developing and implementing a climate reporting system	Meeting customer needs, especially in light of new regulatory requirements such as the Sustainable Financial Investments Act in Baden-Württemberg	End of 2024	D4 Capital Markets Business and Asset Manage- ment/International Business
Expansion of the range of sustainable funds and mandates:  Expanding the sustainable product range by way of new issues with innovative fund ideas  Switching existing funds and ESG solutions for institutional customers  Offering transformation funds that invest in companies with carbon-neutral or low-CO <sub>2</sub> business models	Specifically address cus- tomer needs for sustain- able investment products	Ongoing	D4 Capital Markets Business and Asset Management/International Business
Reapplication for certification of selected sustainable mutual funds with the FNG transparency logo	Additional transparency regarding the product quality of the sustainabili- ty range for customers by conducting an objective assessment of the sustain- ability approaches	Ongoing	D4 Capital Markets Business and Asset Management/International Business
Further developing and implementing training concepts on sustainability and sustainable finance (including updates on current topics and developments in biodiversity and other areas)	Development of expertise, education and raising awareness regarding sustainability and sustainable finance in sales     Positioning LBBW as a central point of contact for sustainability issues	Ongoing	D6 Corporate Customers
Improving the track record for green, sustainable and ESG-linked products through a high number of sustainable finance transactions supported	Positioning in the sustainable finance growth market     Positioning LBBW as a transformation bank: Supporting customers with transformation processes by providing suitable financing and advisory products	Ongoing	D6 Corporate Customers
Expanding Sustainability Advisory's advisory services for corporate customers	Positioning in the sustainable finance growth market     Positioning LBBW as a transformation bank: Supporting customers with transformation processes by providing suitable financing and advisory products	Ongoing	D6 Corporate Customers
Establishing digital exchange platforms for transparency, data sharing and knowledge transfer	Reduction of barriers to the provision of sustain- ability data     Transparency regarding the use of data and the impact of one's own data     Provision of up-to-date sustainability information	Ongoing	D6 Corporate Customers



## **Employees**

Project	Purpose	Timeline	Responsible business unit/responsibility
Increasing the proportion of women in management positions to at least 30%.	<ul><li>Utilizing internal potential</li><li>Promoting ambitious women</li></ul>	Ongoing	D1 Central Divisions
Managing staff costs, negotiating with employee representatives and advising senior executives	Ensuring that the ratio of senior managers to employees makes sense in organizational and business terms     Increasing flexibility when filling management positions outside own business unit	Ongoing	D1 Central Divisions Responsibility: HR
Developing a process for targeting high-potential employees in the recruiting process based on their skills profile	Utilizing internal potential Promoting ambitious employees Ensuring that the ratio of senior managers to employees makes sense in organizational and business terms Increasing flexibility when filling management positions outside own business unit	End of 2024	D1 Central Divisions Responsibility: HR
Establishing a succession pool for management positions managed by Human Resources in order to take greater account of existing high-potential employees in future succession planning processes	Utilizing internal potential     Promoting ambitious     employees and targeted     further development	Ongoing	D1 Central Divisions Responsibility: HR
Increasing high-quality leads (high-quality applications) for all target groups (specialists, managers and junior staff)	<ul> <li>Ensuring staffing process- es despite a shortage of skilled workers</li> </ul>	Ongoing	D1 Central Divisions Responsibility: HR
Promoting team resilience	<ul> <li>Increase employee flexibility and sovereignty</li> <li>Sustainable management of health as a personal resource in connection with team development</li> <li>Boost efficiency</li> </ul>	Ongoing	D1 Central Divisions Responsibility: HR
Increasing personal health awareness, including cancer prevention and organ donation/receipt	Sustainable management of health as a personal resource	End of 2024	D1 Central Divisions Responsibility: HR
Redefining culture and organizational development	<ul> <li>Advising and supporting managers during trans- formations and change initiatives</li> </ul>	Ongoing	D1 Central Divisions Responsibility: HR
Restructuring of diversity	Encourage an open and respectful corporate culture     Promote tolerance and acceptance     Raise awareness among employees	Ongoing	D1 Central Divisions Responsibility: HR

Project	Purpose	Timeline	Responsible business unit/responsibility
Raising awareness and training employees and managers on diversity and inclusion	Encourage an open and respectful corporate culture     Promote tolerance and acceptance     Raise awareness among employees	Ongoing	D1 Central Divisions Responsibility: HR
Promoting an inclusive corporate culture	Encourage an open and respectful corporate culture     Promote tolerance and acceptance     Raise awareness among employees	Ongoing	D1 Central Divisions Responsibility: HR
Integrating sustainability into the management training catalog	Educating managers on sustainability, raising their awareness of it and estab- lishing it in the relevant processes	Ongoing	D1 Central Divisions Responsibility: HR
Launch of the new technical and leadership program: #Potentials@D2	Utilizing internal potential     Promoting ambitious     women by ensuring     equality when assigning     positions	Ongoing	D2 Retail and Business Customers/Savings Banks
Further developing the sustainability training concept for Business Customers and Independent Professionals Certifying selected advisors in sustain- ability	<ul> <li>Provide training for advisors</li> <li>Improve sales performance by helping business customers achieve sustainable transformation</li> </ul>	Ongoing	D2 Retail and Business Customers/Savings Banks





Project	Purpose	Timeline	Responsible business unit/responsibility
IT efficiency program: Digitalizing processes Taking down servers and optimizing infrastructure Expanding collaboration tools	<ul> <li>Conserve paper</li> <li>Conserve electricity</li> <li>Reduce business trips/ travel</li> <li>Reduce costs</li> </ul>	End of 2024	D1 Central Divisions Responsibility: IT
Further reducing space requirements by introducing desk sharing models. Roll-out: 2023 to 2025	<ul> <li>Reduce CO<sub>2</sub> emissions in business operations</li> <li>Reduce space require- ments and, in turn, utility bills (gas, water, heating, electricity)</li> </ul>	End of 2025	D3 Real Estate and Project Finance
Awareness projects to encourage employ- ees to help protect the environment	<ul><li>Employee awareness</li><li>Raise awareness</li><li>Reduce costs</li></ul>	Ongoing	D3 Real Estate and Project Finance
Constructing a 25 kilowatt peak (kWp) photovoltaic system on the Kleiner Schlossplatz building, reviewing additional photovoltaic systems in the Bank's own portfolio.	<ul> <li>Green energy generation for own usage</li> <li>Long-term reduction in electricity costs and CO<sub>2</sub> emissions</li> </ul>	End of 2024	D3 Real Estate and Project Finance
Installing and commissioning photovoltaic systems on the Stuttgart campus producing at least 350,000 kWh per year for own use	<ul> <li>Green energy generation for own usage</li> <li>Long-term reduction in electricity costs and CO<sub>2</sub> emissions</li> </ul>	January 2024	D3 Real Estate and Project Finance
Commissioning the heat pump connection and waste heat recovery of the FI/FITS data centers at the headquarters for the Am Hauptbahnhof building	<ul> <li>Green energy generation for own usage</li> <li>Long-term reduction in heating costs and CO<sub>2</sub> emissions</li> </ul>	End of 2024	D3 Real Estate and Project Finance
Expanding charging infrastructure - where technologically possible - for e-bikes and pedelecs at main offices (outside Stuttgart) and larger branches and making improvements to parking	Increase the appeal of sustainable mobility	Ongoing	D3 Real Estate and Project Finance
Continue to sustainably expand the internal charging infrastructure for electric vehicles.	Increase the appeal of e-mobility	Ongoing	D3 Real Estate and Project Finance
Reaching a $CO_2$ target of 10,000 metric tons for LBBW (Bank)	<ul> <li>Further reduce CO<sub>2</sub> emissions</li> </ul>	End of 2024	D3 Real Estate and Project Finance
Going paperless for internal/external mail (where legally possible) in business unit 51 as pilot project and then Bank-wide roll-out	<ul> <li>Establish digital, seamless, paperless processes wherever possible</li> <li>Cultural change as regards digitalization</li> <li>Improve remote work options at the Group</li> </ul>	End of 2024	D7 Finance and Operations





## Community involvement and communication

Project	Purpose	Timeline	Responsible business unit/responsibility
Promoting social involvement	Add value beyond the original company purpose     Encourage an open and respectful corporate culture     Promote ambitious employees and offer targeted further development	Ongoing	D1 Central Divisions
Communicating on an ongoing basis regarding all of the Bank's sustainability activities (products, services, climate change mitigation)	Increase name recognition     Strengthen market position	Ongoing	D1 Central Divisions Responsibility: Communications
Communicating with Retail Customers, Asset and Wealth Management: Information provided on sustainable investments, image campaign for the BW- Bank brand	Increase name recognition     Strengthen market position	Ongoing	D2 Retail and Business Customers/Savings Banks
Active communication on sustainability ratings and NGO reports	<ul> <li>Increase name recognition</li> <li>Strengthen market position</li> </ul>	Ongoing	D4 Capital Markets Business and Asset Manage- ment/International Business
Carrying out and publishing the fourth study entitled "Sustainability and green finance" together with the magazine FINANCE	Development of expertise, education and raising awareness regarding sustainability and sustainable finance in sales     Positioning LBBW as a central point of contact for sustainability issues	Ongoing	D6 Corporate Customers
Providing regular updates of internal communication on issues relating to sustainability and sustainable finance via online conferences	Development of expertise, education and raising awareness regarding sustainability and sustainable finance in sales     Positioning LBBW as a central point of contact for sustainability issues	Ongoing	D6 Corporate Customers
Attending external events on sustainability for specific target groups (including the Green FINANCE Conference)	<ul> <li>Development of expertise, education and raising awareness regarding sus- tainability and sustainable finance in sales</li> <li>Positioning LBBW as a central point of contact for sustainability issues</li> </ul>	Ongoing	D6 Corporate Customers

## 



Sustainability is important to us. We seek to make an active contribution to raising ecological and social awareness - both within our own four walls and in the public sphere. For this reason, we regularly provide internal and external information on current topics, raise awareness among our employees and encourage them to live up to their responsibilities every day at numerous events.

## Sustainability reporting

We pursue a wide range of activities relating to sustainability. We provide detailed information on a dedicated page on our website and in our sustainability report. The sustainability report is also published online and supplemented by additional editorial contributions on LBBW's sustainability portal. The sustainability report is based on the established reporting standards of the Global Reporting Initiative → GRI, <u>www.globalreporting.org</u>.

In addition, we have been publishing a non-financial statement in accordance with the CSR Directive Implementation Act (CSR-RUG) of April 19, 2017 on an annual basis since 2017. The CSR Directive on the Disclosure of Non-Financial and Diversity Information provides a framework for reporting on environmental, employer and social concerns, respect for human rights and efforts to combat corruption. LBBW's non-financial statement is audited by LBBW's auditor and presented to the Board of Managing Directors and the Supervisory Board for their information. Starting with the 2024 reporting year, LBBW will report in accordance with the Corporate Sustainability Reporting Directive (CSRD). The EU Directive is a new regulation that requires companies to provide comprehensive and detailed disclosures of their strategy, targets and actions related to key sustainability issues and to rate their sustainability performance based on specified metrics.

## Internal communication

We regularly and comprehensively inform our employees using the Bank's various digital communication channels. For example, reports, articles and videos on the intranet provide both technical information and the latest news from the Bank. Sustainability is also addressed in our key communications products, particularly our newsletters. Over 10,000 employees access the intranet more than 123,000 times a day.

> Sustainability on the intranet: **around** articles, videos and market reports were published on sustainability in 2023.



In 2023, the issue was addressed in numerous articles, videos and market reports, including the following news:

- Development of a digital customer platform for the sustainable transformation of companies
- Digital solutions for more sustainability
- Inclusive change in the LBBW world of work
- Seven sector pathways to a sustainable future
- LBBW builds the most powerful solar power plant in downtown Stuttgart.
- LBBW aims to become one of the top 3 providers of renewable energy financing in Germany.

# "We foster an appreciative approach and a dialog-focused corporate culture."

LBBW embraces open dialog across hierarchies and promotes it among its employees through various dialog opportunities and transparent internal communication.

- Dialog with the Chair of the Board of Managing Directors: Employees can e-mail the Chair of the Board of Managing Directors directly with personal suggestions and requests at any time. Approximately 70 messages are received each year and are answered promptly and personally. The digital dialog is supplemented by a page run by the Chair of the Board of Managing Directors within the Bank community. A hybrid live format, "Xchange - CEO Edition", also took place in 2023 with more than 200 participants.
- Dialog with members of the Board of Managing Directors: The "Xchange Dialog with" event format gives all of the Bank's employees an opportunity to engage in a personal exchange with members of the Bank's Board of Managing Directors.

1n **2023**, more than eleven dialog events were held in person or in hybrid format.



• **Community:** This dialog platform allows each and every employee to contribute and talk to others. This is how we encourage collaboration across hierarchies and departments and, in turn, an open corporate culture. About 8,500 employees are registered on the platform. Peer-to-peer and bottom-up the guiding principles of the community.

About **1,000** employees are active in the community every day.



Wiki: The flexible, self-organizing tool for collaborative work on business-related topics is available to all LBBW employees. Teams from various organizational units can jointly collect and share experience and knowledge from any location, for example in the project environment or when designing work processes.

Nearly **7,000** employees access around 250 Wiki-Spaces about **4,000** times a day.

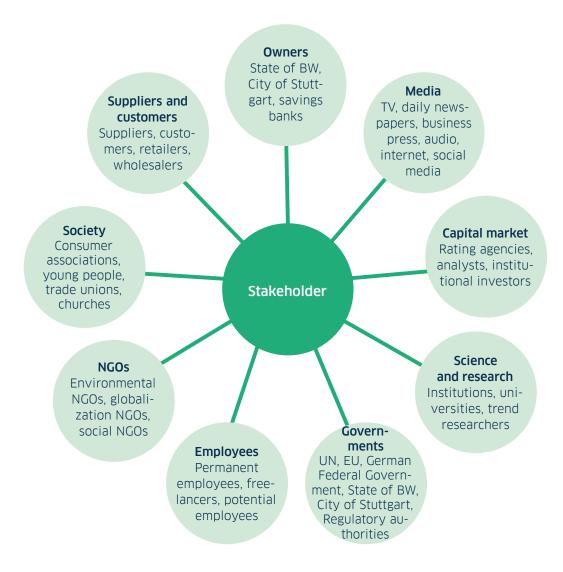


• **Culture@NewWork:** The Group-wide initiative aims to provide close, holistic support to employees and managers as they navigate cultural change. While the focus over the past two years has been on driving LBBW's transformation to new work models, the project team has now placed diversity, equity and inclusion (DE&I) at the center of its activities. The "wort.wechsel!" dialog forum on diversity in May and the 1st LBBW Diversity Knowledge Forum in July 2023 laid the foundation for a large-scale DE&I initiative that will continue in 2024. It is a clear commitment to a corporate culture of openness, respect and equal opportunity that is essential for sustainable, forward-looking management. As part of the initiative, LBBW employees and managers are empowered and supported through various forums and programs related to DE&I. The culture team works closely with Group Communications, Human Resources and external experts.

## Stakeholder communication

We regularly discuss current sustainability topics with various stakeholders and meet to talk about challenges and solutions. At the same time, we look at the expectations stakeholder groups have of LBBW.

#### Relevant LBBW stakeholder groups



#### Dialog with retail and corporate customers

In addition to hosting the "dialog with customers" series, we also share information with our retail and corporate customers at numerous events every year. We discussed sustainability through the following events, platforms and surveys in 2023.

#### Green FINANCE Conference

We were once again the sole co-organizer at the digital conference co-founded by LBBW and organized by the business magazine FINANCE on 23 March 2023. During a panel discussion, an LBBW Sustainability Advisory expert held a discussion with company representatives entitled "What is sustainable? ESG ratings in the financial market". We also presented the fourth ESG study conducted by LBBW, FINANCE and F.A.Z. Business Media | research on "Sustainability and green finance - between ambition and transformation". LBBW will also participate in the Green FINANCE Conference to the same extent in 2024.

#### LBBW ESG Academy for companies

Our new, exclusive, high-quality digital customer event provided our corporate customers with important information and inspiration for sustainable transformation. The event was held digitally on 26 October 2023. The recording was made available on LBBW.de. The event included the following immersion sessions:

- Sustainable supply chains, Dr. Martin Rothermel (Taylor Wessing)
- The road to net zero for companies, Philipp Mettenheimer (Oliver Wyman)
- Sustainable Finance Market and KPI Development, Dr. Moritz Kraemer (chief economist of LBBW) & Alina Hense and Dr. Julian Blohmke (LBBW Sustainability Advisory)
- Corporate Sustainability Reporting Directive (CSRD), Timo Herold and Sebastian Pöhler (KPMG AG Wirtschaftsprüfungsgesellschaft)

Prof. Dr. Anabel Ternès moderated the event, providing ESG insights and guidance. She is a futurologist and managing director at the SRH Berlin International Management University, focusing on leadership and organization, health and digitalization. This event series will be continued in 2024 due to the positive customer response.

#### Structured FINANCE

On 18/19 November 2023, LBBW attended FINANCE's 19<sup>th</sup> Structured FINANCE conference at the international conference center in Stuttgart in its capacity as a co-organizer. Joachim Erdle, member of LBBW's Board of Managing Directors, discussed "ESG in the Financial Sector: What Matters Now" with other panelists, including chief financial officers from different companies.

## Expert discussion on sustainability in the Business customers and independent professionals segment

In November 2023, BW-Bank's Business Customers and Independent Professionals unit organized an expert discussion on the future of companies, with a special focus on sustainability. Participants included the economic development department of the City of Stuttgart, the Steinbeis Foundation for Economic Development, SV bAV Consulting GmbH and LBBW's development loan business. The experts discussed with nearly 60 customers how institutions can support sustainability, what development loans are available and how sustainable practices can be used to recruit and retain employees.

#### • ESG discourse in the Private Banking and Wealth Management segment

Over the course of 2023, various local events were held for wealthy and high-net-worth clients to facilitate an ESG discourse. Relevant issues were discussed and valuable input provided by invited experts and other attendees.

#### Stuttgart Future Forum

BW-Bank together with the Stuttgart Energy Advisory Center (EBZ) and the city of Stuttgart organized the third Stuttgart Future Forum in September 2023. Over 200 invited citizens and key real estate professionals attended the event at Kleiner Schlossplatz. The aim of the event was to contribute to the carbon-neutral renovation of residential building stock in Stuttgart and to jointly discuss solutions for environmentally and economically efficient measures. This year, we took another important step toward a holistic approach to renovation by involving the trades.

#### Dialog with the LBBW Supervisory Board

On 3 July 2023, the Supervisory Board of LBBW completed a training session that included reports on the following topics:

- Current developments in EU regulation, including the EU Taxonomy and the Corporate Sustainability Reporting Directive (CSRD)
- Sector pathways: background and implementation at LBBW and Berlin Hyp

#### Dialog with employees

Internal communication keeps our employees up-to-date with LBBW's sustainable activities. We conduct regular surveys to assess whether our employees feel that they are well informed and whether collaboration is working. In 2023, we also specifically initiated conversations about sustainability with our international colleagues and sales specialists at special events. In addition, the subsidiary and international networks are expanding the forums for sharing information → see page 12 et seqq.

#### International Days

Nearly 90 international LBBW employees attended talks at our International Days on 16 and 17 October 2023 to learn about the status quo and measures related to the five strategic levers ("Sustainable Transformation", "Innovative Solutions", "Enhanced Resilience", "Inspire Employees" and "Social Contribution").

#### Employee survey

The results of the most recent employee survey can be found on  $\rightarrow$  page 205.

#### LBBW biodiversity workgroup

The interdisciplinary LBBW biodiversity workgroup initiated in 2022 was continued in 2023. It meets monthly. The workgroup is made up primarily of employees from Advisory Institutionals, Asset Management, Sustainability Advisory, Treasury/Investor Relations and Risk Controlling as well as interested employees from other functional departments. This kind of cross-divisional interaction drives knowledge transfers and ensures participation in information and workshop forums that have different focuses. In 2023, LBBW actively participated in a collaboration project initiated by the Association for Environmental Management and Sustainability in Financial Institutions (VfU) and the Global Nature Fund (GNF), an international foundation for the environment and nature. We are also involved in the "Unternehmen Biologische Vielfalt" (corporate biodiversity) project with the aim of making a significant contribution to biodiversity strategies at companies.

#### Regular LBBW sustainability discussions

Regular LBBW sustainability discussions are intended to share information and knowledge on sustainability issues and projects internally and between divisions. All interested employees can participate in the discussion and contribute topics. Regular sustainability discussions are generally held once a quarter.

#### ESG Working Group

The ESG Working Group dialog was introduced as the next evolutionary step in LBBW's regular sustainability discussions. The first event took place in August 2023. While the regular discussions are aimed at all employees, the Working Group is limited to employees from sales and functional departments who face ESG issues on a daily basis. The goal of the ESG Working Group is to facilitate an in-depth exchange and discussion of ESG issues and projects that the units are currently working on. The ESG Working Group meets monthly unless regular discussions are already taking place.

#### **Dialog with NGOs**

Interviews were conducted in 2023 with non-governmental organizations, a non-profit organization and other players as part of updating the materiality analysis. The results of these interviews can be found starting on  $\rightarrow$  page 30 et seqq.

#### Dialog with students and start-ups:

#### Universities

Various discussions were held in 2023. On 13 June, for example, the LBBW Sustainability Team gave a presentation on "Future Ready – How the Sustainability of the Business Model Determines the Existence of Companies" as part of the Sustainable Corporate Management module at the University of Freiburg. On 6 July, the team also gave a short presentation on "Sustainability Readiness" to students at the Cooperative State University (DHBW) Stuttgart.



## Communication with institutional investors and savings banks

We keep institutional investors and savings banks up to date at all times and share information year-round through conferences, symposia and working groups.

#### LBBW's Debt Investor Relations activities:

We maintain a constant dialog with institutional investors as part of our Debt Investor Relations activities. This aims to secure/increase existing national and international credit lines in order to minimize the costs and risks of refinancing for the Bank. In addition, LBBW seeks to expand its investor basis and diversify it internationally. Sustainability-oriented investors have emerged in recent years as a new group of investors with specific ESG information needs.

Communication with institutional investors uses a number of different channels; for example, individual and group presentations were held, in some cases with the participation of members of the Board of Managing Directors. The Debt Investor Relations team also made use of virtual methods of dialog to continue and build on the close collaboration with the investors. Numerous talks were held with German and foreign investors from Europe, Asia and the US. Key focus areas in 2023 were the quality of the lending portfolio and the Bank's sustainability strategy.

#### Conferences and webinars:

In 2023, LBBW Asset Management Investmentgesellschaft mbH was again represented with presentations at conferences and events for a wide range of customer groups. LBBW Asset Management Investmentgesellschaft mbH also organized online conferences for Sales partners on sustainable investment strategies and products.

#### Expert discussion LBBW and Sparkassenverband Baden-Württemberg:

Current developments in sustainability are presented and discussed during the expert discussion between LBBW and Sparkassenverband Baden-Württemberg (SVBW). Experts from various departments at LBBW and SVBW report on their activities, DSGV (German Savings Bank Association) projects and upcoming events. Their aim is to develop close ties and leverage synergies on ESG issues.

#### Information for sales departments at savings banks:

LBBW has significantly increased the amount of information it provides on sustainability for sales departments at savings banks. Since rolling out the MSCI ESG Research sustainability package to 290 institutions in 2021 to complement our LBBW Research services, we have acquired more new customers. Currently, 331 savings banks have access to MSCI ESG research via LBBW Markets.

LBBW further expanded its range of certificate and structured bond products that contain sustainability features in 2023 and provided sales personnel at savings banks with detailed information on the expansion, including the launch of the first fixed-rate climate-protection bond (in accordance with the EU Taxonomy) based on the model developed by the German Structured Securities Association. We also issued certificates on sustainability indices for individual savings banks for exclusive distribution to retail customers when requested to do so and prepared information for the savings banks' customer communications. For Asset Management, established information channels such as the "Wochenradar" for savings banks sales were used.

In the development loan business, LBBW held more than 100 information events in 2023 for approximately 7,000 sales experts at savings banks in Baden-Württemberg, Rhineland-Palatinate, and Saxony. It presented the development loan programs related to innovation and digitalization funding, e-mobility, new business models, the energy transition and resource efficiency. One focus area related to the changes to the federal subsidies for energy-efficient buildings.

#### Information sessions by LBBW Advisory for institutional customers and savings banks:

The LBBW Advisory consulting team again delivered diverse specialist lectures for institutional investors and savings banks in 2023 to explore sustainability in more depth. Key aspects of sustainability for the core business were elaborated on at various regional savings banks associations as well as at symposia and in working groups. The latest regulatory requirements and their implementation were discussed as well.

Sustainability Advisory also bolstered sustainability efforts during various activities with the German Savings Banks Association (DSGV) and the Federal Association of Public Banks in Germany (VÖB). LBBW is part of the new sustainability management working group that was set up in 2021 and encourages ongoing knowledge sharing between savings banks and regional savings banks associations. As well as practical examples from savings banks, this group also shares and discusses conceptional work and strategic positions. LBBW also plays an active role in the DSGV's regulatory sustainability project via the head of Financial Institutions & Corporates in the steering committee and via the Advisory Team at the working level. It closely follows the development of comprehensive regulatory requirements. In addition, a presentation on ESG data for proprietary investments was given at the VÖB Service Congress 20.23.

At the LBBW Capital Markets Forum 2023, several presentations and workshops with banks and institutional investors were provided on the current status and requirements of the EU Taxonomy and the Corporate Sustainability Reporting Directive (CSRD), the use of sustainability ratings and aspects of green investments.



## LBBW Research studies on sustainability issues

LBBW Research analysts regularly publish studies on issues that are of particular interest to our customers. Several country In-Focus reports on sustainability and LBBW Research's LBBW climate risk index were also published in 2023 as part of the LBBW Research publication series "Klartext", which comes out once a week.

In addition, LBBW Research published ESG Monthly every month. The publication provides sustainability-oriented capital market investors with an overview of developments and issues relevant to the capital markets across all asset classes. It also addresses changes in sustainability regulation for industry and the financial market. It presents portraits of (debut) issuers of sustainable bonds, provides detailed market data and forecasts expected new issues. This publication is usually issued monthly.

Numerous other studies and information on sustainability and sustainable finance were published externally in In-Focus Sustainability, In-Focus Corporates, In-Focus Financials and In-Focus ESG Covered Bonds. Some of these studies include:

- LBBW In-Focus Sustainability: EU green bond standard launch in sight for 2024
- LBBW In-Focus Sustainability: EU green deal industrial plan gains momentum
- LBBW In-Focus Financials: Banks in Europe and sustainability what about Taxonomy eligibility quotas?
- LBBW In-Focus Corporates: ABCs of sustainability new developments March 2023
- LBBW In-Focus Corporates:
   Four-phase environmental model 2023 edition no time to rest
- LBBW In-Focus Corporates: Four-phase environmental model 2023 edition sectors (compact)
- LBBW In-Focus Corporates: Telecommunications: ESG arrives in the hybrid bond market
- LBBW In-Focus Covered Bonds: Growing in importance: an overview of the sustainability segment in the covered bond sector

The publication series "Treasury Weekly", which is aimed at LBBW's corporate customers, also regularly covers sustainability topics. They include:

- Treasury Weekly: Logistics companies focus on sustainability
- Treasury Weekly: Brazil benefits from its green lung
- Treasury Weekly: The power of sharing
- Treasury Weekly: Canadian immigration culture benefits economy

The LBBW Symposium on Climate Policy was held in the summer of 2023. It was co-organized with the Walter Eucken Institute in Freiburg. Dr. Moritz Kraemer, chief economist at LBBW and head of LBBW Research, welcomed Veronika Grimm, a member of the German Council of Economic Experts (GCEE); Christoph Schmidt, President of the RWI – Leibniz Institute for Economic Research; and Lars Feld, Schmidt's successor as chair of the GCEE and the head of the Walter Eucken Institute. The discussions centered on the tools needed to manage the energy transition and on Germany's ability to demonstrate how prosperity and climate change mitigation can go hand in hand.

LBBW regularly meets with investors from around the world to discuss relevant topics. For example, Dr. Moritz Kraemer, head of LBBW Research, was represented at LBBW capital market and investment conference KapInKon, the ESG Academy and the BW-Bank conference "Our Forests in Transition". He spoke about financing the energy transition in emerging markets in the run-up to the UN Climate Change Conference COP28 in Abu Dhabi and about the impact of biodiversity on countries' creditworthiness at the Frankfurt School Summer Academy.

The LBBW chief economist also worked on various sustainability issues as a senior fellow at the SOAS University London, Centre for Sustainable Finance, in 2023.

In addition, he authored or co-authored the following studies:

- https://pubsonline.informs.org/doi/10.1287/mnsc.2023.4869
   "Rising Temperatures, Falling Ratings: The Effect of Climate Change on Sovereign Creditworthiness"
- https://investesg.eu/2023/09/22/the-worlds-first-climate-smart-sovereign-ratings-lbbw/
   "The world's first Climate-Smart sovereign ratings"
   The Climate Smart model simulates the impact of climate change on the economic performance and rating of 108 countries under three different global warming scenarios.
- https://drgr.org/policy-briefs/a-green-deal-for-the-amazon-sovereign-sustainability-linked-bonds/
   "A Green Deal for the Amazon: Sovereign Sustainability-Linked Bonds"
   Countries in the Amazon region are particularly affected by climate change. Financing products with interest rates that increase with deforestation create incentives to avoid increased deforestation.
- https://www.scmp.com/comment/opinion/article/3210865/g20-led-finance-facility-against-cli-mate-change-could-speed-emissions-reduction
   Developing countries are moving up the rankings of CO₂-intensive countries as their greenhouse gas emissions skyrocket. They also need help dealing with the effects of climate change. The G20 countries could use their better creditworthiness and thus more favorable refinancing terms to help developing countries reduce greenhouse gases and manage the consequences of climate change through a specific financing instrument.

# Sustainability ratings and awards.

Sustainability is more than just a trend. Actively taking responsibility is a guiding principle at LBBW. We aim to continue to live out this conviction. The quality of our own products and services and the sustainability mission pursued by our management are documented by independent sustainability ratings and awards.

## Sustainability ratings<sup>1</sup>

We use neutral rating agencies to assess the sustainability performance of companies, partners and suppliers as well as our own commitment to sustainability. Sustainability ratings, unlike ratings measuring financial strength, are not usually commissioned by the companies being rated but instead by investors. They are an important basis for decision-making for the constantly growing number of sustainability-oriented investors.

The most recent results that LBBW has achieved in the various ESG ratings and that were known to us by the editorial deadline for this sustainability report are described below. ESG stands for environment, social, governance, and so the ratings cover criteria relating to these areas.

 Sustainalytics gave LBBW a low ESG risk of 18.7 in the ESG risk rating on a scale of 0 (insignificant risk) to 100 (serious risk). (As of January 2023)

Sustainalytics has been a subsidiary of the financial information provider Morningstar since 2020 and is a leading provider worldwide of ESG and corporate governance analyses and ESG risk ratings with more than 25 years of experience. → See legal disclaimer <u>sustainalytics.com</u>.

• LBBW is rated A on a scale from AAA to CCC in MSCI ESG Research's rating. (As of January 2024)

MSCI ESG Research is the world's largest provider of sustainability analyses and ratings in the environment, social and governance domain, with research expertise dating back 40 years. → See MSCI ESG disclaimer <a href="https://www.qtc.com.au/msci-esg-disclaimer/">https://www.qtc.com.au/msci-esg-disclaimer/</a>.

 In its second solicited ESG rating from imug, Landesbank Baden-Württemberg received 70 points on a scale from 100 to 0 (excellent to weak), putting it in the "good" category. (As of January 2023)

imug rating (by EthiFinance) is the leading German provider for strategy and implementation of ESG investments and for sustainability assessments. As a partner to financial markets, business and the public sector, the company has provided sustainable ESG strategies, data and reporting and credible second party opinions, sustainability ratings and expert reports for over 25 years.

<sup>1</sup> Disclaimer: The rating information we publish is publicly available. It is presented solely as an additional service. Explanations on the meaning of a rating must be obtained from the agency in question. This information does not belong to LBBW. It should not be interpreted as a recommendation to purchase LBBBW securities. LBBW is not liable for ensuring that the information is complete, up-to-date or correct or for the selection of information. For more information on the methodologies of ESC rating agencies, see: → ISS ESG Ratings & Rankings. I ESG Corporate Rating. (issgovernance.com): → Ratings.—MSCI: → Company. ESG. Risk Ratings and scores.—Sustainalytics: → ESG. Ratings. Data & Analysis: Sustainable Fitch: → imug rating (imug-rating de).

• In its second solicited ESG rating from Sustainable Fitch, LBBW received 65 points on a scale from 100 to 0 (excellent to weak), putting it in category 2, "good". (As of December 2023)

The Fitch Group is a leading global provider of financial information services with branches in more than 30 countries. Through Sustainable Fitch, the Fitch Group has offered a range of ESG rating products since 2021.

• ISS ESG gave LBBW an overall grade of C+ (prime status) on a scale of A+ to D-.

This result makes LBBW a sector leader, awarded prime status for its outstanding commitment to environmental and social issues. (As of August 2022)

With more than 25 years of experience in ESG research and ratings and more than 30 years of experience in corporate governance and proxy advisory, ISS ESG is one of the world's leading ESG specialists.

## Rankings

• LBBW made significant progress in the Fair Finance Guide Germany evaluation→ www.fairfinance-guide.de in March 2023: With a score of 61%, LBBW is now rated in the yellow category for the first time. The ratings are based solely on the policies of the banks as published in official documents. Unlike sustainability ratings, which are primarily aimed at investors, the Fair Finance Guide is designed to provide independent assistance for ethically and ecologically motivated consumers.



## **Awards**

"LBBW Nachhaltigkeit Aktien" and "LBBW Global Warming" → see page 144







"LBBW Multi Global Plus Nachhaltigkeit" → see page 144





Human resources policy→ see page 186 et seqq.



Environment → see page 239 et seqq.





# Regulations, mandatory standards and memberships.

Legislators and regulators are sending a clear message: The financial sector should enable and drive the sustainable transformation of the industry and society. But it is not enough to simply comply with regulations and standards. We want to achieve more out of a deeply held conviction. That is why we voluntarily commit to sustainability standards and codes and participate in numerous national and international initiatives. Our suppliers and service providers are also required to observe sustainable criteria.

## Regulatory and supervisory sustainability requirements for banks







With the Paris Agreement in 2015 and the United Nations' "2030 Agenda for Sustainable Development", countries around the world have committed to working toward the more sustainable development of our planet and our economy. The financial sector plays a key role when it comes to supporting ecologically and socially responsible business activity and driving sustainable investments and innovations. European legislators and regulators are tackling sustainable transformation with several sets of measures. Key measures for banks include the EU Commission's sustainable finance strategy, the EU Taxonomy Regulation, the Corporate Sustainability Reporting Directive (CSRD) and the publications and audit activities of European and national banking supervisors on managing environmental and climate risks.

Accordingly, the European Commission published its action plan on the financing of sustainable growth in March 2018 with the aim of making a significant contribution to climate change mitigation and the implementation of sustainable industrialization, innovation, and infrastructure – the ninth Sustainable Development Goal forming part of Agenda 2030 – by way of a concrete package of measures. The European Commission revised its sustainable finance strategy in July 2021 and published it together with a detailed action plan. This is divided into the following four action areas:

- Financing the transition to a sustainable economy
- Creating an inclusive sustainable finance framework
- Strengthening the resilience of the financial sector
- Supporting a global agenda while taking account of double materiality

By taking this approach, the European Commission is putting sustainability on the agenda of finance ministries, supervisory authorities and institutions for the years ahead and continuing to underscore the urgency surrounding sustainable environmental change, stressing the need to step up climate and environmental efforts.

At the heart of the regulatory requirements is the Taxonomy Regulation, which sets out uniform criteria for determining the ecological sustainability of an economic activity. The classification system

also serves as a benchmark for further regulatory requirements and standards, such as the EU Green Bond Standard. Disclosures pursuant to Annex XI Article 8 of the Taxonomy Regulation can be found in the non-financial report in > LBBW's 2023 management report.

The "Guide on climate-related and environmental risks" published by the European Central Bank (ECB) at the end of 2020 sets out regulatory expectations for the banks it supervises in areas including business strategies, risk management, stress scenarios and disclosure. The sustainability management project has ensured structured and efficient compliance with ECB guidelines on climate and environmental risks as well as disclosure and sustainability reporting requirements since  $2021 \rightarrow$  see page 29.

LBBW examines and assesses regulatory publications, requirements and regulations in detail. A holistic approach is taken to implementation in all cases, connecting the individual requirements and measures.

## Corporate Governance Code

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## "LBBW adheres to key aspects of the German Corporate Governance Code ('Deutscher Corporate Governance Kodex')."

LBBW adheres to key aspects of the German Corporate Governance Code ("Deutscher Corporate Governance Kodex"). This is a set of essential statutory provisions governing the management and monitoring of German listed companies and contains nationally and internationally recognized standards for good and responsible corporate governance, including in the form of recommendations.

Due to its emphasis on listed stock corporations, the code is not applicable in all respects to Landesbank Baden-Württemberg, which is an unlisted credit institution established as a public-law institution under German law ("Anstalt des öffentlichen Rechts"). Some provisions of the German Corporate Governance Code can therefore be applied only analogously to Landesbank Baden-Württemberg. In terms of content, LBBW's corporate governance adheres very closely to the spirit of the German Corporate Governance Code. For this reason, there are special provisions in the LBBW Act, in the ordinance, and in the bylaws of the executive bodies and other committees concerning many of the recommendations of the German Corporate Governance Code. Furthermore, there are special provisions for corporate governance in banking supervisory legislation that are not included in the code but do apply to LBBW.

At LBBW, management and supervisory rules applicable to corporations are observed. For instance, the responsibilities of LBBW's Annual General Meeting and Supervisory Board are regulated in the same way as for a stock corporation even though this is not LBBW's legal form. The members of the LBBW Board of Managing Directors make their decisions independently of any external instructions. At the same time, independent expertise is drawn on through the supervisory bodies. LBBW's Supervisory Board comprises eight independent members including the Chairman.

Additional information on corporate governance at LBBW is available in the → 2023 annual report.

Information on the remuneration of the members of the Board of Managing Directors and the Supervisory Board can be found in the  $\rightarrow$  2022 remuneration report.

## Scope of applicability and EMAS certification



Our sustainability management system is applicable to LBBW (Bank) (including BW-Bank) and the wholly owned subsidiaries Gastro Event GmbH, LBBW Immobilien Management GmbH, LBBW Corporate Real Estate Management GmbH and LBBW Asset Management Investmentgesellschaft mbH.

#### Environmental performance statement

The environmental performance statement and the environmental indicators and time series cover all the buildings extensively used by LBBW in Germany, including buildings we lease. Buildings LBBW leases to tenants whose data is not collected are not included. As of 31 December 2023, a total of 327 individuals were employed by the LBBW Group outside Germany.

Whereas data on purchasing, business trips, and waste quantities is collected and managed centrally, we compile data on electricity, heating energy, and water consumption for each site individually. The usage data for subsidiaries like Gastro Event GmbH that operate in LBBW buildings is therefore included in our environmental performance statement. In certain cases, this also applies to tenants who use parts of our buildings and whose consumption data cannot be determined separately.

Environmental data for the following subsidiaries were also included in the environmental performance statement: Berlin Hyp AG, MMV Gruppe, SüdLeasing GmbH, SüdFactoring GmbH and ALVG.

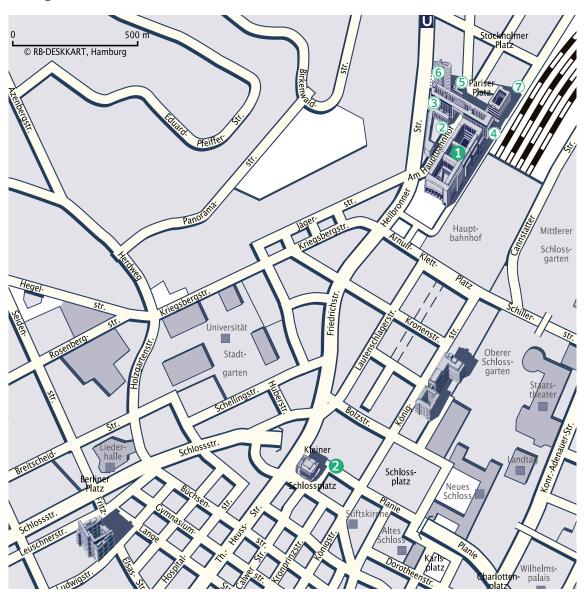
#### **EMAS** certification

We have committed to complying with the standards of the Eco-Management and Audit Scheme (EMAS) and ISO 14001 and have maintained a certified environmental management system since 1998. Compliance with the regulation or ISO standard is verified once a year by means of an internal pre-audit conducted by the internal audit department and an external audit conducted by an environmental verifier. The following were registered as locations under EMAS and certified according to ISO 14001 in the 2023 reporting year:

- four buildings at "Am Hauptbahnhof" in Stuttgart,
- two buildings at "Pariser Platz" in Stuttgart and
- the "Kleiner Schlossplatz 11" bulding in Stuttgart,

with a total of 6,452 employees/5,825.8 full-time equivalents (FTEs).

#### **Stuttgart**



1 Landesbank Baden-Württemberg Am Hauptbahnhof 2, 70173 Stuttgart

Building 2

Am Hauptbahnhof 7 - 9, 70173 Stuttgart

Building 3

Am Hauptbahnhof 11, 70173 Stuttgart

Building 4

Am Hauptbahnhof 8, 70173 Stuttgart

**Building** (5)

Pariser Platz 1, 70173 Stuttgart

**Building 6** 

Heilbronner Straße 28, 70173 Stuttgart

Building 7

Pariser Platz 7, 70173 Stuttgart (SüdLeasing Building)

**EXECUTE:** Kleiner Schlossplatz, BW-Bank Kleiner Schlossplatz 11, 70173 Stuttgart

#### Violations of environmental law

LBBW is subject to the following laws and regulations on the environment:

- Waste
- Occupational safety and fire protection
- Construction
- Chemicals/dangerous goods
- Energy
- Exposure control
- Nature conservation
- Environmental liability
- Water

LBBW maintains a register of environmental laws that is updated regularly and made available to all employees on the intranet. In addition, new regulations are communicated to the responsible organizational units.

In 2023, LBBW (the Bank) did not incur any fines or penalties resulting from non-compliance with environmental regulations. Internal and external audits help the Bank ensure compliance with environmental regulations.

## German Sustainability Code

Landesbank Baden-Württemberg first published its German Sustainability Code (DNK) declaration in 2013. The Code was initiated by the German Council for Sustainable Development, which supports the federal government on all aspects of sustainable development, and aims to make sustainability performance more visible, transparent and comparable.

More information: → <u>www.deutscher-nachhaltigkeitskodex.de</u>



## Voluntary commitments in advertising

We take care to ensure that all marketing measures fall within the scope of generally accepted societal values and the prevailing opinions about decency and morals in society. Legal regulations pertaining to advertising, such as the prohibition against advertising containing dishonesty or misleading statements, are adhered to strictly. In this regard, we primarily follow the basic communication guidelines of the German Advertising Council ("Deutscher Werberat").

LBBW was not issued any sanctions, fines, or warnings due to non-compliance with advertising regulations in 2023.

## Equitable working conditions



We comply with the eight core labor standards set out in the ILO Declaration (International Labor Organization  $\rightarrow$  www.ilo.org) governing equitable working conditions for all LBBW Group's employees. These have the status of international legal instruments where they have been ratified by the respective 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

You can find more information on working conditions in the "Employees" chapter → starting on page 186.

We also expect our suppliers and their sub-contractors to comply with these human rights and workers' rights.

## Supplier management III





As a major corporation, we maintain business relationships with more than 1,600 suppliers and service providers with long-term contracts. The products externally sourced by Group Purchasing in 2023, such as hardware and software, advisory, marketing and other services, office supplies, fleet vehicles and other means of transportation, travel, logistics, and buildings/technology, had a total volume of around EUR 798.4 million (previous year: EUR 733.2 million).

#### Supplier assessment

Activities with our suppliers are 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 relate to issues such as environmental and social management systems, the training of employees on environmental issues, waste disposal plans, and the publication of environmental or sustainability reports.

## "Every supplier must sign the Sustainability Agreement for LBBW Suppliers."

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 comply with what we consider to be essential environmental and social criteria. For example, we expect our suppliers to follow environmental laws, minimize pollution, respect the right to collective bargaining, comply with minimum wage laws and ensure equitable working conditions. Any supplier violating the social or environmental standards contained in the Sustainability Agreement (e.g. prohibition against human rights abuses such as child labor) must accept this violation as grounds for termination of the contract without notice for cause. In 2023, no suppliers were identified at which there were discernible indications of child labor or forced labor. Furthermore, there were no violations of the other requirements formulated.

We expect our suppliers to commit to taking responsibility for environmental, economic, social, and community issues in all areas of their business activities. The sustainability rules and ethical responsibility documented in our Code of Conduct are the guiding principles for all of our business relationships and transactions.

#### German Supply Chain Due Diligence Act

LBBW acknowledges its responsibility for human rights and the environment in its own supply chains and requires its own suppliers to respect human rights and protect the environment as required under the German Supply Chain Due Diligence Act (LkSG). LBBW also expects its suppliers to appropriately address this expectation throughout the supply chain.

As part of the standard due diligence process, the questionnaires and Sustainability Agreement for LBBW Suppliers were reviewed and amended to match the content and objectives of the German Supply Chain Act and are also regularly reviewed and updated where necessary.

In addition, a new risk management module was introduced in LBBW's supplier management system (Prospeum) that specifically meets the requirements of the German Supply Chain Act. Both the abstract risk analysis (country and sector risk assessment) and the concrete risk analysis (if risk indicators have been identified in the abstract risk analysis) are performed in this module.

Effective 1 January 2023, a human rights officer responsible for monitoring risk management was appointed pursuant to Section 4(3) of the German Supply Chain Act. The role of the human rights officer includes monitoring compliance with due diligence obligations, the effectiveness review, preparing and reviewing the policy statement and the annual risk analysis report and reviewing whistleblowing. The human rights officer reports to and advises the Board of Managing Directors on human rights and environmental risks.

All of the above points are also described in <u>LBBW's policy statement on the German Supply Chain Act</u> and published on LBBW's website.

#### **Purchasing standards**

Centrally organized purchasing operations and binding Bank-wide standards enable us to ensure that sustainability issues are factored into investment decisions and, in cases where several product alternatives with comparable quality and cost are available, the best product in terms of sustainability is chosen. On the one hand, this enables us to guarantee that the manufacture and use of products at LBBW meets the highest sustainability standards possible. On the other hand, it allows us to promote environmentally and socially aware policies and business practices by our business partners.

The purchase of non-IT products is subject to product group-specific sustainability criteria that flow from the product group strategies. We therefore do not purchase products made of tropical wood, produced using child labor or manufactured under inhumane or inequitable working conditions. In addition to these exclusion criteria, there are also specific exclusion criteria that apply to individual product groups such as maximum emission levels for the volatile organic compounds used in office furniture or the avoidance of disposable products for advertising materials.

In order to give our regional economy a boost and minimize the distance transported, we prefer to use suppliers from Baden-Württemberg and our other core business territories. More than 90% of the products and services we procure are from German suppliers.

#### IT service providers

In 2013, LBBW outsourced most of its information technology (IT) activities to Finanz Informatik GmbH & Co. KG (FI), the IT service provider to the German Savings Banks Finance Group ("Sparkassen-Finanz-gruppe") and one of the largest European providers of IT services to banks.

FI is certified to the international standard ISO 27001 as part of the Information Security Management System.

The IT Service Management department is responsible for coordinating the services of FI and its subsidiaries, FI-TS and FI-SP. This department represents LBBW's interests towards its strategic IT partners. It also functions as an advocate for FI within the Bank, which is a key condition for a collaboration in partnership between the two companies.

Since the outsourcing of our IT activities, new hardware and technical software (databases, operating systems, etc.) have been purchased by FI-TS. The IT master agreement with FI agrees upon material sustainability aspects that are equivalent in terms of content to those of LBBW. Sustainability requirements

for FI suppliers were also agreed upon. With the exception of OSPlus products, banking-specific software is procured by Group Purchasing at LBBW. Software ergonomics are still reviewed by LBBW before an application is approved for use.

# Service provider and supplier selection at LBBW subsidiaries

### LBBW Corporate Real Estate Management GmbH:

LBBW Corporate Real Estate Management GmbH (formerly BW-Immobilien GmbH) developed a special sustainability clause for all new service contracts that requires service providers to comply with all applicable environmentally relevant laws and regulations and ensure that their employees receive sufficient sustainability training, among other things. Cleaning companies are supplied with a list of substances that may not be included in any cleaning supplies used in our offices. The companies are requested to keep the safety data sheets and operating instructions of the cleaning products that they use easily accessible. This will be audited.

#### **Gastro Event GmbH:**

The sustainability approach taken by our subsidiary Gastro Event GmbH, which runs our six company restaurants, involves active supplier selection and the careful use of resources in its business operations. In selecting suppliers, LBBW Gastro Event gives preference to regional providers. Wherever possible, LBBW Gastro Event purchases the bulk of the fresh produce served via regional business partners and from regional producers. More information on the sustainability approach and measures taken by LBBW Gastro Event can be found on → page 222 et seqq.

#### Sustainable construction materials

LBBW Immobilien Development GmbH is a member of the German Sustainable Building Council ("Deutsche Gesellschaft für Nachhaltiges Bauen e.V." (DGNB)). It builds and certifies sustainable office, administrative and residential buildings, primarily 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 applied. These internal standards are aligned with selected DGNB criteria and, among other things, ensure the use of wood from sustainable forestry and healthy indoor climates in residential buildings. Sustainability issues are also taken into account in tenders and the awarding of contracts.

When LBBW Corporate Real Estate Management GmbH invites tenders and carries out construction work for real estate used by the Bank, it set outs an extensive list of requirements with regard to the materials and their health and ecological safety. To comply with these criteria, tenders and written orders are provided with LBBW's general clause for construction and supply contracts.



# Memberships and initiatives

Actively taking responsibility is a guiding principle at LBBW. This is why we are involved in a wide range of memberships and initiatives that cover a broad spectrum of environmental, social and community issues. We want sustainability to become increasingly important in the financial services industry. The following is a detailed description of LBBW's involvement at the international, national and regional levels.

### LBBW's international involvement

# **UN Global Compact**

The United Nations Global Compact is the world's largest responsible corporate governance initiative. This open forum aims to initiate change processes for the development of a sustainable global economy for the benefit of all people, communities, and markets and to offer a platform for sharing ideas.

We signed the UN Global Compact in December 2017. This means we have undertaken to integrate the following ten principles into our corporate strategy, corporate culture, and day-to-day business (including investment, lending, and our own investment activity) and to participate in partnerships that promote the general goals of the United Nations, particularly the Sustainable Development Goals.



# The Ten Principles of the UN Global Compact

# **Human rights**

- **01** Businesses should support and respect the protection of internationally proclaimed human rights.
- **02** Businesses should ensure that they are not complicit in human rights abuses.

#### Labor

- **03** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- **04** Businesses should advocate for the elimination of all forms of forced and compulsory labor.
- **05** Businesses should advocate for the effective abolition of child labor.
- **06** Businesses should advocate for the elimination of discrimination in respect of employment and occupation.

#### **Environment**

- 07 Businesses should support a precautionary approach to environmental challenges.
- 08 Businesses should undertake initiatives to promote greater environmental responsibility.
- **09** Businesses should encourage the development and diffusion of environmentally friendly technologies.

### **Anti-corruption**

10 Businesses should work against corruption in all its forms, including extortion and bribery.

The UN Global Compact and the Global Reporting Initiative (GRI) are complementary initiatives that help companies contribute to sustainable development and report transparently about their progress. The disclosures and data contained in the LBBW Sustainability Report corresponds to the annual Communication on Progress required by the principles of the United Nations Global Compact.

# **Women's Empowerment Principles**

To mark International Women's Day on 8 March 2022, LBBW was one of the first German banks to sign the UN Women's Empowerment Principles (WEPs) – an initiative from UN Women and UN Global Compact. This covers the seven principles to support women in business and signals LBBW's commitment to further advancing gender equality at work and to advocating this in public.

Principle 1



Establish high-level corporate leadership for gender equality

Principle 2



Principle 3



Principle 4



Treat all women and men fairly at work – respect and support human rights and nondiscrimination

Implement enterprise develop-

keting practices that empower

ment, supply chain and mar-

Ensure the health, safety and well-being of all women and men workers

Promote education, training and professional development for women

Principle 5

women



Principle 6



Promote equality through community initiatives and advocacy

Principle /



Measure and publicly report on progress to achieve gender equality

# **OECD Guidelines for Multinational Enterprises**

In addition to statutory requirements and provisions, our internal guidelines and instructions are based on internationally recognized standards and voluntary commitments. Alongside the UN Global Compact and the core labor standards of the International Labour Organization, these include the OECD Guidelines for Multinational Enterprises. This Code of Conduct for responsible business activity contains the common recommendations addressed by the member states of the Organization for Economic Cooperation and Development (OECD) to business on topics including human rights, the environment, corruption, and transparency.

For example, it states that multinational enterprises should report publicly on all key aspects of their business activities, including compliance with environmental and social standards and the risk factors that their business activities can be foreseen to involve. Enterprises should introduce efficient environmental management and apply the prudence principle. They should generally seek to ensure fair competition with other enterprises and fair business practices with respect to consumers.

# **UNEP Finance Initiative**

LBBW is an active member of the United Nations Environment Programme Finance Initiative (UNEP FI), a partnership between the UN's Environment Programme and companies worldwide. The goal of this partnership is to support financial institutions in integrating sustainability issues into their companies at all levels.

In addition to its global activities, UNEP FI along with the Association for Environmental Management and Sustainability in Financial Institutions (VfU) initiated an annual round table as a forum for dialog with financial services providers in German-speaking countries.

#### **Principles for Responsible Banking**

In 2019, LBBW was the first signatory of the "Principles for Responsible Banking" (PRB), a voluntary initiative of UNEP FI. The PRB provides a uniform framework for integrating sustainability in all areas of business. This allows banks to systematically align their operations with social objectives → see page 16 et segg.

# **Principles for Responsible Investment**

LBBW has been a signatory of the United Nations Principles for Responsible Investment (UN PRI) since 2009. In 2017, LBBW Asset Management Investmentgesellschaft mbH also signed the UN PRI for the Investment Manager category, followed in 2018 by Baden-Württembergische Equity GmbH (BWEquity), which merged with LBBW Asset Management Investmentgesellschaft mbH as of 1 January 2021. More than 5,300 signatories from over 60 countries have voluntarily signed up to these guidelines (as of December 2023). → For more information, see page 132.

#### **Green Bond Principles**

LBBW adheres to the Green Bond Principles, thus contributing to building the market for sustainable issues. The International Capital Market Association's (ICMA) Green Bond Principles define voluntary guidelines for the issuing process to promote standardization and transparency and reinforce integrity in market development. To this end, the Green Bond Principles provide recommendations on various matters, including the use of issue proceeds.

#### **Climate Bonds Initiative**

LBBW has been a partner of the Climate Bonds Initiative (CBI) since 2018. The investor-focused non-profit organization for climate financing issues designed the Climate Bonds Standard to meet the objectives of the Paris Agreement. CBI is involved in policy advice at a global level and is a member of various high-profile international committees such as the European Commission's EU Technical Expert Group on Sustainable Finance.

In particular, the partnership is intended to help further develop climate financing solutions. LBBW helped develop  $CO_2$  benchmarks for real estate financing for its green bond program, which was launched in 2017, and was the first European bank to adopt the portfolio approach for financing green projects.

#### **German Sustainable Investment Forum**

LBBW Asset Management Investmentgesellschaft mbH is a member of the German Sustainable Investment Forum (FNG). The FNG in Germany, Austria, Liechtenstein and Switzerland has more than 230 members, including banks, investment companies, insurance companies, rating agencies, asset managers, financial advisors and NGOs, as well as scientific institutions and individuals. The Forum promotes dialog and discussion between business, academia and governments and advocates improved legal and political conditions for sustainable investments.

In 2023, ten of LBBW's sustainable mutual funds were awarded the renowned FNG seal; nine of them received the highest award of three stars and one the second-highest award of two stars.

The FNG has more than 230 members in Germany, Austria, Liechtenstein and Switzerland.





# LBBW's national involvement

#### Association for Environmental Management and Sustainability in Financial Institutions (VfU)

As a member of the VfU, we play an active role in workshops and forums. For example, we participated in the VfU event series on the "VfU Kennzahlentool" (key figures tool) and in the VfU GNF (Global Nature Fund) cooperation project "Unternehmen Biologische Vielfalt (companies for biodiversity) in 2023. The aim of this collaborative partnership is to address application issues faced by banks with the help of input from practitioners and academics.

LBBW also regularly takes part in the opportunities offered by the VfU for discussion and networking between banks on the topic of sustainable finance.

#### Alliance for Development and Climate

The German Federal Ministry for Economic Cooperation and Development launched the Alliance for Development and Climate in 2018, which became a KfW foundation in 2020. It is tasked with promoting climate change mitigation and development collaboration while also increasing public awareness of the impact of global warming around the world. The activities of the alliance partners are voluntary and include participating in carbon offsetting projects in developing and emerging countries. LBBW supports the alliance as part of its contribution to the implementation of the United Nations' "2030 Agenda for Sustainable Development" and the achievement of the targets set out in the Paris Agreement.

#### German financial sector's voluntary commitment to climate change mitigation

LBBW is one of the 16 initial signatories to the German financial sector's voluntary commitment to climate change mitigation published in June 2020. The aim of this banking initiative is to bring lending and investment portfolios into line with the Paris Agreement, supporting sustainable economic and social development. Signatories help each other develop generally accepted methods of measuring and managing the emissions related to lending and investment portfolios. The individual financial institutions report on their progress each year. Since 2022, LBBW has been reporting on how it handles carbon-intensive industries in its lending portfolio in the leaflet • "Sustainable transformation. Our path to net zero".

# Voluntary commitment by German savings banks to environmentally friendly and sustainable business

More than 170 savings banks, state banks and affiliates, including LBBW, signed the "Voluntary commitment by German savings banks to environmentally friendly and sustainable business" in 2020. This is based on the goals of the Paris Agreement and the Principles for Responsible Banking. The voluntary commitment features five action areas:

- Take account of environmental protection aspects in the lending and investment portfolio
- ullet Reduce  $\mathrm{CO}_2$  emissions from business operations and achieve carbon neutrality by no later than 2035
- Support customers in the shift to environmentally friendly business
- Empower managers and employees to achieve greater sustainability and climate change mitigation
- Increase the focus of funding and local cooperation on environmental and climate issues

#### **German Sustainable Building Council**

LBBW Immobilien Development GmbH is a member of the German Sustainable Building Council ("Deutsche Gesellschaft für Nachhaltiges Bauen e.V." (DGNB)). LBBW Immobilien Management GmbH's development company specializes in designing and building sustainable residential complexes and commercial space. As a service provider, the company provides its expertise in sustainability, revitalization project management, efficiency improvements and other areas.

# LBBW's regional involvement

#### Clean Air Alliance

The Clean Air Alliance was initiated in 2019 with the aim of improving the air quality in Stuttgart. The alliance brings together the city and state authorities and the biggest employers in the region, whose business and commuter travel and deliveries account for a large proportion of traffic in the Baden-Württemberg state capital. LBBW will continue taking its own and joint measures to ensure compliance with nitrogen dioxide and particulate limits as quickly as possible in order to improve quality of life. The catalog of measures includes expanding the proportion of electric vehicles in the company fleet, promoting travel by bicycle, conducting mobility campaigns, and expanding the options for working from home and mobile work. In addition to LBBW, the members include the State of Baden-Württemberg, the City of Stuttgart, Daimler, Porsche, Bosch, Mahle, Audi, AOK, Energie Baden-Württemberg, and the Marienhospital.

#### LBBW has already



- established electronic charging structure with nearly 170 vehicle charging points at the LBBW locations - including 60% in Stuttgart, more are in the pipeline for the coming years;
- installed over 30 e-bike charging stations more are in the pipeline and a bike service station at the Stuttgart campus;
- developed a bicycle salary conversion model together with JobRad and has ordered nearly 900 bicycles so far - 80% of which are for the Stuttgart workforce (as of November 2023);
- was certified as a "bike-friendly employer" by the ADFC cycling association for Stuttgart;
- participated several times in the City Cycling campaign and successfully defended its 3<sup>rd</sup> place ranking in recent years.



#### Stuttgart Financial center initiative

In April 2021, LBBW signed "Stuttgart's Declaration on the Sustainable transformation of the Financial Center" – an initiative by Stuttgart Financial, the central platform for financial issues in Baden-Württemberg. The declaration sets out a long-term sustainability strategy to promote and support developments and position Stuttgart as a sustainability and sustainable finance hub in Germany. To achieve this, the signatories agree to joint sustainability benchmarks for the Stuttgart financial center. These include the Paris Agreement, the UN's 17 sustainable development goals, the German federal government's sustainable finance strategy, the inclusion of sustainable investment options in customer service and the alignment of the business model with ESG factors. Stuttgart Financial was founded in 2007 by the Baden-Württemberg Ministry of Finance and Economics, the Foundation for Credit Services (Stiftung Kreditwirtschaft) of the University of Hohenheim and Vereinigung Baden-Württembergische Wertpapierbörse.

#### Other memberships

LBBW is a member of approximately 260 associations, registered organizations and support programs. These cover a broad range of social, cultural and banking issues. As well as being a part of and promoting relevant organizations, LBBW can represent its interests in issues relevant to doing business.





# Risk Management and Compliance

# Risk management (focus on ESG risks)



Advancing climate change and its globally visible consequences require decisive and rapid action. The sustainable transformation of industry and society will lead to far-reaching changes. A climate-friendly reorientation requires rigorous and sometimes disruptive measures rather than the rather steady change that has taken place in the past.

The need for a sustainable transformation of industry and changing environmental factors make ESG risks increasingly important in risk management. Both the expected rise in CO₂ prices and increasing weather extremes pose risks for LBBW's portfolio.

ESG risks affect all established risk types. Accordingly, sustainability risks are primarily monitored and managed on an ongoing basis using existing risk management processes.

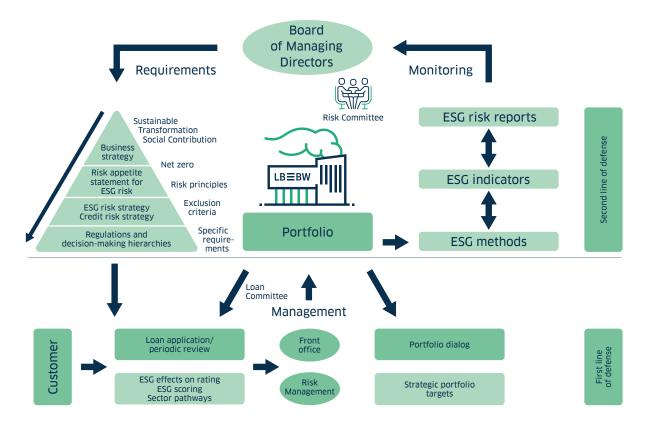
The first step is to identify the risks based on the business model. Targets and measures for material risks are defined in the risk strategy and further refined in detailed strategies such as the credit risk strategy or in explicit exclusions. They are managed using the three lines of defense approach:

- **First line:** Operating responsibility in the first line of defense lies with the areas responsible for the business in line with the risk type (in particular, lending and transaction-related reputation risk). Overall responsibility for the first line of defense lies with COO Capital Markets, the ESG Group Transformation department, in cooperation with the respective sales management units.
- **Second line:** The monitoring function of the second line of defense is divided between Risk Control, Group Compliance<sup>1</sup> and COO Risk Management.
- **Third line:** Internal Auditing is the third line of defense, as part of which it monitors the first and second lines and assesses the appropriateness and effectiveness of the risk management system.

The following diagram illustrates the credit portfolio management cycle with respect to ESG risks. In the first line of defense, the market units manage the credit portfolio together with Risk Management. Strategic portfolio targets are defined in the portfolio dialog and decisions regarding the customer's financing requirements are made at customer level. The lending decisions made in the first line of defense drive the portfolio.

The second line of defense monitors the portfolio. Defined methods are used to determine indicators such as emissions intensity. The Board of Managing Directors is regularly updated on the development of these indicators in risk reports. It sets ESG guidelines for strategic direction, risk appetite and decision-making hierarchy and thus defines the framework for management in the first line of defense. Internal Auditing is the third line of defense and monitors the aforementioned risk management system.

# ESG risk management process



Since ESG is an interdisciplinary issue that requires long-term management, employees work together across departments and divisions throughout the Bank. ESG considerations have been added to existing policies, decision-making hierarchies, frameworks or work instructions (written rules and policies) where necessary. The methods and processes are presented in the ESG Risk Management Manual. This internal document is intended to provide all employees with an overview of ESG in risk management, with references to relevant written rules and policies.

The following is a description of the elements that are relevant to ESG risk management.

# Risk inventory

ESG risks that arise in connection with LBBW's business model are systematically evaluated as part of the Group risk inventory. ESG risks are cross-cutting risks that can act as risk drivers for various risk types. Another detailed analysis of these ESG risk drivers was conducted in 2023.

Environmental risks include transitional and physical climate risks, physical environmental risks and biodiversity risks. For each risk driver, criteria are selected that can be used to assess the vulnerability of the lending portfolio. Depending on the risk type, data determined internally at the Bank (greenhouse gas intensity) or publicly available data (e.g. the Human Freedom Index, the World Bank's hazard maps of physical risks or the Sustainability Accounting Standards Board (SASB) Materiality Map) is used to assess the impact of the ESG risk driver on that address in various time horizons. If the proportion of the portfolio affected exceeds materiality thresholds, this risk driver is deemed material.

Due to the cross-cutting nature of ESG risks, the effects on established risk categories are presented as a matrix in the risk inventory. The first step is to determine how much of the portfolio is exposed to climate, environmental and biodiversity risks. Materiality is assessed on the basis of thresholds for the portfolio affected by each risk. This assessment identified transitional and physical climate risks as material to the credit portfolio. It can be assumed that transitional and physical risks result in higher investment and changes to LBBW customers' business models and could therefore primarily have a negative effect on operating income.

An internal climate risk stress test was conducted to examine the potential impact of climate risks on the lending portfolios identified as exposed to transitional and physical risks. Possible changes in risk indicators such as loan loss provisions or risk-weighted assets are analyzed under various scenarios. The scenario analysis shows that the risks will remain moderate, particularly if the portfolio is decarbonized as projected by the sector pathways (→ see the leaflet "Sustainable transformation". Our path to net zero.") (see detailed description in the "Climate risk stress test" section → see page 89 et seq.).

The potential impact of physical climate risks on real estate risk is assessed as high but is not classified as material due to existing building insurance policies. On the other hand, the overall impact of ESG risks on reputation risk was considered to be relevant. For example, even changes with a relatively small financial impact in LBBW customers' environments (e.g. working conditions, environmental standards) could affect LBBW's reputation.

Risks from changes in biodiversity were also considered in detail but are currently considered less relevant from a risk perspective. LBBW also currently considers the impact of ESG risk drivers on market risks, liquidity risks, operating risks and real estate, development, investment and model risks as less relevant.

# **Group Risk Strategy**

To account for ESG risks, the Group Risk Strategy – which is aligned with the business strategy – sets out general quality guidelines that provide a framework for all of the LBBW Group's activities and gives more details in the form of rules and exclusions. The Group-wide risk appetite statement underwent significant further development in terms of material ESG risks. All of the applicable regulations are included in the ESG risk section of the non-financial risk strategy.

The following remarks from the risk appetite statement apply to the LBBW Group. Individual subsidiaries such as Berlin Hyp may have fundamentally different statements as a result of the subsidiary's specific business model.

LBBW defines quantitative and qualitative risk tolerance in its Group Risk Strategy. The risk tolerance was specified in the risk strategy to include ESG aspects. The quantitative risk tolerance defines the achievement of the climate targets of the Paris Agreement and the decarbonization of the portfolio as a long-term ESG target.

In this context, LBBW has formulated concrete sector-specific and scenario-based interim targets for 2030 for the most greenhouse gas-intensive sectors  $\rightarrow$  More information: leaflet "Sustainable transformation. Our path to net zero".

Qualitative risk tolerance is defined by guidelines. The following remarks from the risk appetite statement apply to the LBBW Group. Individual subsidiaries such as Berlin Hyp may have fundamentally different statements as a result of the subsidiary's specific business model.

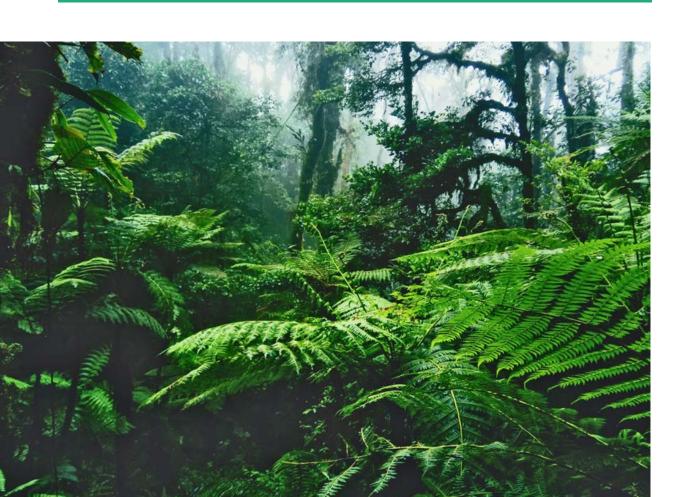
Specific risk-taking guidelines have been formulated as a qualitative risk tolerance requirement. Our goal of operating a sustainable business model involves various ESG-relevant requirements, which are listed below as an excerpt from the Group Strategy:

- **01** "The LBBW Group acts in the best long-term interest of its customers and stakeholders and aims to thereby make a substantial contribution to society.
- **02** Exposures must be scaled, taking account of the LBBW Group's risk-bearing capacity. Concentration risks are to be identified using appropriate processes and deliberately managed. Risks to the Group's going concern status must be excluded.
- **03** The portfolio as a whole must be actively managed taking concentration risks into account in order to increase resilience in times of crisis. Especially in the lending portfolio, concentration risks are to be managed at the sector, size class and country levels.
- **04** Transactions that are liable to jeopardize the Bank's reputation for a sustained basis should be avoided. The sustainability policy of the LBBW Group must be observed.
- 05 LBBW trades only in products and on markets where it understands and controls the risks.
- **06** Sustainable Transformation is our strategic lever, and we ensure that sustainability criteria are met for customer financing. We want to support our customers in transitioning to more sustainable business models.
- **07** In order to drive the necessary transformation of the economy to achieve the required climate neutrality, LBBW will, in addition to quantitative targets:
  - provide transparency on sector pathways in the loan application for high-emission sectors;
  - set out rules for credit risk strategy violations in the credit risk strategy on the basis of the individual ESG score.
- **08** The LBBW Group considers ethical aspects such as human rights, working conditions, environmental protection and anti-corruption when granting loans and making investments. We obviously do not support criminality, illegal activities such as tax evasion or acts contrary to tax honesty.
- **09** The financing or hedging of deliveries of arms/armaments abroad and other critical sustainability issues are subject to restrictions set out in the Bank's internal regulations. LBBW does not support projects that clearly lead to large-scale destruction of the environment and nature without adding ecological value."

The following exclusion criteria were defined as part of risk tolerance:

- LBBW does not consider companies that produce cluster munitions, delivery systems for cluster munitions and/or anti-personnel mines. In addition, LBBW does not provide general company financing for companies involved in the production of biological or chemical weapons.
- LBBW is also withdrawing from business with the coal industry and no longer lends to companies that build new coal-fired power plants or coal mines. In addition, clear thresholds have been set for energy suppliers regarding the share of energy or revenue generated by coal.
- LBBW does not support financing in connection with pornography, controversial forms of gambling or uranium mining without sufficient environmental and safety standards and health protection measures.
- The guideline for agriculture and forestry regulates the handling of palm oil, soy, cotton and deforestation.

Existing guidelines are reviewed and further guidelines added on a regular basis. Detailed exclusions and ESG criteria are described starting on  $\rightarrow$  page 155 et seqq. and are updated throughout the year in  $\rightarrow$  Sustainability practices at LBBW.



#### Governance

Strict integration of ESG issues into the existing Group structure supports systematic sustainability management at LBBW. The Bank's written rules and policies document the extensive operationalization of the strategic requirements. LBBW also uses sustainability-related indicators defined by LB-BW's strategy house to set and monitor targets  $\rightarrow$  see page 219.

ESG risks affect all established risk types. Accordingly, sustainability risks are primarily monitored and managed on an ongoing basis using existing risk processes. At the Board of Managing Directors level, this involves the Risk Committee (risk monitoring, determining methodology) and the Lending Committee (lending decisions in accordance with the decision-making hierarchy for loans/trading).

Responsibilities for the ongoing consideration of ESG risks are divided among the units in line with the three lines of defense.

- Operating responsibility in the first line of defense lies with the areas responsible for the business in line with the risk type (in particular, lending and transaction-related reputation risk). Overall responsibility for the first line of defense lies with OE 85 COO Capital Markets, the ESG Group Transformation department, in cooperation with the respective sales management units.
- The monitoring function of the second line of defense is divided between COO Risk Management, Risk Control and Group Compliance (for compliance and reputation risks).
- Internal Auditing is the third line of defense. It monitors the first and second lines and assesses the appropriateness and effectiveness of the risk management system.

# Risk management methods and monitoring

LBBW employs various methods and tools to systematically evaluate ESG risks in connection with individual transactions and at the portfolio level and to determine the impact on relevant divisions and segments. The carbon tool, physical risk tool and the ESG check list are tools developed in house that are continually being expanded to meet internal and external requirements.

#### Carbon accounting

Transitional risks are major factors affecting LBBW's credit risk. Transitional risks can be addressed in a variety of ways, including investments that prepare a company for anticipated changes in the environment. Each customer's emissions intensity provides an approximation of transitional risk. Therefore, to determine the greenhouse gas footprint, we use customers' published Scope 1 and Scope 2 greenhouse gas emissions wherever possible. However, they were only published in a few cases in the reporting year. If no customer-specific data is available, we use aggregated industry data based on EUROSTAT. This industry data is calculated in an external report prepared by the consulting firm MACS Energy & Water GmbH, which specializes in sustainability in the financial sector. This process aims to ensure that the entire lending portfolio is covered. The carbon accounting method is used to determine the financed share of reported or estimated Scope 1 and Scope 2 greenhouse gas emissions for each counterparty (Scope 3.1 and 3.2 for LBBW)<sup>1</sup>.

The MACS expert report also calculates portfolio emissions as the totality of proportionately financed customer emissions. The calculation methodology is currently based on the Partnership for Carbon Accounting Framework (PCAF) standard. LBBW is working to further refine the methodology and aims to further increase the coverage of published customer data. LBBW publishes the financed emissions in its sustainability report and other publications → see page 169 et seqq.

Based on LBBW's total credit exposure of EUR 317.9 billion, the exposure relevant to physical risks is excluded by excluding loans and advances to financial institutions, public-sector entities and non-self-employed individuals in accordance with disclosure requirements.

This results in a relevant exposure for the LBBW Group

of EUR 191.4 billion,

of which **EUR 15.7 billion** is affected by high physical risks.



# Physical risk tool

LBBW, using the World Bank's hazard maps, developed the physical risk tool to analyze the impact of chronic and acute physical climate risks on credit risk. A local, regional or sectoral approach is followed depending on the characteristics of the exposure being assessed: For real estate collateral and project financing with clear ties to a particular location, a location-based assessment of the impact of individual physical risk drivers (including flooding) is performed on a four-point scale. Regional companies are assessed using the aggregated hazard maps for the region where the company is headquartered. Physical risks for major international corporations are assessed on a sector basis using the SASB Materiality Map and the Intergovernmental Panel on Climate Change Fifth Assessment Report (IPCC AR5). The LBBW Group's relevant exposure amounts to EUR 191.4 billion. Around 8% of that total is subject to high physical risks. Flooding is the most likely to cause damage. This is especially true for addresses in portfolios for companies and collateral in Germany.

#### **ESG** checklists

LBBW uses portfolio-specific checklists to evaluate ESG risks in lending exposures → see page 156. The environment (E), social (S) and governance (G) risk clusters include questions that help Sales and Risk Management identify and evaluate potential ESG risks. The questions are assessed and used to generate sub-scores and an overall ESG score on a five-point scale. Since 2023, if the ESG score thresholds set in the credit risk strategy are exceeded, the loan approval decision must be made by the next level of authority in accordance with the decision-making hierarchy for loans and trading. Specific material risks for customers that have already been identified are taken into account in the internal rating process. Loan applications are also examined in terms of compliance and sustainability-related reputation risks based on internal lending rules. The ESG Group Transformation department and Group Compliance must be involved in the lending process if there are specific or sustainability-related reputation risks.

The ESG Group Transformation department must be involved if the market areas on the ESG checklist rate at least one question as "high" or if the overall ESG score is greater than or equal to 3. ESG Group Transformation then prepares a detailed statement – regardless of market sector – to assess the reputation risks associated with the transaction. This involves analyzing the affected companies and, in the case of project finance, the project, the sector and, where applicable, the countries affected.

The sub-scores, the overall ESG score and the statements are included in the loan application and taken into account in the lending decision. In addition, the results of the ESG risk assessment across all risk clusters are grouped into positive and negative aspects in the loan application. Our assessment may result in LBBW rejecting certain transactions.

The ESG risk assessment using the ESG checklist was further developed in all business areas in 2023 and aligned with Berlin Hyp's real estate division.

Risk reports are submitted to the Board of Managing Directors on a quarterly basis for transitional risks and every six months for physical risks. As well as the portfolio level, these describe and comment on the most important developments in transitional and physical risks at the sector, segment and customer levels. The half-yearly internal sector reports also include a qualitative assessment of ESG risks at the portfolio level and describe the development of mean greenhouse gas intensity and the most important customers in the sector.

#### Climate risk stress test

LBBW uses climate risk stress tests as a central tool to quantify the potential impact of climate and environmental risks on the Bank's portfolio and to examine the possible effect on capital adequacy, i.e. the appropriateness of the equity base in relation to the risks. Due to the long-term nature of these risks, the tests largely serve to provide early warnings and identify any need for action so that further analyses can be initiated or long-term countermeasures prepared in a timely manner.

Since 2021, LBBW has regularly performed comprehensive climate risk stress tests as part of its Group-wide stress testing program and discussed the results in the Risk Committee and the Board of Managing Directors. The most recent climate risk stress test was conducted in the second quarter of 2023 and, in line with the results of the Group risk inventory, covers currently material climate-related transitional risks and physical risks.

The scenarios for LBBW's internal climate risk stress test are designed by Risk Controlling on the basis of scientifically sound, state-of-the-art climate risk scenarios and risk analyses. The scenarios are analyzed for both short-term (minimum three-year horizon) and long-term (minimum 20-year horizon) considerations.

Transitional climate risk scenarios are based on scenarios from the Network for Greening the Financial System (NGFS). One of the reasons for defining the scenarios, particularly in the long-term view, is to be able to test LBBW's strategic portfolio orientation under adverse conditions, e.g. under the unfavorable impact of a sharp rise in  $CO_2$  prices. This is done using a baseline climate risk scenario that LBBW developed internally for this purpose. NGFS's science-based Net Zero 2050 transitional risk scenario is combined with components that reflect LBBW's strategic portfolio orientation. This means that the current baseline climate risk scenario has been supplemented with the sector pathways established at LBBW for greenhouse gas emissions from various industrial sectors.

We also develop physical climate risk scenarios based on the latest science. LBBW's most relevant physical risk is flood risk. As a result, realistic scenarios were defined to test the resilience of the Bank's portfolio to a once-in-a-century flood (coastal flooding, inland flooding or flooding of the Rhine River). This was done using flood maps from the World Bank and the European Commission's Joint Research Center Data Catalog (JRC).

LBBW's climate risk stress tests are bottom-up stress tests that focus on credit risk, particularly in the Bank's corporate customer and real estate portfolios. Customer-specific greenhouse gas emission intensities and the location of customers' real estate are used as data inputs for the calculations. The methodological assumptions focus on corporate profits or real estate market values depending on whether the scenario focuses on transitional or physical risks. Transitional risks, i.e. rising CO<sub>2</sub> prices, affect companies' operating costs and operating profit and real estate market values. Flooding causes damage to buildings and therefore also changes real estate market values. Falling operating results or real estate market values are translated into default rates or loss ratios. An analysis is performed on the impact of these stress effects on relevant key performance indicators (KPIs), i.e. the key figures for the Bank's performance such as RWA (risk-weighted assets) or risk provisions.

The results of previous climate risk stress tests indicate that the impact of climate risks on LBBW will be moderate and easily manageable. In the short to medium term, this can be attributed in part to the healthy diversification of the LBBW portfolio and the Bank's broad orientation as a medium-sized universal bank. The climate risk stress tests also show that our customers' transformation, supported by sector pathways, can also protect the bank from  $CO_2$  price risks in the long term. The results of the flood scenarios show that LBBW's overall flood risks appear to be low and well diversified and can be managed primarily at the level of individual exposures.

# Reputation risk

ESG risks can have considerable negative effects on the bank's reputation. This is why they were classified as relevant in the risk inventory. LBBW has appropriate measures and processes in place to address reputation risks.

When it comes to reputation risks, LBBW draws a distinction between transaction-based reputation risk management (i.e. precautions relating to individual business transactions) and non-transaction-based reputation risk management (i.e. precautions chiefly in relation to the media and issue management).



To identify and assess **chiefly transaction-related reputation risks**, LBBW has a product certification process for derivatives and a reputation risk review for new products in the form of the "New Product Process" (NPP) as well as sustainability-related review criteria in the loan application process.

This process ensures that all relevant risks of a new product are analyzed and that the new product can be properly modeled at LBBW in accordance with commercial and regulatory requirements. The NPP involves all relevant departments (including Finance, Risk Control, IT, Back Office, Treasury, Compliance, Auditing, Credit Policy, Risk Management, Sustainability, Banking and Legal). The results of the consultation and approval process and LBBW's product list are centrally documented in an NPP tool. At the management level, the Product Approval Committee, appointed by the Board of Managing Directors, is responsible for the NPP and product approvals. Products and product approval processes are reviewed annually. The findings are reported to the Product Approval Committee.

The media, relevant news agencies and selected social media channels are continuously monitored for **non-transaction-related reputation risks** and the Board of Managing Directors and key decision-makers are informed in a targeted manner. A comprehensive media response analysis covers reporting on the bank and its main competitors to assess the bank's reputation in the media and the effectiveness of its communication strategy.

LBBW also uses the three lines of defense model in its risk management to deal with both sub-risk types.

Individual front office units are responsible for the transaction-based management of reputation risks (first line). The ultimate decision as to whether a transaction is carried out from a reputation risk perspective is made by the employees and their managers responsible for the transaction. For each transaction, compliance with the principles of the LBBW sustainability policy must be ensured. The ESG Group Transformation department assists the relevant front office units in their day-to-day business in identifying and assessing transaction-related reputation risks with regard to sustainability.

In addition to the transaction-related assessment, all employees are subject to public perception regardless of their role or activity for the LBBW Group. Non-transaction-related reputational risk management (first line) is the responsibility of the Group Communication, Marketing and Board of Managing Directors' Office division and of the ESG Group Transformation department together with all division heads and managing directors of Group subsidiaries.

Group Compliance is responsible for transaction-related and non-transaction-related reputation risks as the second line of defense and performs a control and monitoring function.

Risk indicators help to identify reputation risks at an early stage and facilitate the identification of effects across risk types. At LBBW, for example, relevant key figures on reputation risk, such as the evaluation of the Bank's social media presence and the number of negative articles in the media, are reported to the entire Board of Managing Directors and the Risk Committee of the Supervisory Board in the quarterly Non-Financial Risk Report.

In addition, starting in 2024, a risk analysis of reputation risks for the subsidiaries of the LBBW Group combined in the risk management group will be conducted as part of the annual Group-wide risk analysis and the report will be presented to the relevant committees.

# Data management and data quality

To satisfy greater demand for information on sustainability considerations and facilitate efficient data management, LBBW, under the leadership of the Data Management and Architecture department, developed the central ESG database, known as the ESC core, as a single point of truth. The ESG core is the lead system for ESG data – including for ESG portfolio data, ESG data from external providers and ESG results data. The ESG core bundles the core functionalities required for this work, including archiving. To monitor data quality, data from the ESG core is integrated into LBBW's existing central data quality framework. The data controller is responsible for data quality and the structure of monitoring activities.

Expansion of the ESG core began in 2022 with the integration of data for disclosure requirements. Subsequently, in 2023, the central data model was gradually expanded to include other issues such as transitional risks. There are plans to add more detailed information on physical risks and further data on compliance with CSRD requirements in 2024.

The availability and quality of data, as well as the fact that there is not yet a fully developed market standard for all aspects of ESG risk and its measurement, remain a challenge. Despite the increasingly extensive use of external data providers and the push to use specific customer data where available, the banking industry will remain reliant on estimates, still-evolving models and approximations in many areas over the next few years. Fluctuations in results and changes to estimates over time thus cannot be ruled out.



# Compliance





Responsible corporate action is based on compliance with external and internal rules and laws. Effective compliance management primarily prevents criminal acts such as money laundering, terrorism financing, fraud, corruption, and insider trading, as well as ensuring data protection and monitoring of financial sanctions.

The "compliance mandate" is a foundation of the compliance function. The mandate is the basis for designing the compliance function and, in particular, sets out the roles and responsibilities of Group Compliance.

LBBW's Compliance Standards outline the tasks, objectives and organization of Group Compliance and the compliance management system (CMS) and data protection management system (DPMS) in place to achieve the objectives. The Wolfsberg Correspondent Banking Due Diligence Questionnaire (CBD-DQ) provides a standardized overview of due diligence measures at LBBW. The latest version of the questionnaire is published on LBBW's website.

→ More information and download.

# **Compliance tasks**

Group Compliance advises on various matters including capital market compliance, money laundering and fraud prevention (other punishable offenses), financial sanctions and embargoes. The decentralized compliance structure includes compliance officers responsible at the branches and subsidiaries and the new compliance network created in 2021, which comprises compliance contacts<sup>1</sup>, platform compliance coordinators<sup>2</sup> and compliance officers<sup>3</sup> from various Bank units. This network aims to effectively and efficiently roll out compliance issues in the LBBW Group in partnership between Group Compliance and the divisions on the basis of the three lines of defense model.

The point of contact for planned outsourcing activities is Central Outsourcing Management. Central Outsourcing Management is responsible for determining and monitoring the requirements for consistent outsourcing management throughout the entire Group. Central Outsourcing Management notifies the functional departments of internal rules and requirements and monitors the fulfillment of outsourcing requirements. Potential ESG risks are also identified and assessed as part of the outsourcing risk analysis.

As part of compliance reporting and the overarching non-financial risk report, the Group Chief Compliance Officer regularly reports to the Board of Managing Directors on current developments in the key compliance sub-risk types of money laundering and terrorism financing, financial sanctions and embargoes, fraud, capital market compliance, data protection and outsourcing.

Compliance contact in Group Compliance.

Platform compliance coordinators represent the Bank's platforms (Retail, Commercial, FM, IT) and coordinate compliance issues on their platform.
 Responsible for implementing compliance issues, including regulatory compliance and ICS (internal control system) in their divisions.

# **Compliance training**

Compliance with legal requirements requires safeguards to be put into place. One of these safeguards is to raise awareness and train our employees. Their compliance knowledge must be up-to-date at all times. Self-study programs (web-based training) have proved a good and time-effective way of imparting this information. Each training session includes a test at the end to check whether the learning objectives have been achieved.

The training concept applies across the Bank and throughout the Group. Compliance – where necessary in coordination with the specialized divisions in question – determines the relevance of the training for each self-study program specifically for each individually organizational unit. LBBW's representative offices and branches are fully linked through the Lerncampus online platform. Most of the subsidiaries were onboarded on Lerncampus in 2023 and thus can freely use the platform. The remaining two participating subsidiaries are expected to be onboarded by the end of 2024. Managers can look up their reports' training status on the Lerncampus platform.

Employees who do not complete the required training within the period stipulated (usually 30 days) automatically receive an e-mail on the due date. After the fourth reminder and once more than 90 days have passed since the training should have been completed, the division head in question is notified of the situation by e-mail each month and is asked to keep track of training completion. Once 120 days have passed since the date on which the training should have been completed, the division head must conduct a background check, document the result and notify Group Compliance.

As at 31 December 2023, the average completion rate for compliance training remained very high at 98.75% across all training modules. The completion rate for individual training modules was between 98.02% and 99.72%.

The compliance training sessions were broken down as follows:

### Fraud prevention - basic training in fraud prevention

This covers the following:

- Economic crime/legal bases/punishable offenses/preventative measures
- External fraud: features/cases of fraud/preventative measures
- Internal fraud: features/cases of fraud/preventative measures/whistleblower system

The completion rate for the fraud prevention training module was very high at 99.05% as at 31 December 2023.

#### **General Data Protection Regulation**

This covers the following:

- European and national regulations/principles of data processing/lawfulness of data processing
- Transparency obligations: right to be informed/rights of the data subject
- Organizational obligations: technical/organizational measures/documentation obligations

  Data protection officer/data protection supervision and sanctions/reporting obligations
- Data protection practices: documentation/transmission/information/scoring and credit check/marketing/employee data protection/processing

The completion rate for the General Data Protection Regulation training module was very high at 99.28% as at 31 December 2023.

### Capital market compliance basic training

This covers the following:

- Legal bases/objectives
- Market abuse: prohibition of insider trading (Article 14 MAR)/prohibition of market manipulation (Article 15 MAR)/insider lists (Article 18 MAR)/disclosure requirements/prohibition of short selling (EU Short Selling Regulation)/sanctions
- Disclosure and transparency requirements in connection with sustainability criteria of securities and investment products pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG)
- Organizational obligations: conflicts of interest/personal transactions/complaint register/product governance

The completion rate for the capital market compliance basic training module was very high at 99.62% as at 31 December 2023.

#### Bank separation regulations - capital market compliance

This covers the following:

- Objectives of bank separation regulations/overview of the regulations
- German bank separation regulations: background/prohibited transactions/exceptions (permitted transactions)/implementation at LBBW
- US Volcker Rule: background/prohibitions/excluded transactions and exemptions/implementation at LBBW

The completion rate for the bank separation regulations – capital market compliance training module was very high at 99.31% as at 31 December 2023.

# Market abuse - capital market compliance

This covers the following:

- Introduction/objectives/legal bases
- Market abuse: introduction/prohibition of insider trading (Article 14 MAR)/prohibition of market manipulation (Article 15 MAR)/insider lists (Article 18 MAR)/disclosure requirements/prohibition of short selling (EU Short Selling Regulation)/sanctions
- Organizational obligations: introduction/conflicts of interest/measures/employee personal transactions/complaint register/product governance

The completion rate for the market abuse – capital market compliance training module was very high at 97.89% as at 31 December 2023.



#### Money laundering prevention

#### **Basic training:**

This covers the following:

- Introduction/definition of money laundering/phases of money laundering/legal environment/internal safeguards
- Due diligence obligations: introduction/general due diligence obligations/entering into a business relationship/transactions outside a business relationship/simplified due diligence obligations/enhanced due diligence obligations
- Suspicion: introduction/what to do in the event of suspicions/money laundering typologies/real estate transactions/tax evasion as predicate offense/trade-based money laundering/terrorism financing typologies
- Financial sanctions and embargoes: introduction/risks and obligations/legal background/embargoes/ case study

#### Follow-up training:

- Typologies and trends
- Anti-corruption
- Outlook

The completion rate for the money laundering prevention training module was very high at 98.02% as at 31 December 2023.

### **FATCA - US withholding tax**

This covers the following:

- Qualified intermediary (QI) basics: QI status/QI agreement/QI compliance officer/QI (FATCA) compliance program information line/QI (FATCA) compliance program dealing with breaches/two customer groups/IRS online/mala fide
- Non-US tax persons/non-resident aliens (NRA): group of persons US non-resident taxpayers/non-resident aliens (NRA)/affected income/documentation/reporting
- US residents/US citizens: group of persons/affected securities income/withholding tax rates for the "backup withholding tax"/securities account holder - overview/tax obligation of "US individuals"/ documentation requirement: US Form W-9/reporting - income reporting to the US tax authorities
- FATCA basics: background/obligations/sanctions
- Customer acceptance: natural persons (individuals)/entities
- Ongoing monitoring

The completion rate for the FATCA – US withholding tax training module was very high at 99.72% as at 31 December 2023.

Local staff receive outsourced training in addition to the above-mentioned compliance training. These are basic training courses (regulatory requirements, process training) and regular update training courses.

# **Code of Conduct**

Sustainable business success is based on trust. In the long term, LBBW will be competitive only if it meets its responsibility to customers, shareholders, competitors, business associates, the supervisory authorities, and not least to its own employees. For this reason, 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. A Code of Conduct has been adopted as an overarching guideline  $\rightarrow$  www.LBBW.de/code-of-conduct. This behavior and ethics code applies to LBBW and all of its subsidiaries. The aim of the code is to create a reliable, normative frame of reference or guidance for responsible behavior by each individual that satisfies the legal requirements and is in line with ethical and societal standards.

In recent years, digitalization, sustainability and stricter regulatory requirements have increasingly become a factor in the everyday business of the Group. In addition, geopolitical developments and the stricter legal environment as a result (e.g. German Supply Chain Due Diligence Act) have changed the risk situation palpably. The Bank's internal Code of Conduct is thus regularly updated by Group Compliance. We always ensure that the content is easy to understand and self-explanatory for LBBW employees and all other stakeholders. As well as individual standards of conduct, the Code of Conduct also contains examples of situations from the Bank's everyday business and specific recommendations for action, as well as a separate chapter on the whistleblower system.

LBBW conducts recurring compliance training courses for all employees to familiarize them with and refresh their memory of the directives and principles described in the Code of Conduct. These regular courses provide information on the contents of the Code and the legal provisions to follow.



# Regulatory compliance function according to MaRisk AT 4.42

Today more than ever, it is important for companies to react quickly to critical developments and be able to make well-founded decisions based on reliable data. This includes not only rapid processing of risk-related information, informative risk reporting, and agile risk management but also a corporate compliance culture that models a responsible risk culture.

For this reason, the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) more precisely defined the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – MaRisk) for credit institutions and financial services providers based on the German Banking Act (Kreditwesengesetz – KWG) in Circular 05/2023 (BA). LBBW
has a regulatory compliance function that meets the requirements of MaRisk AT 4.4.2 and addresses
risks within the Group that could arise from non-compliance with key legal regulations and requirements. The legal regulations and standards applicable to LBBW are identified Bank-wide on an ongoing basis. This is done not only locally by the departments responsible for the regulatory life cycle but also at the level of the included Group units. At LBBW (the Bank), the regulatory compliance
function supports and advises management on complying with legal regulations and requirements. In
addition, it ensures the implementation of appropriate and effective procedures for complying with
the main legal regulations and requirements.

It is therefore particularly important to have a sustainable, appropriate and effective compliance management system (CMS) at LBBW, taking into account the internal control system (ICS), and to step up interface management with the functional departments.

# Preventing money laundering and combating the financing of terrorism

Money laundering describes the practice of integrating into legal circulation assets acquired illegally through organized crime, drug trafficking, fraud, and other punishable acts. This conceals the illegal origin of the funds in order to launder them back into the legal economic cycle. The financing of terrorism misuses banks to collect funds that have been acquired legally or illegally and use these funds to conduct partially or wholly terrorist activity. Accordingly, the LBBW Group has developed Group-wide business and customer-related security systems and controls for preventing money laundering and terrorism financing. These include, for example, rules on relationships with politically exposed persons, the process for accepting applications from new customers, the updating of customer data, and continual monitoring of business relationships as well as the integration of the anti-money laundering officer in the new products process.

The supervisory authorities responsible did not detect any violations by LBBW of requirements under anti-money laundering law in 2023.

# Financial sanctions and embargoes

LBBW is obligated to initiate measures to ensure compliance with national and international financial sanctions and embargo regulations. Financial sanctions result in restrictions on capital movements and payments, whereas embargoes limit the freedom of foreign trade.

Measures and organizational requirements for the Bank and the Group are defined in the internal guidelines. For instance, all cross-border payments and the entire LBBW customer list are automatically compared every day against German and international sanction and embargo lists. The same is true of internal company exclusion lists for cluster munitions and anti-personnel landmines. The processes and IT-based verification procedures required to do so are already firmly established in-house.

# Fraud prevention (other punishable acts)

At LBBW the purpose of fraud prevention is to prevent criminal acts that could expose the assets of the LBBW Group or its customers to the risk of loss or that could harm the LBBW Group's reputation. Risks are analyzed, leading indicators are tracked, and transaction and customer-related security systems and controls are implemented. The annual risk analysis includes the identification and assessment of all internal and external crime-related risks of relevance to the Bank and the Group. Preventative measures are then developed based on this information. In addition, LBBW adheres to the overarching OECD Guidelines for Multinational Enterprises, which also contain recommendations on corruption prevention.

The rules and regulations for the Bank and the Group for combating criminal activity primarily comprise Bank and Group fraud and corruption prevention guidelines. These guidelines provide a general framework for appropriate risk management and suitable fraud and corruption prevention procedures and processes from the perspective of LBBW (e.g. organization of fraud and corruption prevention at the bank and the Group, responsibilities of the central office (how to report suspicious activity, point of contact) and the key preventative measures.

The key preventative measures include:

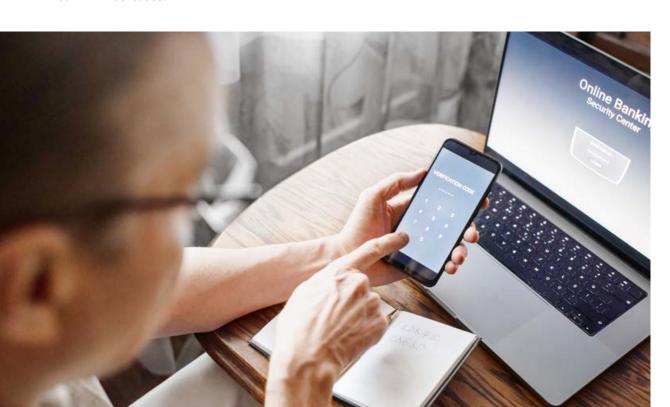
- Transaction monitoring (e.g. of fraudulent accounts or conspicuous customer behavior)
- Communication with other institutions and authorities regarding fraudulent accounts
- Collaboration with local authorities on fraud prevention
- Employee training
- Raising awareness among employees
- Raising awareness among customers via security alerts in the online branch or through customer events

The goal of fraud and corruption prevention guidelines is to identify risks and early indications of other punishable offenses in good time to avoid damage to LBBW, its employees and its customers. These standards are implemented in the guideline for giving and receiving benefits (gifts, invitations, events), for example. Employees may also report irregularities and suspicious activity anonymously via an external ombudsman. This option is implemented across the LBBW Group in the branches and subsidiaries. Since January 2019, the ombudsman has also been available to external third parties (e.g. LBBW's customers, business partners, and suppliers).

To the best of LBBW's knowledge, no corruption proceedings were conducted against LBBW (Bank) or the subsidiaries integrated into the sustainability management process in 2023. No fines were levied here.

LBBW has implemented clear internal rules and regulations throughout the Group to tackle corruption and bribery. To detect corruption, LBBW focuses on raising awareness and training its managers and employees. As well as frequent online training sessions on preventing punishable offenses, ongoing training is also provided on the guideline for giving and receiving benefits ("Gift guideline") for managers and employees. As part of this training, the employees are familiarized with LBBW's regulations on giving and receiving perks and with the reporting and approval procedure and, in particular, informed about the transparency required when giving and receiving benefits. Managers and employees can use the whistleblower system to report any incidents under the German Whistleblower Protection Act (Hinweisgeberschutzgesetz – HinSchG) and the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz – LkSG) and so have a wide range of communication channels at their disposal.

The types of fraud to which customers and LBBW are exposed are still extremely multifaceted. Perpetrators still take their cue from current social issues. The number of fraud attempts is still high although it has decreased slightly due to effective fraud prevention measures. LBBW therefore has many preventative measures in place to protect customer and bank assets against the consequences of fraud and, in particular, financial losses. These include technical payment transaction measures such as extensive transaction monitoring and payment recalls in the event of fraud. Customers are also constantly reminded of the issue, such as via security alerts on the homepage or at customer events. All in all, losses of more than EUR 7.6 million were prevented in 2023 for customers and the bank in 769 cases.



# Capital market compliance

The compliance function according to the Minimum Requirements for the Compliance Function and Additional Requirements Governing Rules of Conduct, Organization, and Transparency ("Mindestanforderungen an die Compliance-Funktion und die weiteren Verhaltens-, Organisations- und Transparenzpflichten für Wertpapierdienstleistungsunternehmen" (MaComp)) is responsible for ensuring observance of statutory rules applicable to securities trading and related regulatory requirements.

A risk analysis is performed once a year. Among other factors, this focuses on the relevant statutory regulations and an analysis of individual risks.

Compliance with external and internal standards is monitored regularly. In addition to centralized reviews of documents, processes, and directives, monitoring is also conducted on site, e.g. at the branches, advisory centers, and central units. If any shortcomings are found, the compliance function according to MaComp works with the relevant divisions to bring them into conformity with the rules.

Another responsibility of the compliance function according to MaComp is to prevent market abuse and ensure compliance with the provisions on financial market regulation set out in the revised EU Markets in Financial Instruments Directive (MiFID II). We have a zero tolerance policy towards market abuse and market manipulation. Compliance with requirements is closely monitored and regularly reviewed to ensure it is up to date.

In addition, according to the rules for the compliance function according to MaComp, conflicts of interest in connection with securities and related services must be avoided. Our employees in the compliance function according to MaComp are available to help identify, avoid, and manage conflicts of interest.

# Data protection

Confidentiality in the handling of customer data enjoys the utmost importance at LBBW. The protection of personal data is guaranteed by compliance with the applicable internal Bank rules and regulations on data protection. Protecting personal data is a fundamental European right and is protected under the Charter of Fundamental Rights of the European Union (Article 8 (1)) and in the Treaty on the Functioning of the European Union (Article 16 (1)). The EU General Data Protection Regulation (GDPR) harmonizes data protection requirements relating to processing the data of natural persons in the EU. The internal regulatory framework at LBBW was developed on the basis of this EU-wide law. It covers general conditions and due diligence obligations for customers and employees and, in particular, sets out the aims and responsibilities, organizational integration and authorizations and reporting obligations relating to data protection. There are detailed regulations in place, for example relating to handling data protection breaches and the rights granted to data subjects, creating and maintaining records of processing activities and processing.

The regulations apply for the bank and all of its subsidiaries. Foreign locations are subject to the requirements if EU law applies in that country. The conditions for this were assessed and implementation determined on an individual basis.

To improve security, the data protection risk is integrated in the bank's risk management system as part of compliance risks. This is documented both in the "compliance mandate" and in the compliance standards.

As the second line of defense, Data Protection monitors compliance with requirements under data protection law as part of the three lines of defense model. Control measures are developed and compliance with first-line controls reviewed.

Each year, Data Protection also prepares a risk analysis as part of a risk assessment and determines the overall data protection risk for the bank. This is the basis for an operational risk scenario evaluation.

Compliance with statutory data protection requirements is monitored during audits by the data protection officer during the year. The main focus and basis of this were GDPR Article 5 (Principles relating to processing of personal data), Article 6 (Lawfulness), Article 7 (Conditions for consent), Article 8 (Conditions applicable to child's consent), Article 9 (Processing of special categories of personal data), Article 12 (Transparent information, communication and modalities), Article 17 (Right to erasure), Article 21 (Right to object), Article 30 (Records of processing activities) and Article 44 (General principle for transfers).

LBBW's data protection officer reports directly to the Board of Managing Directors once a year or ad hoc on the basis of statutory independence in accordance with Article 38 GDPR. The officer regularly reports directly to the Board of Managing Directors member responsible for risk management, Group compliance, and internal audit.

Each LBBW subsidiary has its own data protection officer. Information about key processes and major events is included in the annual Group data protection report.

The laws generally reinforce the rights of customers, e.g. by expanding the right of objection and introducing stricter corporate responsibilities. These include, for example, stricter rules regarding penalties and expanded disclosure and documentation obligations.

To ensure particular responsibility for data protection and security, the e-learning tool on data protection in accordance with the GDPR is compulsory for all LBBW employees every two years.



# Training is given on:

- Legal framework: European and national regulations
- Information obligations: rights of the data subject
- Organizational obligations: documentation obligations/data protection officer/data protection supervision and sanctions/reporting obligations
- Data protection practices: documentation/transmission/information/scoring and credit check/marke-ting/employee data protection/processing

The completion rate for the General Data Protection Regulation training module was very high at 99.28% as at 31 December 2023.

The rights granted to data subjects continued to be widely used. There were 49 customer complaints in 2023 (previous year: 43), 27 requests for information (previous year: 75) and 43 requests for deletion (previous year: 54).

In particular, developments based on a planned employee data protection law and a regulation on artificial intelligence will need to be monitored and interpreted by data protection authorities in the near future.

The completion rate for the General Data Protection Regulation training module in 2023 was 99.28%.



→ More information: data protection at LBBW and data protection at BW-Bank.



# Information security

Ensuring security when processing information is an ongoing process at LBBW, the principles of which are established by the Group Information Security Management System (ISMS). Corresponding governance structures have been defined to successfully plan, implement and maintain this process. This ensures quarterly reporting by the Group information security officer (CISO) to the Board of Managing Directors and committees, including detailed reporting on potential cyber threats and risks. The cyber security strategy and data leakage strategy, including the target attainment assessment, are also updated each year.

At LBBW, information security is organizationally structured based on the "three lines of defense" model. The model takes a systematic approach to risks at the company and so is also suitable for addressing information security, cyber and IT security risks. Closely involving management in the ISMS and allocating resources in security organization ensures that due consideration is given to information security and the related risks within the Group and that there is sufficient awareness of information security.

LBBW ensures that people who perform activities that influence the organization's information security have the skills this requires, obtained through suitable education, training or experience. Appropriately documented information (certificates and overview of participation in further training) is retained as evidence of these skills.

LBBW ensures secure information processing by taking a three-pronged approach of deliberate action, practical organizational regulations and modern technical arrangements. With the number of attack vectors rising due to the multitude of technical options and increasingly topical nature, conventional cyber security measures are no longer enough. Accordingly, LBBW intends to establish adequate resilience against cyber attacks.

LBBW thus places great value on identifying and managing information security risks and on the transparency this creates regarding existing risks. Information security risks comprise IT security risks, cyber risks and non-IT security risks. These risks are based on the need to protect information and relate to the loss of confidentiality, integrity (including authenticity) or availability of information.

One key component of information security management at LBBW is the information security policy based on the ISO 27001 standard. In this policy, the CISO defines a suitable level of information security on behalf of the Board of Managing Directors. This takes account of both regulatory and legal requirements. The information security policy applies across the Group. As well as the foreign branches, material subsidiaries also have their own information security officers (ISO) who report to the CISO.

Implementation of the information security policy is regularly checked by way of internal audits. An independent external audit is also conducted at least once every two years. Regular penetration tests and vulnerability scans are also performed for all relevant systems and applications. LBBW successfully conducted a TIBER-DE test (Threat Intelligence-Based Ethical Red Teaming) in 2022, supported by Deutsche Bundesbank. Operating measures and governance structures are in place to detect and prevent cyber attacks or the leaking of user data with the help of the security information and event management system (SIEM).

# "Typical industry and regulatory emergency procedures for information security are in place at LBBW (incident response)."

One of the most important measures to raise awareness among all internal and external employees is a comprehensive training session on information security, which tests participants on what they have learned. This e-learning tool is updated each year and includes content on social engineering, passwords, phishing, cyber security, sensitive information and social networks. The training session is compulsory for everyone working at the Bank (employees and independent contractors). As well as annual training, all employees are also regularly updated on current issues in newsletters and ad-hoc information on the intranet. Regular phishing simulations are also carried out to increase employee awareness.

LBBW sets high technological standards to ensure the information security of all data. For example, security zones that can be accessed only with the correct authorization are in place at all times. The process of assigning authorizations, including access allocation, is part of the HR/procurement process. Authorizations are subject to "recertification" twice a year, where tools are used to check the rights that have been assigned.

Access controls ensure that only those authorized to use an IT system can access the data protected by their access authorization. For example, this involves checking the actions performed by highly privileged user accounts (SIEM).

Firewalls are used at all gateways to separate the security zones and environments in the network. The firewall at the internet access is multi-level, and access from the internet is always terminated in a demilitarized zone (DMZ). The firewalls feature modules for analyzing attack patterns/detecting anomalies in network traffic. These are promptly updated in the case of new attack patterns. The alarms are recorded centrally and evaluated in the SIEM.

The internet connection is protected by a service to prevent distributed denial-of-service attacks (DDoS). The service analyzes network traffic on the basis of statistical evaluations and signatures and, in the case of anomalies or if thresholds are exceeded, can initiate countermeasures for the services available on the internet (cyber resilience).

Typical industry and regulatory emergency procedures for information security are in place at LBBW (incident response).

LBBW uses threat intelligence to evaluate the possibility of early, evidence-based information on cyber attacks and incidents and the analysis of this information. This creates an early warning system (prevention) that reduces the risk of security incidents (number and duration).

In light of constant change and progress in the information technology environment, existing protective measures and specifications are reviewed at regular intervals and adjusted where necessary. Improvements in 2023 focused on the methods and processes of information risk management based on established standards such as ISO 27005. In addition, phishing simulations were expanded as part of information security awareness to improve resilience to phishing attacks. The aim for 2024 is to improve and professionalize threat intelligence (TI) processes at LBBW. A threat intelligence framework is used to specifically determine the processes, requirements and expectations of the TI function. We intend to improve maturity and quality throughout the TI cycle by developing and implementing a target operating model (TOM).  $\rightarrow$  More information: information security at LBBW

# **Corporate Security**

LBBW's Corporate Security helps the police investigate criminal activity, including by providing details about what has happened and video recordings in accordance with the GDPR. Charges are filed in the event of any damage to LBBW. Corporate Security also issues instructions for employees on what to do, namely, before and after an incident in accordance with the requirements of the German Accident Prevention Regulations "UVV Accident Prevention" by the German Social Accident Insurance (DGUV) and trains them on what to do in the event of threats, coercion or insults. A seminar program was developed in this context. The goal of the new seminar is to teach customer-facing employees preventive methods for dealing with threatening situations, to train them in de-escalation measures and to make them aware of existing internal processes and resources. It is currently being reviewed for inclusion in LBBW's training program.

Corporate Security is also responsible for LBBW's business continuity management (BCM) and crisis management. LBBW processes are assessed in terms of their time sensitivity, measures and work-arounds in the event of resource shortages are incorporated into contingency plans, and relevant exercises are planned and carried out. This process is updated and improved in annual cycles and – depending on the situation – throughout the year as part of a PDCA cycle (plan, do, check, act). BCM focuses on planning stability measures for emergencies ahead of time in order to ensure process stability in the long term.



# Tax compliance

LBBW does business and pays taxes primarily in Germany and is committed to fulfilling all its tax obligations in Germany and abroad. LBBW receives no advantages whatsoever from the tax authorities. As a public-law institution under German law ("Anstalt des öffentlichen Rechts"), LBBW considers itself a responsible taxpayer and has therefore developed an → LBBW tax strategy that requires compliance with tax law regulations and rejects aggressive tax avoidance strategies.

It meets these guidelines through numerous organizational instructions to comply with tax obligations, including a clear allocation of responsibilities. The guidelines for LBBW's tax compliance management system play a central role. They describe and stipulate all material provisions for compliance with tax laws and the monitoring and control functions. These guidelines contain specific information and requirements for employees regarding compliance with LBBW's tax provisions. These prohibit the following:

- Supporting transactions that create the appearance of tax evasion
- Calculating LBBW remuneration on the basis of tax savings for customers or business partners
- Involvement in transactions for the purpose of anonymously participating in offshore companies in breach of reporting obligations
- Collaborating with a customer to abuse foreign legal systems
- Dividend arbitrage of any form

As part of the tax compliance management system (Tax CMS), the Board of Managing Directors has set itself the goal of ensuring compliance with tax laws and standards and avoiding violations. All employees are briefed on this annually.

LBBW's tax compliance management system is based on IDW comment 1/2016 entitled "Design and Audit of a Tax Compliance Management System" (as of May 31, 2017) in accordance with IDW PS 980 and the IDW Auditing Standard: Principles of Proper Auditing of Compliance Management Systems (IDW PS 980 as amended) (as of September 28, 2022). It includes the establishment of an internal control system for complying with and monitoring tax obligations and supplements the general tax framework instructions published on LBBW's intranet. The Institute of Public Auditors in Germany (IDW) stipulates that seven basic elements must be present. These are:

- Compliance culture
- Compliance objectives
- Compliance organization
- Compliance risks
- Compliance program
- Compliance communications
- Compliance monitoring and improvement

The Board of Managing Directors and the Supervisory Board receive an annual report on the work processes and findings of the Tax CMS. The system itself is audited by the Internal Auditing department and advised by external consultants on an ongoing basis. This means that the basic elements, regulations, procedures and annual measures are themselves subject to a continuous improvement process. Furthermore, the general principles and guidelines for the compliance management system (CMS) set out in LBBW's general CMS description also apply to the Tax CMS. The Tax CMS guideline also prohibits arrangements in connection with countries that have been categorized as non-cooperative jurisdictions by the EU, the Organisation for Economic Co-operation or by BaFin circulars. Business relationships with business partners from these jurisdictions are permitted only if individually approved by the Board of Managing Directors. Transactions with existing offshore companies are authorized only if it can be ensured that no tax evasion is involved. Based on these provisions, LBBW does not advise customers to establish international structures with the purpose of tax avoidance. Neither the Bank nor its subsidiaries participate in transactions involving international structures that are evidently intended to avoid tax. Monitoring compliance with provisions under the tax compliance guidelines is safeguarded by the bank-wide control system, the organizational arrangements made by Audit and its own tax compliance organization. Employees are informed of the tax strategy each year and obliged to uphold it.

LBBW supports the principle that a company's gains are to be taxed where value is added. The bank is also responsible for the companies in which it conducts business. It supports national and local economies through taxes, tariffs and duties. Business relationships with local units abroad are organized in accordance with the arm's length principle, the rules of international tax law and local tax laws. The LBBW Board of Managing Directors approved a UK Tax Strategy in line with local laws specifically for the UK in 2017. It is published on LBBW's website  $\rightarrow$  LBBW UK Tax Strategy.

LBBW prepares special communications for financial authorities on issues relating to international matters. In accordance with the Fiscal Code of Germany (Abgabenordnung – AO), they include information about foreign investments (Section 138 (2) AO), the preparation of transfer pricing documentation (Section 90 (3) AO) and country by country reporting in accordance with Section 138a AO. Reporting obligations for cross-border tax schemes (Section 138b AO, DAC6) are also met.

In accordance with Section 26a subsection 1 sentence 2 et seq. of the German Banking Act (Kreditwesengesetz – KWG), the following information is published for the companies fully consolidated in LBBW's consolidated financial statements – even if they are domiciled or have a branch outside Germany – broken down by European Union member states and third countries (country-by-country reporting in accordance with Section 26a KWG):

- Company name, nature of activity, and geographical location of branch(es)
- Revenue
- Number of waged and salaried employees expressed in full-time equivalents
- Profit or loss before taxes
- Taxes on profit or loss
- Public subsidies received
- → More information: country-by-country report

# 02

# Responsibility and commitment

#### Driving transformation.

we are passionate about combining financial values with environmental and social value added. We are pioneers in investment products with sustainability features, innovative financial solutions and digital applications. As a public-sector bank, we have a special obligation to catalyze and support change in industry and society. Sustainability is our watchword. This is how we want to lead the way – as a partner bank, employer, benefactor and sponsor.



# Customers

#### Driving climate change mitigation

We successfully issued the first fixed-rate bond based on a pool of Taxonomy-aligned assets that fully contributes to European environmental objectives. The proceeds will be allocated exclusively to a pool of sustainable assets related to the financing of energy-efficient real estate and wind farms.

#### Accelerating e-mobility

We finance groundbreaking infrastructure projects for a sustainable future, including renewable energy, fiber optics and e-mobility. LBBW is also involved in the Deutschlandnetz, a nationwide fast-charging network with more than 1,000 locations and around 9,000 charging points that was put out to tender by the German Federal Ministry of Digital and Transport (BDMV). We have partnered with a consortium of banks that is providing EUR 130 million to finance the construction of charging parks with 850 fast charging stations by Hochtief (a construction company) and EWE Go (e-mobility solutions) with the goal of making the switch to e-mobility more attractive.

#### Shaping digital innovation

As a trailblazer in the financial market, we have placed numerous issues of Schuldschein loans and secured commercial papers based on blockchain technology. We are now working with SWIAT (fintech) to further develop software that will enable crypto securities to be transferred in a user-friendly, efficient and secure manner while meeting all regulatory requirements. The goal is to create a global banking standard for processing blockchain-based securities.



### First issue

Fixed-rate bond Climate change mitigation acc. to EU Taxonomy



### EUR 130 million

Project financing for Deutschlandnet charging parks



## **Customers**

#### Innovative, top performing, based on partnership

Banks play a key role in creating a sustainable economy and society. In their role as intermediaries between investors and borrowers, they are responsible for directing financial flows into sustainable channels and are therefore essential when it comes to overcoming challenges such as climate change and the energy transition. Our aim is to actively shape change processes with finance, digital innovations and investment products that have sustainability features and to support our customers on their way to a sustainable future as a reliable and responsible partner.

Demand for investment products with sustainability features is higher than ever. Sustainable finance is now firmly established on the market. We are proud to be one of the pioneers leading the way in this promising development. We offer our customers the opportunity to invest their money profitably while financing environmental and social projects. Due to high demand, we expanded our range of sustainable funds and investment vehicles with sustainability features in 2023. We issued our first-ever bond based entirely on a pool of Taxonomy-aligned assets. That means it meets the highest standards. Additional green and social bonds were successfully placed. LBBW is one of the leading commercial banks in Europe when it comes to issuing bonds with sustainability features. Using innovative financing solutions where, for example, we link conditions to a company's sustainable development, we create targeted incentives to drive change.

Energy efficiency, environmental awareness, and fairness are the order of the day when it comes to doing business. Companies need to make their business models sustainable across the board. At the same time, they have to become more resilient in the face of crisis. In conjunction with digital transformation, these change processes often require substantial investments that must be well thought through. At this time in which fundamental decisions are being made and the wars in Ukraine and the Middle East present external uncertainties, we act as a reliable partner for companies, providing financing solutions and risk management. Our Sustainable Advisory team plays a supporting role here and advises on transforming and adapting business models.

As a future-oriented universal bank, we want to make an active commitment to ensuring that the change process in business and society is a success. Drawing on our extensive sustainability expertise, we want to maintain dialog with our customers to help actively shape and support companies' climate strategies and contribute to achieving the objectives of the Paris Agreement.

We are continuing to make progress in developing digital innovations. As a trailblazer in the financial market, we have successfully placed numerous issues on the basis of blockchain technology and are now working with SWIAT to further develop blockchain software that will enable crypto securities to be transferred in a secure, efficient and user-friendly manner.

#### Customer segments at LBBW

The LBBW Group's customer-oriented business model is directly reflected in the Corporate Customers, Real Estate/Project Finance, Capital Markets Business and Private Customers/Savings Banks segments.

- The Corporate Customers segment comprises business with small and medium-sized and large corporate customers and municipalities. In line with the universal bank approach, the range of products and services offered is very broad. These range from classic through structured to off balance-sheet financing and services related to cash management, working capital management, interest rate, currency and commodities management. It also includes asset/pension management and leasing and factoring business. The results of capital market business products and foreign business products sourced from our corporate customers are also reported in this segment.
- The Real Estate/Project Finance segment primarily focuses on commercial real estate financing business and on structured project finance. As well as conventional financing, property, portfolio and corporate financing structures are also offered to real estate clients as an arranger or syndicate bank with a supplementary range of liability, interest rate and currency management products. The range of real estate services also includes asset management, municipal development and development products. Project Finance offers financing solutions for renewable energy and infrastructure and transport financing.
- The Capital Markets Business segment offers products for the management of interest rates, currencies, credit risk, and liquidity for the institutional, banks, and savings banks customer groups. In addition, the segment includes products and services for international business. Financing solutions are also offered on the primary market in the field of equity and debt, along with asset management services and custodian bank services. It also includes trading activities for customers. In addition, all treasury activities are allocated to the segment.
- The **Private Customers/Savings Banks** segment comprises all activities with private customers in retail banking in addition to services for high net-worth private clients. Business customers including medical practitioners, independent professionals, and tradespeople are also allocated to this segment. The product range extends from checking accounts and card business to financing solutions and investment consulting. Selected business activities connected with LBBW's function as the central bank for savings banks are also included in this segment.



#### Advisory services

#### Sustainability Advisory Corporate Finance

LBBW Sustainability Advisory aims not only to stand by corporate customers during the sustainable transformation of their business models but also to actively advise them. After carrying out a materiality analysis, the Sustainability Advisory experts advise and support companies with their strategic direction and help them manage their sustainability activities. The considerable success of this holistic approach has increased the size of the team significantly. Additional fields and issues for the future have been included in our range of services and advice. With the LBBW Sustainability Advisory, we want to add value for our customers, including when integrating ESG components into financing structures.

LBBW Sustainability Advisory works in close collaboration with other units to offer companies LBBW's extensive sustainability expertise. The experts also advise on the development of sustainable business models and the implementation of strategic measures. This approach has already enabled several companies to boost their sustainability performance through joint projects.

#### Extensive individual advisory services by LBBW Advisory Financial Institutions

In recent years, LBBW Advisory Financial Institutions has expanded its range of advisory services to include the specialized Sustainability Advisory unit. The unit, which is part of Financial Markets, has long-standing links with savings banks, banks and institutional customers such as insurance companies, pension funds and social security agencies. As well as expert talks on regulatory requirements and strategic direction, these customers are also offered in-depth analyses on the sustainability of their investments and lending portfolios. Investors are also supported in formulating their own lending and investment guidelines to achieve a better sustainability rating and comply with regulatory requirements such as the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy. More than 60 mandates have already been successfully supported in these areas.

The advisory approach is modular. Investment portfolios are primarily analyzed on the basis of data from ISS ESG. Analysts assess various aspects such as controversies, ESG ratings and ESG scores, the impact on the climate and the risks and opportunities associated with the transformation to a low carbon business. Particular focus is placed here on scenario-based assessments. Opportunities and risks of the transformation also play a central role when analyzing the credit portfolio. There, however, the analysis is based on the proprietary ESG sector score and supplemented by support in defining general and sector-specific guidelines for the lending business. Sustainability Advisory aims to allow savings banks and institutional customers to establish and implement individual sustainability policies. The customer-specific analyses prepared using in-house tools thus do not merely assess the status quo, they also highlight a path to systematically improving sustainability for investments and the lending portfolio.

#### Advisory approach for private customers

#### Holistic financial plan

Our customer relationship managers work together with their customers to explore their goals – including those beyond investing – and subsequently prepare a personalized financial plan.

#### Guidelines for private and business customer advisory services

Our sustainable approach to financial advisory services and the rules for systematic implementation and review are set out in the guidelines for private and business customer advisory services at BW-Bank  $\rightarrow$  Guidelines for private and business customer advisory services at BW-Bank. These guidelines ensure that we treat our customers responsibly. Our consultations take a holistic approach, focusing on the individual needs of each and every individual. We take our customers' suggestions on board and use these to continuously improve.

Specific work instructions and process guidelines provide the framework for the advisory process. Product selection guidelines and review mechanisms ensure that our customers' interests are taken into account and put front and center.

#### Securities business

LBBW provides detailed and readily understandable information about various forms of investment and any associated risks and costs. We prepare a suitability statement as required by the Markets in Financial Instruments Directive (MiFID II) for each investment consultation. As part of the statement, banks are required to explain in writing why the recommendation made – for example, to buy a or sell a product – is suitable for the customer and their investment goals. The regulation amending MiFID II that came into effect on 2 August 2022 made it mandatory to determine and consider sustainability preferences when providing investment advice.

Our advisors are not assigned sales targets for individual securities products. There are no point systems for assessing sales and revenue targets. We advise and support our customers on all financial matters in every phase of their lives.

#### Advisory approach in the Business Customers and Independent Professionals segment

In the Business Customers and Independent Professionals segment, we offer one-stop consulting and service for customers who entrust us with both their business and private banking needs. Customers receive support from team comprising a lending expert, an investment expert and a market assistant. A primary point of contact is provided based on the customer's needs.

#### BeWoman initiative

We want to encourage women to take their finances into their own hand. In 2019, a team of 60 female employees at BW-Bank developed the "BeWoman" project that promotes financial education and consulting by women for women, provides special services and events and improves networking among women in Baden-Württemberg. The initiative supports the following projects:

- Financial responsibility: We want to teach our female customers how to take responsibility for their own asset generation and retirement arrangements.
- Financial education: Through information events and presentations, we encourage and support women to take responsibility for their financial planning and provide emotional contexts for discussing complex financial issues.
- Online information: Since July 2021, the advisory area of BW-Bank's online branch has featured detailed information on the BeWoman initiative and financial independence.

- Bolstering female entrepreneurs: Our "Innovation Lunch" program brings together women who
  have founded companies, female entrepreneurs and investors on an equal footing and facilitates
  discussion, encouraging access to capital for female founders and access to innovation for female
  investors.
- Strengthening foundations run by women
- Women's networks: We want to help create stronger networks among female customers and employees, and we support groups such as the Stuttgart Women's Network and its forum "Women's networks in the Stuttgart region". We also organize events, talks and workshops as part of our "FitForFinance" event series to support women's networks at other companies and regional and national women's mentoring programs.
- To further expand the sales concept for women, we want to put more women into advisory positions and we are holding web talks with the support of the LBBW women's network that explore topics including career opportunities in sales.

#### Access to financial services

#### **Basic account**

We have always been open to anyone who wants to open an account with us, in good times and in bad. We also offer checking accounts – and thus access to cashless payments – to people who are experiencing financial difficulties due to personal circumstances, have no fixed address, or have been forced to leave their home country and have applied for asylum. Formerly known as the "account for everyone", this basic checking account provides access to financial services.

#### Branch network of LBBW/BW-Bank

We are available for our customers 24/7 thanks to online banking, mobile banking and self-service terminals.

Our branch network includes:

- 59 branches with in-person service and personal advice
- 100 self-service locations
- 15 service partner locations
- Internet branch including personal online advice
- BW mobile banking app
- → More information: Profile | BW-Bank

BW-Bank is part of the Sparkassen-Finanzgruppe, a financial services group of savings banks. This means that our customers can use the savings banks' ATMs for cash services free of charge. There are:

- > 20,000 ATMs in the savings bank network
  - → More information: <u>Savings bank financial services group structure</u>

LBBW/BW-Bank's self-service facilities provide access to cash and cashless services 24 hours a day.

#### Cash services include:

- Withdraw up to EUR 2,000 in cash per day and card
- Deposit up to EUR 10,000 in banknotes per transaction
- Deposit euro coins
- Exchange cash from euro to euro

#### Cashless services include:

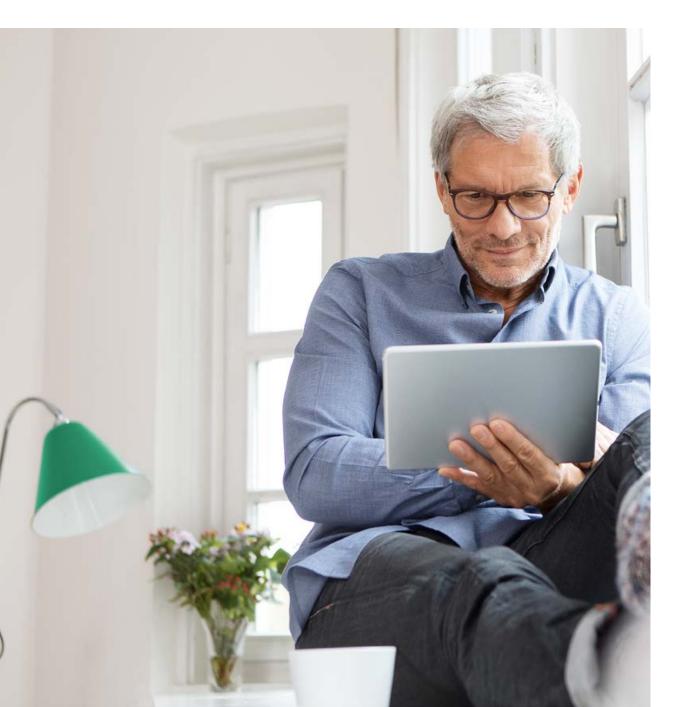
- Print account statements
- Make SEPA credit transfers
- Create, modify or delete standing orders
- Return SEPA direct debits
- Make an appointment
- Manage exemption orders
- Change address
- Agree to terms and conditions

#### Advisory services for senior citizens and people with disabilities

Online advisory services are now a permanent fixture of our advisory service range. However, we continue to place a great deal of emphasis on face-to-face service. We strive to make our 59 branches as accessible as possible to ensure that all our customers can get the advice they need.

#### Certification: senior-friendly service

In May 2013, the seniors' council of the city of Stuttgart ("StadtSeniorenRat Stuttgart e.V.") certified all BW-Bank's branches in the state capital as senior-friendly for the first time. The branches in Stuttgart were recertified for a further three years in September 2018 and for another three years until the end of 2024 at the end of 2021 and are authorized to display the "Senior-Friendly Service" certificate. The review panel's decision was based on a large number of criteria ranging from needs-based and age-appropriate services, to the service provided by staff, to construction measures and the option of house calls.



#### Product innovations and digitalization

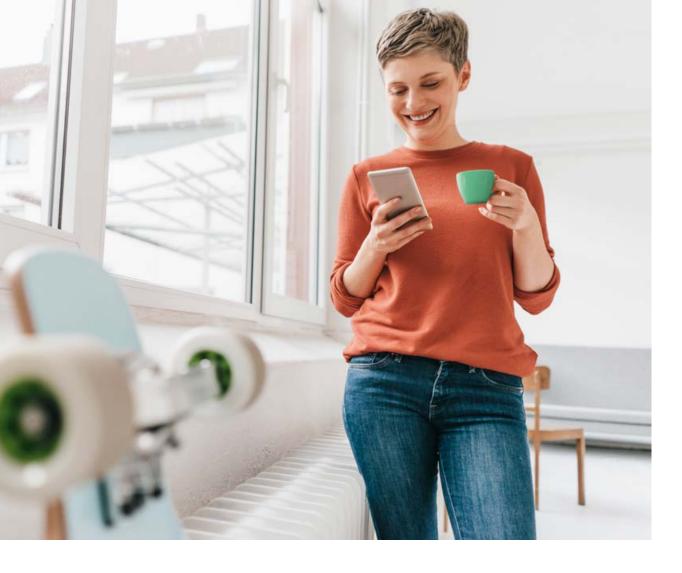
Advancing digitalization and the growing importance of artificial intelligence are changing markets, businesses and society. Our lives are becoming more flexible, more agile and more mobile. Quick and easy access to information through the internet is improving transparency. Information exchange is being accelerated and intensified by new digital communication channels. Data networking is increasing rapidly, improving efficiency and enabling solutions to be tailored precisely to customer needs. The digital transformation, which is being further accelerated by artificial intelligence, is promoting the development of technological innovations that affect all areas of life and business. Smart cars, smart factories, smart homes, smart cities, smart services – the Internet of Things allows devices and machines to communicate and interact with each other.

Intelligent networking opens up a wealth of opportunities but also carries risk: Digitalization does not necessarily result in improved resource efficiency. Issues such as the need to responsibly handle data and protect people's private lives pose further challenges. Against this background, we aim to provide our customers with more services, convenience, and security – while conserving resources as much as possible.

Digitalization will also rapidly transform financial markets. For years, LBBW has been driving the development of blockchain applications that enable the fast, secure and efficient transfer of digital assets and has thus been able to implement successful projects involving Schuldschein loans and secured commercial paper together with its customers. We are now a shareholder in SWIAT, a software developer that has created a blockchain by banks for banks that combines high usability with maximum security and regulatory compliance. Together with SWIAT, our aim is to create a global standard for the processing of blockchain-based securities.

Our payment methods also provide maximum security for online purchases. We are always there for our customers, even in the digital age, whether through online consultations, internet branches or in person. As well as online and mobile banking, our digital options such as the AssetGo investment app make our services available around the clock. Conducting transactions, managing securities accounts, obtaining information, communicating, and documenting and archiving banking activities electronically does more than just save paper and time – it also reduces  $CO_2$  emissions by allowing people to drive less. We offset the potentially larger footprint caused by greater electricity usage for digital processes by purchasing green electricity.

Our aim is to leverage the opportunities offered by digitalization to continue offering our customers the best possible service and high-quality financial advice while actively shaping a sustainable future through innovation.



#### Online and mobile banking

BW-Bank's online banking services include electronic account statements for private and business accounts, savings accounts, loan accounts, and securities and credit card billing. This practice is environmentally sounder than paper printouts and also reduces  $CO_2$  emissions by eliminating the need to deliver mail. The electronic mailbox guarantees a secure way to share information, with the option of attaching files as required.

The BW mobile banking app provides smartphone or tablet access to core online banking functions (such as account balance queries, external and internal account transfers) as well as an electronic mailbox together with all the documents. Numerous other functions, such as photo-based bank transfers, uploading invoices to the payment screen, scanning of transfers via GiroCode, and storage of receipts (for guarantee or warranty claims) directly in the account balance display, offer greater convenience and a better overview.

#### BW direct brokerage

BW direct brokerage can be accessed via BW-Bank's online banking. This allows our customers to trade securities on all German and selected foreign stock exchanges and to manage their securities accounts themselves. We keep investors continually updated on capital market developments by providing business and economic news, market data and analyses by LBBW Research.

#### AssetGo - the investment app

People who are interested in securities can use the AssetGo investment app for smartphones. The app keeps users continually updated on capital market developments by providing business and economic news as well as forecasts and analyses by LBBW Research. Customers can also access securities account information at any time and use the app for on-the-go securities trades.

#### giropay

giropay is a convenient and easy-to-use online payment method that offers a high level of data security. Debits are made directly from the checking account, offering customers a high level of transparency. giropay is a free feature included with the BW-Bank checking account and can be activated using BW online banking. If desired, customers can also authorize the payment without first activating giropay by using their online banking login credentials and then entering the TAN code. Alternatively, customers can authorize their payments by logging into their giropay user account or in the "Mobiles Bezahlen" Android app in connection with BW-BankCard plus (girocard). giropay provides German-engineered security: Connected merchants are also customers of participating German banks, while the data remains on secure servers in Germany. All transactions are protected under strict German data protection laws. All giropay users enjoy buyer protection. Any claims can be processed quickly and easily through the giropay account.

#### Online consulting services by BW-Bank

We want to provide our customers with the best and most flexible support we can. Since 1 April 2021, online consulting services have been of equal importance to BW-Bank's omnichannel strategy alongside bricks-and-mortar locations and the online branch. Both retail customers and small business owners can access advice at their convenience from home or on the go during extended hours.

Step-by-step process optimization to move towards digital advisory and service solutions by telephone, e-mail and video not only help us reduce paper consumption;  $CO_2$  emissions generated by traveling to branches or sending documents by mail are also lower. At the same time, our advisors benefit from flexible working hours, the option to work remotely and so from not having to commute to work.

#### Complaint management

We want to ensure that customer complaints are dealt with appropriately and promptly. Accordingly, LBBW has met the legal requirements for a central complaint management system. Complaints received are evaluated in order to resolve recurring errors or problems thereby ensuring a high level of customer satisfaction at all times and customer retention in the long term.

# "The auditors confirm that the Bank meets the regulatory requirements for a complaint management system for the 2023 calendar year."

The auditor's report on the German Securities Trading Act and securities account audit for the 2023 calendar year confirmed that the Bank has, as a whole, adopted and implemented appropriate organizational precautions and hence fulfilled the regulatory requirements for a complaint management system.

LBBW's complaint processes state that all customers, employees and stakeholders can approach LBBW by telephone, by letter, using the online contact form, or in person at an LBBW or BW-Bank branch. LBBW responds to these complaints orally or in writing within an appropriate period and with a view to finding a solution.

Unfortunately, we are sometimes unable to find a satisfactory solution. Consumers may also refer to the consumer arbitration board of the Federal Association of Public Banks in Germany (VÖB) in order to resolve disputes with the bank. Non-consumers (business customers) can also refer to this arbitration board in the case of disputes relating to payment services and electronic money. Further details can be found in the rules of procedure of the VÖB arbitration board, which can be provided on request. The Bank participates in the dispute resolution proceedings before this recognized consumer arbitration board.

To resolve disputes relating to contracts concluded online, consumers may also refer to the online platform at  $\rightarrow$  http://ec.europa.eu/odr.

Customers also have the option of lodging a complaint with BaFin, if their complaint relates to an alleged infringement of provisions monitored by BaFin, or taking legal action.

In the event of disputes with the bank that are subject to the requirements of the Swiss Financial Services Act (FIDLEG), customers in Switzerland can also contact the "Ombudsman's Office for Financial Service Providers", an arbitration board.

#### **Customer satisfaction**

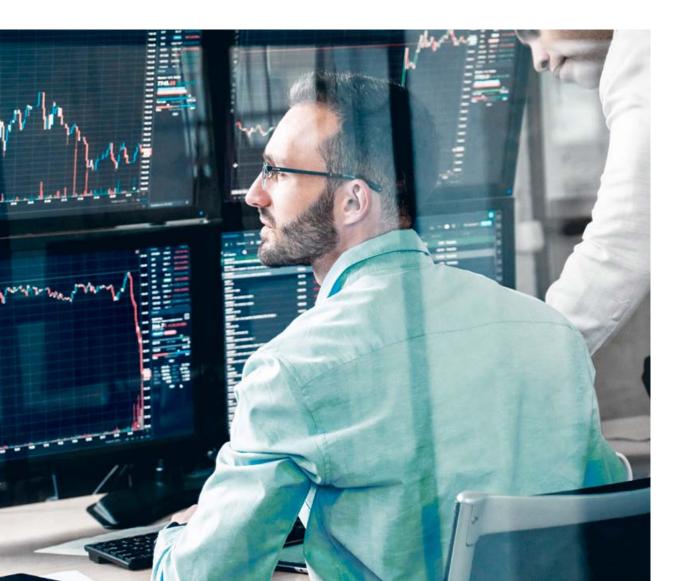
We want our customers to be satisfied with the support and advice we provide, which is why we regularly test our service quality and encourage our employees to obtain qualifications and take part in continuing education.

#### Market research

Our retail customers are surveyed every year by an independent market research firm. In addition to overall satisfaction with BW-Bank, we assess satisfaction in the individual front office units as part of a representative study. The results are incorporated into our target system. The results are then discussed in a follow-up process; steps for improvement are identified.

BW-Bank also regularly conducts "mystery shopping" at its branches. This procedure is used primarily to test the quality of the advice and services provided. The results of test purchases are systematically analyzed and discussed in workshops and implemented in initiatives aimed at improving LBBW's services and advice.

An annual customer satisfaction survey is also conducted in the Business Customers and Independent Professionals segment. The results are broken down by industry and segment and examined for improvement opportunities. The results are also incorporated into the target system.



#### Continual commitment to quality

In order to maintain the high quality of advice that we provide, we invest continually in the professional expertise of our employees. Most of the approximately 200 asset managers (including executives) at BW-Bank completed the "Financial Consultant" course at the Frankfurt School of Finance & Management. The program to qualify as a financial consultant is also regularly offered to junior staff in asset management, and the Bank also provides them with the time and financial support to attend the course. In December 2023, nine employees attended a course.

LBBW's Corporate Customers segment has also worked with a university to develop a training program culminating in corporate banking certification. Customer advisors who successfully complete this program consisting of lectures, workshops/case studies, and presentations by LBBW and external lecturers are designated "Certified Corporate Consultants". The training program goes into detail about subjects including current customer requirements and covers certain topics from the customer perspective. Sustainability issues are also addressed. This certification makes LBBW a trendsetter in Germany in this field.

Additional professional and management development programs are also offered to ensure the high quality of advisory services provided to retail and corporate customers.

Our newly designed #potentials@D2 – first level program offers high-potential candidates various modules on communication, leadership, projects and networking over a period of about 18 months. In 2023, we piloted the #potentials@D2 – next level program with six participants for  $4^{th}$  level managers who want to advance to the next management level. Its goal is to strengthen leadership and business strategy skills in joint modules.

The Corporate Clients segment launched the "young corporate talents" program. Key components of the three-year program include personal development plans created by managers, personal development and technical seminars, and job shadowing and networking events. Investments were also made in the Corporate Customers segment's service quality. The new "customer manager" function is specifically designed to provide rapid, expert advice on service matters.

To maintain our excellent consulting expertise and support that satisfies our corporate customers moving forwards, we introduced a targeted learning plan to train new corporate customer advisors in 2020 and a standardized induction program for market assistants in 2021. A sustainable sales process was also established. This centers on regular discussions with customers.

#### **Training**

We use special product training, seminars and various training courses to provide our employees with comprehensive information on sustainability. After all, only a well-trained team can provide customers with the best possible advisory service.

#### **Corporate Customers**

#### Sustainability training

The comprehensive, target-group-specific sustainability training, successfully introduced in 2021, was held for the third time in 2023. In about 20 online conferences lasting up to two hours each, participants received training on the relevance of sustainability, ESG regulation, CSR reporting, ESG ratings and ESG products.

More than 150 employees from corporate customer sales and risk management have successfully passed the examination at Sparkassenakademie Baden-Württemberg and are entitled to bear the title "geprüfte(r) Nachhaltigkeitsberater:in" (certified sustainability consultant).

At least once a year, an alumni event will be held on a specific sustainability topic in order to keep their knowledge base current. In the spring of 2023, for example, an external speaker presented a study conducted by the non-profit Carbon Disclosure Project (CDP). The event was attended by over 50 alumni.

#### **Learning pathways**

General sustainability knowledge was offered in the form of learning pathways on LBBW's digital Lerncampus platform across the full scope of the corporate customers business and used by more than 330 employees from the Corporate Customers business unit.

#### Risk management training

A specific training concept was also developed for risk management. General basic training began in the fourth quarter of 2022. Specific advanced training in risk management, real estate appraisal and risk controlling took place in 2023.



#### Conferences and panel discussions

The "Green Finance" sales campaign that we launched in 2019 was continued in 2023 with a range of communicative measures such as a large-scale LinkedIn campaign. This was accompanied by detailed information material on the intranet and on LBBW's website. One key element of this was the fourth sustainability and green finance study conducted with FINANCE, a business magazine, in 2023. Nearly 300 employees from the corporate customer advisory unit attended the online conference presenting the results. The results of the study were also published at the third digital Green FINANCE conference. As well as participating in the discussion round on the results of the study, LBBW also took part in a round table that was followed by over 350 participants. LBBW discussed green finance at Structured FINANCE 2023 as part of a round table. In addition, LBBW also published articles on sustainability and green finance in several trade journals.

#### **ESG Customer Academy**

The ESG Customer Academy was held for the first time in 2023 to keep companies up to date with the latest developments. This digital event provided more than 300 attendees with insights into reporting under the Corporate Sustainability Reporting Directive, sustainable supply chains, pathways to carbon neutrality and the development of sustainable key performance indicators (KPIs). The event was also viewed by around 250 employees and is available as a recording on the LBBW website. The ESG Customer Academy was communicated through an extensive LinkedIn campaign, among other platforms.

#### **Update call**

We discuss our activities relating to sustainability, including the updated guidelines and sustainability training, for the entire Corporate Customers business unit in our monthly "Update call" in the form of an online conference. It was attended by an average of about 500 employees in 2023. Up to 1,600 people subsequently viewed the corresponding intranet page (presentation and live recording).





#### **Real Estate and Project Finance**

Employees in the Real Estate and Project Finance segment were also offered numerous training courses, seminars and information on sustainability issues and current developments in 2023:

#### Training and communication:

As a continuation of the Bank-wide sustainability/ESG training courses launched in 2021/22, more specific training courses were offered in 2023 and attended by all front office and risk management staff. For example, on the topic of sustainability in real estate financing:

- a basic training course and advanced modules were attended by all employees from front office units and risk management;
- a one-day online seminar on ESG/taxonomy/green bonds was offered by a consulting firm this past February.

In addition, a large number of additional training courses as part of the "Sustainability learning pathway for business unit 5 - Real Estate" offered employees an opportunity to deepen their knowledge in this area.

#### Green bond:

- A special 1.5-hour training course was held for sales experts at LBBW's branches in London, New York and Toronto in the spring of 2023. Specific case studies were discussed, FAQs were debated and the latest innovations and developments in green bonds were presented. The same was done for the risk management staff in Commercial Real Estate International.
- Risk management trainees in Commercial Real Estate and Project & Transportation Finance received basic knowledge in a one-hour online training course in the summer of 2023 so that they could also learn about the relevance of green bonds and LBBW's activities.

#### Strengthening ESG awareness in risk management:

- The Commercial Real Estate, Project & Transportation Finance risk management division event focused on the strategic Sustainable Transformation lever, among other things. In addition to a keynote speech by Cara Schulze, Head of Sustainability at LBBW, employees had the opportunity to learn more about the following topics at various exhibition stands:
  - Financed issues and physical risks: so what?
  - Green hydrogen the energy source of the future?
  - A fresh breeze for the power outlet ... wind power.
- A workshop explored how the Risk Management Commercial Real Estate, Project & Transportation Finance division could become more environmentally and socially responsible. Many ideas were shared and actions developed. They were then presented during a division call.

#### Project and transport finance:

- An information session on aircraft finance was held by the sustainability initiative Impact e.V. in February 2023.
- The in-house seminar Wind Energy Technology for Non-Engineers, organized by the German Wind Energy Association, provided more in-depth understanding of technical issues.
- A workshop with external experts was held in March 2023 to discuss floating offshore wind.
- Employees in risk management and in the project and transport finance front office completed the relevant sustainability learning pathway in 2023. Other specific training courses and information sessions were also held.

#### ESG checklist:

- Front office, risk management and reviewers were trained in three one-hour sessions as part of the further development of the ESG checklist.
- In addition, all employees involved in commercial real estate financing received additional training.
   This event presented the new, more user-friendly structure as well as individual environment, social and governance questions.
- Training for the London, New York and Toronto offices took place at the end of 2023.
- The Project Finance Front Office and Risk Management units launched the joint project "Fit for the future ESG and Taxonomy requirements" to prepare for tightening internal and external requirements. It focuses on CO₂ emissions, Taxonomy and the further development of the ESG checklist.
   → More information on the ESG checklist, see page 156.

#### Real estate:

- "All about green" was the theme of the two-day seminar for corporate customer advisors organized by the Real Estate Front Office. Outside speakers gave presentations on circular design, customer perspectives and other topics.
- A monthly jour fixe is held for the five sustainability opinion leaders in front office to further refine real estate-specific issues and drive innovation. The opinion leaders were selected from the three departments Real Estate Germany, Real Estate Abroad and Residential Real Estate so that relevant results can be applied in all Real Estate departments. In late 2023, this was extended to include Risk Management. Employees also receive information through the regularly updated ImmoWiki on the intranet and through e-mails on new developments. The ImmoWiki features a section with information on sustainability, green bonds, ESG and the EU Taxonomy. Contacts are provided for all five multipliers.

#### Knowledge transfer:

- In 2023, the ESG and sustainability pages were restructured and the content updated in Risk Management's ImmoWiki. These intranet pages provide access to subject matter experts, research documents, training materials and helpful links.
- Potential market developments are also listed on an intranet wiki page with the goal of identifying
  sustainable financing trends in infrastructure and project finance at an early stage. We have
  defined internal responsible parties who pool expertise and develop innovative solutions for
  particularly important topics that deserve funding. For issues affecting different financing products
  such as hydrogen technology, a task force was set up across different divisions and business units
  to support efficient communication and management.

#### **Application:**

• In real estate sales, we requested energy performance certificates (EPCs) from our customers in 2023. All told, several thousand energy performance certificates for buildings were provided and entered in LBBW's systems. That means that energy consumption and demand figures are currently available for around 75% of the portfolio business in commercial real estate financing. The requirement was embedded in the processes in 2022. EPCs have been generally available for new business as well since that time. We also discussed sustainable products and solutions in real estate financing with customers at their request and drew up measures on that basis.



#### **Capital Markets Business**

#### Sustainability training in three steps

In 2023, Capital Markets and International Business employees received three levels of intensive training on sustainability. The initial goal was to give all employees the opportunity and encouragement to learn more about sustainability. Employees who would like to learn more about sustainability or those whose position at LBBW requires in-depth knowledge of the topic, such as customerfacing employees, also had the opportunity to attend additional seminars on general topics as well as job-specific learning opportunities. A total of 687 people started the training programs in the form of learning pathways; 382 of them completed all the seminars and training courses in the learning pathways in the same year.

#### Level 1: Education

The first intensity level, "Education", was aimed at all employees whose primary task was to develop a basic understanding of sustainability and its relevance in both personal and professional contexts. It focused on general topics such as climate change, biodiversity and the latest scientific findings.

#### Level 2: Basic

The second intensity level of the training program, "Basic", was chosen by the largest number of participants by far (568). In addition to the basics, the course provided extensive knowledge of the regulatory framework that affects not only LBBW (Bank) but also the Capital Markets Business and its customers in particular. In addition, specialized training courses were offered on topics such as ESG bonds, sustainability in reporting and sustainability in refinancing that employees could attend in consultation with their managers based on their individual functions.

#### Level 3: Consolidation

The third intensity level, "Consolidation", was designed for people who regularly deal with sustainability in their work. This learning pathway included a wide range of e-learning courses, webinars and in-person events that employees could mix and match to meet their needs. A key focus for all participants was to ensure that they could confidently navigate sustainability regulations and to provide them with the necessary skills to manage this dynamic issue. Program graduates have established themselves as valuable opinion leaders in their environments, helping to embed sustainability in all areas of Capital Markets and International Business.

#### **Private Customers/Savings Banks**

The Private Customers/Savings Banks segment also includes medical practitioners, independent professionals and tradespeople.

#### Sustainability roadshow

A sustainability roadshow for a total of around 180 employees (managers, corporate customer advisors, front office assistants) was held in November 2022 at several corporate customer locations in Baden-Württemberg. Building on this roadshow, all of our corporate customer advisors participated in a multi-stage sustainability training series in 2023. Focus areas included sustainable finance in investment consulting and rating and sustainability when talking to customers. A series of follow-up training courses was held from the fourth quarter of 2023 to the first quarter of 2024 to provide further in-depth information, share experiences and update expertise.

We are exploring the possibility of certifying our corporate customer advisors in 2024 to further support the importance of this issue.

#### Sustainability guidelines

This training series is based on shared sustainability guidelines developed in tandem by managers and employees in the segment.

"We want to give SUSTAINABILITY a face! This is because it is worth developing long-term value concepts that make our environment somewhere worth living. Because we aspire to put these values into practice, to be a role model, to be inspired and to inspire. As a bank, we are a central anchor for our market economy. We consider social responsibility essential! This is why we take responsibility for us, our customers and the next generation."

We have ensured continual commitment to sustainability through sustainability opinion leaders.



#### Sustainable products, sustainable conduct



Is my money invested well? This consideration no longer refers simply to returns but also to the question, "What is my bank financing with my money?" The idea of achieving financial targets in conformity with a personal ethical stance as well as social and environmental objectives is gaining traction in Germany.

"We actively encourage this interest in sustainable investments and raise public awareness of the concept of sustainability at our internal and external events."

We actively encourage this interest in sustainable investments and raise public awareness of the concept of sustainability at our internal and external events. All our investment and lending services from savings bonds to asset management and corporate loans to export and project finance - are based on the "Guidelines for Sustainability" → see page 20 et seqq. These help reduce risk with respect to sustainability and allow the bank to leverage the corresponding opportunities.

We assign top priority to dealing honestly and correctly with our customers, employees, and all of the people with whom we do business, either directly or indirectly. Group Compliance proactively ensures compliance with all internal and external rules and laws and prevents criminal actions and corruption, among other things.

We expect the companies in our investment and lending business to integrate environmental, social, and governance criteria into their operating policies, including climate change mitigation and anti-corruption requirements, as well as, of course, observing human rights and workers' rights and following tax regulations. The same applies to gender-specific and women's rights criteria. We expect our customers to demand compliance with these criteria in the agreements they conclude with subcontractors and suppliers.

For large companies and multinational corporations, we require the publication of a sustainability report prepared in accordance with the standards of the Global Reporting Initiative (GRI).

#### **Principles for Responsible Investment**

By signing the United Nations "Principles for Responsible Investment" (UN PRI), we voluntarily undertook to incorporate sustainable criteria into the analysis and decision-making processes for our investment activities. Both LBBW and LBBW Asset Management Investmentgesellschaft mbH thus place greater focus on ESG in their investment practices.

#### We have implemented the following measures to date:

- The "Sustainable Focus of the Issuer/Investment Firm" criterion has been added to the product review process for the Retail Customers/Private Asset Management segment. The issuers or investment companies mentioned in our current product recommendations have signed the UN PRI or agreed to be bound by comparable sustainability criteria.
- LBBW Asset Management Investmentgesellschaft mbH does not ever invest in companies that produce cluster munitions or anti-personnel mines, which are prohibited by the UN Convention on Cluster Munitions or the Ottawa Convention (anti-personnel mines), nor does it invest directly in agricultural commodities.
- LBBW does not sell any investment products (e.g. certificates and investment funds) associated with agricultural commodities.
- All Group-wide regulations the Code of Conduct in particular are binding for LBBW's investments in the banking book (proprietary trading).
  - Standardized ESG investment guidelines for all proprietary trading came into force in 2022. These are based on LBBW's recognized standards and voluntary commitments and are incorporated into LBBW's Sustainability Regulations. In addition to a list of excluded countries, they contain sector-specific regulations that apply standards from the customer business to the investment book, thereby harmonizing the requirements in both areas. A climate impact report is also prepared by the sustainability service provider ISS ESG for LBBW depository Account A that meets the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) for effective environmental reporting.
- Since 2011, new investments or reallocation of funds for the company pension system through LBBW's additional retirement pension plan (ZVK-LBBW) have been subject to sustainability criteria. Compliance with the criteria is regularly audited by ISS ESG; the funds are managed by LBBW Asset Management Investmentgesellschaft mbH.
- Active and responsible exercise of shareholder rights for shareholders is a key element of LBBW Asset
  Management Investmentgesellschaft mbH's fiduciary responsibilities. In particular, this includes
  actively exercising voting rights at annual general meetings (proxy voting) and constructive business
  dialog (engagement). LBBW Asset Management Investmentgesellschaft mbH works with an external
  service provider in the exercise of voting rights. The voting rules are based on the guidelines
  issued by the German Investment Funds Association ("Bundesverband Investment und Asset
  Management" (BVI)) as well as the German Corporate Governance Code.

Implementing the UN PRI requires LBBW and LBBW Asset Management Investmentgesellschaft mbH to publish an annual transparency report. This report can be viewed on UN PRI's website  $\rightarrow$  www.unpri.org.

#### Investment products with sustainability features

We help our customers invest their assets responsibly, environmentally and ethically and our innovative products demonstrate time and time again that financial returns can go hand in hand with benefits for the environment and society. We offer an extensive portfolio of sustainable investment products for retail and corporate customers, savings banks and institutional investors (e.g. insurance companies, investment companies, foundations, and church organizations). We align our portfolio with sustainability criteria through voluntary commitments, including the UN's "Principles for Responsible Investment".

We use special product training courses and additional training to extensively inform our employees about sustainability in general and our sustainable products in the area of sustainable investments.

Among other things, several different specialized training sessions and weekly support groups and discussions were carried out in 2023. The training focused on the additional regulatory requirements under the Markets in Financial Instruments Directive MiFID II for identifying sustainability preferences in investment consulting.

The seminars "Nachhaltigkeit im Beratungsgeschäft" (sustainability in the advisory business) and "Neuerungen zur Nachhaltigkeit in der Anlageberatung" (innovations in sustainability in investment consulting) were also available to our sales force in 2023 as part of our training program.

There is at least one advisor in every front office unit of BW-Bank who is a multiplier for sustainable investments and is provided the requisite further education and training. Each year, we hold several information events and training initiatives for the sustainability multipliers within the sales units in our retail customer business. 45 sustainability multipliers (with representatives) were established in this segment in 2023, who report on sustainability on a regular basis in the respective sales units.



#### Investment products

This section presents the products we offer in the different customer segments.

#### **Capital Markets Business**

#### Structured bonds and certificates with sustainability features

LBBW offers investors a wide range of structured bonds and certificates with certificate features. The product portfolio was further expanded in 2023. A great many retail products are assigned the sustainability characteristic "ESG strategy product that takes account of environmental and social issues (PAI)". The most important adverse impacts (PAI) are accounted for through certain exclusion criteria.

In October 2023, LBBW also issued its first bond that is 100% allocated to EU Taxonomy-aligned assets in the context of real estate and wind farm financing and that meets the strictest sustainability preference category "environmentally sustainable investment (according to Taxonomy)". This bond offers investors a transparently sustainable product solution that makes a concrete contribution to the EU's environmental objective of climate change mitigation.

Detailed sustainability information on each investment certificate can be found on the online portal at <a href="https://www.LBBW-markets.de">www.LBBW-markets.de</a>.

Products with sustainability features can be specifically selected.





#### Investment certificates and structured bonds in sustainable indices

**German focus:** The "idDAX 50 ESG NR Decrement 4.0% Index" was designed in early 2022 with the financial market service provider Qontigo as an underlying asset for certificates and structured bonds to give retail customers the opportunity to diversify their investments on the German stock market while considering sustainability aspects. The investment universe is HDAX, which comprises all companies includes on the DAX, MDAX and TecDAX. Not included are companies that work in the sectors of arms, controversial weapons, tobacco, nuclear energy or coal for power plants. From this universe, the index represents the 50 largest companies on the German stock market, taking account of their ESG ratings. The rankings are prepared based on data from the prestigious ESG research provider Sustainalytics. The composition of the index is reviewed each quarter.

**European focus:** In collaboration with the index provider MSCI, LBBW designed the "MSCI EMU SRI Select 30 Decrement 4.0% Index" that can be used as an underlying for certificates and structured assets since April 2022. The index selects and equally weights 30 eurozone companies with the largest market capitalization, applying a liquidity filter from the parent index MSCI EMU SRI Index. The MSCI EMU SRI index, in turn, is compiled from equities from the MSCI EMU Index through a combination of exclusion criteria and best-in-class selection. The composition of the index is reviewed each quarter.

**Global focus:** The "iSTOXX Global Climate Change ESG NR Decrement 4.5% Index" was launched in 2022, also with Qontigo. It is based on the STOXX Global 1800 Paris-Aligned Benchmark (PAB) Index and allows investors, with the help of the index, to make diverse global investments on the stock market while taking account of sustainability aspects. Comprising more than 1,000 companies from around the world, the index meets the requirements of the EU Paris-Aligned Benchmarks (EU PAB), which aim to limit global warming in line with the requirements of the Paris Agreement. Stocks are selected using clearly defined climate objectives, e.g. greenhouse gas emissions. ESG-related exclusions are also considered. Companies that do business with tobacco or controversial weapons or that breach global standards are not included in the index, for example. Companies whose revenue from activities related to coal, oil or natural gas exceeds a certain level are also excluded. This is based on data from the prestigious ESG research providers ISS ESG and Sustainalytics. The composition of the index is reviewed each year. The index is also reweighted quarterly.

#### Investment certificate tracking the LBBW Research Sustainability Favorites Stock Index

The LBBW open-end index certificate tracks the performance of the LBBW Research Sustainability Favorites Stock Index. Analysts at LBBW typically select ten equities for this index from the research investment universe that the independent sustainability rating agency MSCI ESG Research has ranked "A" or higher according to environmental, social, and ethical criteria. The composition of the LBBW index is reviewed weekly. Investments focus on companies with large market capitalizations and high stock market turnover that also make special sustainability efforts in their sector. In addition, the index only includes stocks of issuers whose revenues do not exceed specific thresholds in certain business areas such as gambling, nuclear power or armaments. The LBBW open-end index certificate tracking the LBBW Research Sustainability Favorites Stock Index was issued in 2017. It can be sold or transferred to LBBW each trading day.

#### Awards for certificates with sustainability features

#### ESG Scope Award (Scope Fund Analysis GmbH)

For the third year in a row, LBBW received the coveted Scope Award as "Best ESG Certificate Issuer" from Scope Fund Analysis GmbH, a rating agency, in 2023. The prize recognizes LBBW's broad range of certificates with sustainability features and its exemplary transparency regarding the sustainability criteria. The ESG Scope Award is presented annually. This success was prompted by the first issue of a fixed-rate climate change mitigation bond (in line with the EU Taxonomy) in October 2023.

The issue proceeds from fixed-rate climate change mitigation bonds (pursuant to the EU Taxonomy) are allocated to a pool of sustainable assets. The product is based on a concept developed by the German Structured Securities Association (Bundesverband für Strukturierte Wertpapiere). LBBW holds assets in this pool that include sustainable investments as defined by the EU Taxonomy Regulation, such as loans for energy-efficient real estate or wind farms. ISS Corporate Solutions, a sustainability rating agency, confirmed the Taxonomy alignment assessment process in a second party opinion. The LBBW Pool Sustainability Rules and the LBBW Pool Framework form the basis for the classification of products and the composition of the pool with Taxonomy-aligned assets.

→ You can find more information on investment products with sustainability features, the LBBW Pool Sustainability Rules and the LBBW Pool Framework online at <a href="https://www.LBBW-markets.de">www.LBBW-markets.de</a>.



#### German Certificate Prize 2023 (Feingold Research)

Feingold Research, an investment portal, awarded the German Certificate Prize for the second time in 2023. As in the year before, LBBW was named the Best ESG Certificate Provider. LBBW made an especially strong showing with its broad product portfolio of structured securities and a wealth of information for advisors. The evaluation considered the market for self-directed investors and the advisory business. The result was determined by a public and jury vote, a service study conducted by Feingold Research and revenue in individual product categories. The German Certificate Prize is presented annually.



#### ESG bonds (own issues)

#### LBBW Group

The LBBW Group is one of the largest issuers of bonds with sustainability features (ESG bonds) in the European commercial banking market segment. This category distinguishes between green bonds, social bonds and sustainability-linked bonds.

Type of bond	Key features
Green bonds	Green bonds are used to finance specific projects in the area of environmental and climate change mitigation.
Social bonds	Social bonds finance a wide range of social and community projects in areas such as affordable housing, education, health, drinking water supply, public infrastructure and transportation.
Sustainability-linked bonds (SLBs)	While the sustainability criteria of a green or social bond relate solely to the financing portfolio, SLBs link a company's sustainability targets to the financing.

Both LBBW (Bank) and Berlin Hyp, a subsidiary of the LBBW Group, issue green bonds and social bonds. Berlin Hyp has also issued a sustainability-linked bond. As of 31 December 2023, the LBBW Group had outstanding green bonds of EUR 14.1 billion, outstanding social bonds of EUR 4.1 billion, and an outstanding sustainability-linked bond of EUR 500 million.

# The LBBW Group has outstanding **green bonds** of **EUR 14.1 billion**.



A pioneer in an early market stage for ESG bonds, the LBBW Group has contributed to the general development of the market and helped create transparent sustainable financing by continuously developing the program. Green bonds became increasingly important in 2023 as climate and environmental targets were tightened across the board, investor demand climbed and, indirectly, as a result of a sharp increase in regulatory pressure in relation to reporting climate and environmental risks. By expanding its range of green and social bonds, the LBBW Group also intends to play a part in financing the United Nations' development goals.

The LBBW Group uses the proceeds of its green bonds to fund energy-efficient commercial and residential buildings and renewable energy projects. As of 31 December 2023, the LBBW Group had a total of EUR 20.52 billion in financing eligible for green bonds.

The LBBW Group uses the proceeds from its social bonds to fund social projects in the areas of affordable housing, healthcare and social services, vocational training, care homes and homes for the disabled. Other potential financing objects include schools, hospitals, infrastructure projects and public water supply. As of 31 December 2023, the LBBW Group had a total of EUR 5.99 billion in financing eligible for social bonds.

#### LBBW (Bank)

#### Green bonds







LBBW (Bank) launched its own green bond program in 2017. The program has continued to grow ever since, with green bonds being issued in various formats and currencies. The investor base was widened to include leading international ESG investors. LBBW updated its green bond program in March 2022 and made changes based on the EU Taxonomy. In addition, a Green Bond Committee was set up within LBBW (Bank) to ensure the transfer of knowledge across divisions.

In September 2023, the Green Bond Committee was renamed the ESG Bond Committee. The main tasks of the ESG Bond Committee include market monitoring, especially with regard to the EU Taxonomy and the EU Green Bond Standard, and the resulting continuous adaptation to LBBW's divisions, as well as the continued development of issuance programs for institutional and retail investors.

In 2023, LBBW (Bank) issued two green benchmark bonds (a EUR 500 million green mortgage Pfandbrief with a maturity of 4.25 years and a EUR 500 million green senior non-preferred floating rate note with a maturity of 2 years). In total, LBBW (Bank) had EUR 6.3 billion of green bonds outstanding as of 31 December 2023 along with a portfolio of EUR 9.76 billion of financing eligible for green bonds. Most of the assets (EUR 7.8 billion), come from commercial real estate financing. Project finance in the area of renewable energies totaled EUR 1.9 billion. The green bond program of LBBW (Bank) has a utilization rate of 64%.

The impact of LBBW's green bonds is published annually in an impact report in accordance with the guidelines of the ICMA Green Bond Principles of the International Capital Markets Association. All in all, the CO<sub>2</sub> reduction due to the financing of sustainable commercial properties and renewable energies amounted to 1.1 million metric tons in 2023. The volume of carbon dioxide is reported in accordance with the recognized principles of the Harmonized Framework for Impact Reporting 2023, which has become established as the market standard and which makes it easier for institutional investors to consolidate CO<sub>2</sub> savings on a portfolio-wide basis.

The accompanying second-party opinion (SPO) independently verifying the ecological standing and the actual use of funds was prepared by ISS ESG, the sustainability area of the Institutional Shareholder Services (ISS). ISS Corporates Solutions also performed an external review in 2024 to assess the extent to which the green bond allocation and impact reporting in 2023 tallied with LBBW's Green Bond Framework and international standards. Impact reporting and the enhancement of the data collection methods are performed by external consultants. The key accompanying information such as the SPO, method development, impact analysis and use of funds can be found at → www.LBBW.de/greenbond.

So that an informed choice can be made about which energy-efficient buildings are included in the real estate portfolio, with the support of prestigious external consultants LBBW developed an approach for the launch of its first green bond that enables it to measure and compare the carbon intensity of commercial real estate and renewable energies.

The green bonds of LBBW (Bank) indirectly contribute to the achievement of the United Nations' Sustainable Development Goals, in particular Goal 7: "Affordable and clean energy", Goal 11: "Sustainable cities and communities" and Goal 13: "Climate action".

#### Social bonds









As a public-sector bank ("Landesbank") and a public-law institution, LBBW (Bank) also wants to give investors the opportunity to invest in social projects. Accordingly, LBBW (Bank) laid the groundwork for developing a social bond program in 2018 and issued its first social bond in September 2019. The social bond program of LBBW (Bank) builds on the successful green bond program and expands the range of financing for the United Nations Sustainable Development Goals (SDGs).

In total, LBBW (Bank) had EUR 2.3 billion of social bonds outstanding as of 31 December 2023 along with a portfolio of EUR 3.07 billion of financing eligible for social bonds.

The social bonds of LBBW (Bank) indirectly contribute to the achievement of the United Nations' Sustainable Development Goals, in particular Goal 3: "Good health and well-being", Goal 4: "Quality education", Goal 6: "Clean water and sanitation" and Goal 11: "Sustainable cities and communities". Impact reports are prepared by an external service provider. The key accompanying information such as the SPO, method development, impact analysis and use of funds can be found at

→ www.LBBW.de/socialbond.

#### Berlin Hyp

#### Green bonds

Green finance is a central aspect of Berlin Hyp's corporate strategy. Berlin Hyp has had an important sustainability component in its value chain since 2015 in that it issues green bonds to fund green assets. Green bonds are issued in the form of green Pfandbrief bonds and green senior unsecured bonds. In March 2023, Berlin Hyp published a revised version of its framework to better reflect the EU Taxonomy requirements for buildings/construction activities for loans for energy-efficient green buildings.

With 19 outstanding benchmark issues, Berlin Hyp remains the most active bank issuer in the European green bond market. It also consolidated its role in the Swiss capital market by issuing two senior unsecured green benchmark bonds. In total, Berlin Hyp's outstanding green bond volume as of 31 December 2023 amounts to EUR 7.8 billion against a portfolio of green bond-eligible financings of EUR 10.77 billion.

#### Social bonds

Berlin Hyp significantly underpinned the holistic nature of its ESG strategy by issuing its first social Pfandbrief in May 2022. The underlying Social Bond Framework is based on the ICMA Social Bond Principles and addresses the affordable housing product category in Germany and the Netherlands. The Social Bond Framework was updated in March 2023 to reflect the evolution of social legislation in both countries.

In total, Berlin Hyp had EUR 1.75 billion of social bonds outstanding as of 31 December 2023 along with a portfolio of EUR 2.92 billion of financing eligible for social bonds.

#### Sustainability-linked bond

Berlin Hyp was the first commercial bank in the world to issue a sustainability-linked bond (SLB) in 2021. According to the methodology for its sustainability-linked bond, the carbon intensity of Berlin Hyp's entire business portfolio decreased by a total of 7.3% compared to the base year 2020 (2022: 9.72%) as of 31 December 2023. The analysis is based on energy performance certificate (EPC) data from the bank's credit system and on approximations for the few cases where Berlin Hyp did not have EPC data. The approximations were developed with an outside consultant and are based on building type and year of construction or last renovation.

→ See Berlin Hyp's sustainability report for more information: <a href="https://www.berlinhyp.de/en/sustainability/reportings">https://www.berlinhyp.de/en/sustainability/reportings</a>.



## Alternative asset investments with a sustainability focus of LBBW Asset Management Investment-gesellschaft mbH





















LBBW Asset Management Investmentgesellschaft mbH is a center of expertise and competence center for alternative asset investments ("AIF") for Landesbank Baden-Württemberg.

AIFs distributed by LBBW Asset Management Investmentgesellschaft mbH may include the following assets or investment objects:

- Power plants ((e.g. photovoltaic systems, wind farms or hydroelectric plants)
- **Infrastructure** (e.g. communication such as radio masts or cable networks, utilities such as waste disposal or social infrastructure)
- Real estate in Germany and abroad (e.g. office buildings, shopping centers, or apartment buildings)
- **Private equity** (off-market equity investments in companies)

AIFs are brokered to high net-worth private investors, institutional investors and corporate customers through LBBW Asset Management Investmentgesellschaft mbH's sales partners (LBBW, BW-Bank, savings banks and banks).

LBBW Asset Management Investmentgesellschaft mbH focuses on a qualified selection of AIFs offered on the market that sales partners can include in their offer.

The products are closely analyzed using a certified review process. In addition to business aspects, this explicitly assesses various aspects of environmental, social, civic, and ethical/moral principles. For an AIF in a commercial property, for example, this includes:

- **Property-related criteria** such as environmental building certification (e.g. green building) or meeting social aspects of the property (e.g. social properties)
- Management criteria such as the assessment of the tenant using social/ethical and environmental criteria
- Sustainability approach of the management or advisory team (e.g. signing the United Nations' Principles for Responsible Investment (UN-PRI)).

As part of collaboration, providers of AIFs are required to develop their own sustainability principles or apply existing guidelines.

After including the AIF in the offer, LBBW Asset Management Investmentgesellschaft mbH's services will be expanded to included a structured sales process and provide all information and documents that the sales partners need to provide the services to the investors.

LBBW Asset Management Investmentgesellschaft mbH is a signatory of the UN Principles for Responsible Investment and, as a subsidiary, is also required to observe the LBBW Group's sustainability principles and guidelines.

Sustainable AIFs with a volume of EUR 24.2 million (previous year: EUR 47.6 million) were brokered through LBBW Asset Management Investmentgesellschaft mbH's sales partners in 2023.

These individual funds quality under Article 8 (light green) and Article 9 (dark green) of the European Union Sustainable Finance Disclosure Regulation (EU SFDR).

The year-on-year decrease in total brokered volume is market-driven and primarily due to the increase in interest rates and investment alternatives in the lower-risk interest rate segment.

The ELTIF "CommerzReal KlimaVest" was audited by LBBW Asset Management Investmentgesellschaft mbH in 2022 and has been carried by the LBBW Group in the usual order systems since the audit. LBBW Asset Management Investmentgesellschaft mbH supported the sales launch of this European Long-Term Investment Fund (ELTIF) for the Private Asset Management and Wealth Management customer segments as well as the training for advisors. The fund's investment objective is to make a positive, measurable contribution to the achievement of environmental objectives as defined by the EU Taxonomy Regulation, in particular climate change mitigation and adaptation, by investing primarily in sustainable renewable energy assets (mainly solar and wind) and energy transmission and storage. The LBBW Group broked a volume of EUR 12.8 million (previous year: EUR 45.2 million) in 2023.

#### **Private Customers/Savings Banks**

#### **BW Zukunfts-Sparbrief**











Retail customers can help finance community and environmental projects with the BW Zukunfts-Sparbrief savings bond. Each euro invested promotes lending to sustainable projects and innovations that contribute greatly to ensuring a bright future and good quality of life in the Stuttgart region and throughout Baden-Württemberg. These include investments in energy-efficient construction and renovation, renewable energies, environmental technologies, organic food, green IT, green mobility, forest management, and natural cosmetics as well as projects by non-profit organizations. The selection criteria for awarding assistance to projects were developed along with prominent environmental, community, and scientific organizations in the public sector. The funds were primarily used to grant loans for energy-efficient construction and renovation. The BW Zukunfts-Sparbrief gives customers a secure annual return over a term of three and three-quarter years. The BW Zukunfts-Sparbrief had a volume of EUR 3.8 million as of 31 December 2023.

#### Mutual funds/environmental funds with sustainability features

LBBW Asset Management Investmentgesellschaft mbH managed and administered ESG assets¹ of EUR 22.59 billion as of 31 December 2023 (previous year: EUR 20.71 billion), of which EUR 16.51 billion are assets under management and EUR 6.08 billion are assets under administration (in cooperation with external asset managers). This includes 23 mutual funds with sustainability features for retail and institutional investors and special funds for institutional investors.

BW-Bank asset management's investments with sustainability features focus on discretionary asset management mandates. It also works as an advisor for selected mutual funds with sustainability features.

#### LBBW Asset Management Investmentgesellschaft mbH's mutual funds with sustainability features



- LBBW Asset Management Investmentgesellschaft mbH's total portfolio was increased to 23 mutual funds with sustainability features in 2023.
- The mutual funds with sustainability features follow a sustainability concept that applies extensive exclusion criteria (negative screening). This excludes, for example, investments in companies involved in controversial business activities and practices. The investment universes for the funds are selected primarily on the basis of the sustainability ratings published by ISS ESG.
- For some funds, this negative screening is combined with the best-in-class method under which only companies that score highest in terms of ESG criteria are selected.
- In addition, investment decisions can be used to minimize the principal adverse impacts (PAI) on sustainability. When funds have an ESG investment strategy, focus PAIs are selected to manage the portfolios through a dedicated process. Focus PAIs are considered either through complete exclusions or through thresholds. Issuers who do not comply with the criteria will be excluded.
- The environmental and social characteristics of mutual funds are determined on the basis of the United Nations' 17 Sustainable Development Goals (SDGs). Data from external data providers is used to measure the extent to which a company's products and services have a positive or negative impact on the SDGs. Focus SDGs are selected on a fund-specific basis depending on their focus and are assigned threshold values. These values are used to derive the environmental and social characteristics.
- Another element in the design of investment solutions with sustainability features is that a minimum quota of sustainable investments must be achieved in accordance with Article 2 No. 17 of the Disclosure Regulation. A company's economic activity is evaluated on the basis of a two-step process consisting of making a positive contribution to one or more environmental or social goals while avoiding negative impacts on the other environmental or social goals.
- This year, ten of LBBW's mutual funds with sustainability features were awarded the renowned FNG seal; nine of them received the highest award of three stars and one the second-highest award of two stars.
- LBBW Asset Management Investmentgesellschaft mbH actively and responsibly represents share-holder rights for investors (active ownership), for example by exercising voting rights at annual general meetings and constructive business dialog. The outcomes of these activities are published in the "Report on voting and participation policy".
  - → Voting and participation policy
- LBBW Asset Management Investmentgesellschaft mbH publishes more details and additional key indicators for mutual funds with sustainability features on its website → www.LBBW-am.de. The fact sheets include a climate score based on the carbon risk rating as well as a sustainability, environmental, social and governance score.

#### Examples of mutual funds with sustainability features:

- The "LBBW Global Warming" thematic fund primarily invests in companies offering products and services that counteract or mitigate the consequences of global warming. The fund follows a low-carbon risk strategy and is also subject to exclusion criteria based on sustainability. The fund has been awarded the European transparency logo for sustainable funds as well as the FNG transparency logo with three stars and the Austrian Ecolabel.
- The new "LBBW Gesund Leben" thematic fund launched in 2021 invests predominantly in shares in companies that are heavily involved in the areas of "getting healthy" and "staying healthy" and that, in the opinion of the fund management, have higher-than-average growth and earnings prospects.
- The "LBBW Nachhaltigkeit Aktien" equity fund invests in companies worldwide that have an aboveaverage sustainability profile. The fund has been awarded the European transparency logo for sustainable funds as well as the FNG transparency logo with three stars. As in previous years, the fund also received the Austrian Ecolabel.
- The balanced mixed fund "LBBW Multi Global Plus Nachhaltigkeit" primarily invests worldwide in fixed-income securities, certificates, and money market instruments, as well as up to 50% in equities. Issuers must have an above-average sustainability profile. The fund has been awarded the European transparency logo for mutual funds with sustainability features as well as the FNG transparency logo with three stars.
- LBBW Asset Management Investmentgesellschaft mbH also manages five mutual funds with sustainability features for exclusive distribution through savings banks as a cooperation partner.

#### BW-Bank's mutual funds with sustainability features

# SUSTAINABLE GALS

- Management of the "LBBW Balance" umbrella fund has included sustainable features since 1 March 2021. There are three varieties of the umbrella fund, which differ in terms of their equity share (sub-funds CR 20, CR 40 and CR 75). Each variant has a positive sustainable impact in accordance with the Disclosure Regulation. The fund is based on the savings banks' association concept. Exclusions are ensured via a minimum rating for products used. In addition, thresholds in individual sustainable criteria must not be exceeded (e.g. controversial weapons, CO<sub>2</sub> intensity). In addition, the investment universe focuses on the better half of a comparison group. This additional best-in-class approach ensures that the target funds give significant weight to ESG criteria.
- Retail customers have also been able to invest in the "VV Strategie Wertstrategie 50" strategy fund since 2019. Previously, this fund was available only within asset management. It takes an innovative approach that explicitly integrates all UN sustainability goals. The "VV Strategie Wertstrategie 50" strategy fund is classified as a financial product with sustainability characteristics under Article 8 of the Disclosure Regulation ((EU) 2019/2088). Products with sustainability characteristics are included. This is an ESG investment strategy that takes account of environmental and social issues (PAI). The fund invests in a widely diversified portfolio of bonds and up to 50% in equities, equity funds and ETFs. The fund is managed so as to limit the risk of loss to 8% of the value at the start of the year where possible. However, this lower value threshold of 92% does not represent a minimum value guarantee.

#### **Awards**

- The FNG transparency logo is a renowned quality seal awarded by "Forum Nachhaltige Geldan-lagen" (German Sustainable Investment Forum) that establishes a quality standard for sustainable investments in German-speaking countries. Certified funds follow particularly ambitious sustainability strategies that exceed the minimum requirements. These are evaluated by independent auditor Novethic, which looks at institutional credibility, in other words the degree to which a company promotes sustainable developments in the areas in which it does business. The assessment also includes product standards, particularly with regard to transparency and research quality, as well as the sustainability impact achieved by the fund manager, for instance through the investment strategy and critical dialog with the responsible parties at the individual companies.
- The European transparency logo for mutual funds with sustainability features recognizes funds with sustainability features that disclose their investment criteria and research processes as well as their investment policies in a transparent way.
- The Austrian Ecolabel is an independent environmental and quality label. It highlights and excludes funds that invest in nuclear power, arms, genetic engineering, and companies or institutions that systematically violate human rights, workers' rights or central political, social, or ecological standards.



#### Sustainability in insurance

- In insurance brokerage, we work with companies with a responsibility to society and to their customers and that link business success to environmental and social responsibility. When selecting our insurance partners, it is important to us that they consider sustainability a given and base their sustainability strategy on ESG criteria.
- We increasingly incorporate sustainability criteria when choosing our insurance investment and retirement products. We are constantly integrating and expanding a sustainable fund universe for the insurance investment products of our main partners SV SparkassenVersicherung Lebensversicherung AG, Allianz Lebensversicherungs-AG and Württembergische Lebensversicherung AG.
- Our customers' sustainability wishes are an integral part of our advisory processes. Since 2 August 2022, it has been mandatory to conduct a suitability assessment asking about sustainability preferences whenever giving advice on insurance investment products based on the EU Disclosure Regulation. The Disclosure Regulation provides customers with predicontractual and periodic information on the sustainability of the investments.
- With our structured advisory approaches and advisory tools for retirement products, we want to help our customers build up sustainable savings for a carefree retirement.
- We make sustainability real for our customers. We have teamed up with our partner Treedom and plant a tree in the BW-Bank forest for every Allianz KinderPolice policy that is taken out.

#### Asset management according to ethical, social, and environmental criteria



Since 2004, BW-Bank has offered its customers asset management solutions taking into account ethical, social, and environmental criteria. To this end, it works with external providers that assess and classify financial instruments and/or issuers according to transparent sustainability criteria.

BW-Bank also offers investors five strategy funds with sustainability characteristics:

- The three funds, "VV-Strategie Ertrag ESG" (up to 30% equities), "VV-Strategie Ausgewogen ESG" (up to 50% equities) and "VV-Strategie Dynamik ESG" (at least 50% equities) are classified as financial products with sustainability features in accordance with Article 8 of the Disclosure Regulation ((EU) 2019/2088). This is an ESG investment strategy that takes account of environmental and social issues (PAI) and has a low sustainability impact (ESG).
- The "VV Strategie Wertstrategie 30 ESG" strategy fund takes an innovative approach that explicitly considers all 17 UN sustainability goals. The fund invests in a widely diversified portfolio of bonds and up to 30% in equities, equity funds and ETFs. The fund is classified as a financial product with sustainability characteristics under Article 8 of the Disclosure Regulation ((EU) 2019/2088). This is an ESG investment strategy that takes account of environmental and social issues (PAI). The fund is managed so as to limit the risk of loss to 5% of the value at the start of the year where possible. However, this lower value threshold of 95% does not represent a minimum value guarantee.

• The "VV Strategie - Wertstrategie 50 ESG" strategy fund takes an innovative approach that explicitly considers all 17 UN sustainability goals. The fund invests in a widely diversified portfolio of bonds and up to 50% in equities, equity funds and ETFs. The fund is classified as a financial product with sustainability characteristics under Article 8 of the Disclosure Regulation ((EU) 2019/2088). This is an ESG investment strategy that takes account of environmental and social issues (PAI). The fund is managed so as to limit the risk of loss to 8% of the value at the start of the year where possible. However, this lower value threshold of 92% does not represent a minimum value guarantee.

Of all new BW Premium mandates for individual securities management, 22% have been concluded as mandates with sustainability characteristics. As of 31 December 2023, we managed assets of over EUR 4.08 billion based on sustainability criteria. Independent tests have repeatedly found our asset management activities to be exemplary. For example, we were ranked in third place by the business magazine "Capital", which awarded the prize for our ESG rating and our portfolio's ESG transparency. It also highlighted the important role sustainability plays in our product range and at our bank as a whole.

#### 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 sparing use of chemicals like mercury and minimal CO<sub>2</sub> emissions. A special environmental impact system ensures that the water quality is not endangered, for example. 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. The gold bars are produced by the Swiss precious metal refining company Valcambi and marketed by the German precious metal trader ESG Edelmetall-Service. The sales price includes a small surcharge to cover the more expensive production process and the monitoring of production by the independent British auditor ALS Inspection UK.

#### Foundation management

When persons use their capital for the good of society or the environment, they deserve the best possible support. From the initial idea through forming a foundation to managing assets, BW-Bank helps donors effectively realize their commitment. To do so, our team of experts develops customized solutions that extend far beyond standard banking services. Thanks to our many years of experience in managing foundations, we provide competent and transparent support to more than 1,300 foundations across Germany.

Women have played an increasing role in foundations ever since the 1990s – whether that be as donors, board members or volunteers. A quarter of all current foundations were founded by women. Women are also strong advocates for public welfare in political and social representation. Women's participation in leadership positions in the foundation sector exceeds that in fields such as politics and business. However, there is still a long way to go before gender parity is achieved. According to the Association of German Foundations, the average share is only around one third. Enter our "Frauen in Stiftungen" (women in foundations) event series. In 2023, we welcomed Prof. Dr. Birgit Weitemeyer, Director of the Institute for Foundation and Non-Profit Law at Bucerius Law School, and Friederike von Bünau, Secretary General of the Association of German Foundations. They spoke on the topics of "Foundation reform with tax implications" and "The future of the German foundation system". By doing this, we hope to make a significant contribution to achieving gender parity in leading positions in the foundation sector.

In 2023, BW-Bank was again rated as the best foundation expert in Germany and the German-speaking countries. The ranking is performed annually by the renowned Fuchs-Richter testing institute and published in the "Fuchs Report". The selection committee emphasized BW-Bank's excellent performance in the categories of investment proposal, transparency, foundation service and its professional and compelling presence in the beauty contest. The committee's conclusion: "A compelling performance with many distinct strengths that once again puts BW-Bank on the winner's podium in the competition." Thanks to its top position in the annual ranking, BW-Bank also defended its first place in the all-time list".



# Services for savings banks, cooperative banks and private banks

Savings banks consider it extremely important to integrate sustainability into strategic and operating management. As the central bank for savings banks in Baden-Württemberg, Rhineland-Palatinate, and Saxony, LBBW communicated its collaboration proposals in the area of sustainability to the savings banks through various bodies and the associations' information formats and expanded its range of services and products with sustainability features.

LBBW's Sustainability Advisory advises savings banks across Germany. Its analysis focuses on the core business and thus increasingly on ESG sales activities for corporate customers. Based on the German Savings Banks Association (DSGV)'s "Vision 2025 – guide to sustainability at savings banks", proprietary investments in particular are assessed and analyzed on the basis of ESG indicators, and lending is assessed and analyzed using a proprietary ESG sector score. Sustainable Advisory also supports the ESG strategies in asset management and sustainability rating processes. In collaboration with an advisory agency, LBBW also created a package of measures that directly links sustainable business focus with communication and reporting to promote efficient processes. LBBW also supports the DSGV's central sustainability implementation project. As in previous years, LBBW contributed its sustainability expertise to the Association at numerous conferences organized by the regional savings banks associations.

For proprietary investments, we offer savings banks a wide range of products with sustainability features from LBBW – from funds, green and social bonds and Schuldschein loans to investments in sustainable project finance. These products are supplemented by additional services that cover sustainability aspects, such as enhanced fund reporting and sustainability research information for portfolio management and proprietary investments. LBBW Asset Management Investmentgesellschaft mbH developed and implemented enhanced ESG reporting for sustainably managed special funds on the basis of data from ISS ESG. Since early 2023, in response to a request from some savings banks, the report can also be prepared on the basis of ESG data from MSCI ESG Research, meaning that institutional customers can now choose between the two data experts.

LBBW participates in the DSGV's "Greenpooling" project to make the refinancing of residential construction loans more sustainable. Our contributions include the development of technical system solutions to enable the S-Finanzgruppe banking group to issue green bonds as own issues or via Pfandbrief pooling by building up cover assets. Our quarterly news ticker "Pfandbrief pooling" discusses the development of cover assets for green bond issues and on cover stock pooling. We addressed this issue for savings banks at association conferences and in working groups.

ESG and ESG risks have been addressed in all real estate appraisals since 2023, including in brief appraisals in accordance with Section 24 of the Mortgage Lending Value Regulation (Verordnung über die Ermittlung der Beleihungswerte von Grundstücken – BelWertV). Taking into account certain individual risks, the overall ESG risk is rated as low, medium or high and is reflected in the appraisal parameters. A description is added for the relevant medium and high level risks.

In addition, the web-based LORA property appraisal software can now be used to capture or import environmental risks, energy-related building characteristics and ESG factors as well as energy performance certificates. This makes it possible for the savings banks to access and analyze this data.

We will continue to support savings banks in meeting future requirements for green and social bond financing. This includes integrating data from energy performance certificates and providing information for reporting.

In the retail customer business, we offer savings banks an expanded LBBW portfolio of sustainable mutual funds, certificates, structured bonds and asset investment for the "retail customers" and "private banking" target groups. Our product portfolio includes five mutual funds distributed exclusively to savings banks. In the certificates business, we offer retail customers a range of sustainability-oriented indices to enable them to invest with a regional, European and global focus. We launched products with sustainable features (principal adverse impacts, PAI) in the certificates business on these indices and offered them to savings banks for distribution to retail customers. Also, for the first time ever, we have been able to offer retail customers bonds that are 100% allocated to EU Taxonomy-aligned assets since October 2023. This means that the bonds meet the requirements of the strictest sustainability preference category "environmentally sustainable investment (according to Taxonomy)".

The range of products and services in sustainable asset management was also expanded. As well as the previous "VV-Strategie - Wertstrategie 50 ESG" fund solution, there are now another three investment solutions from the VV Strategiefonds line with share caps of 30%, 50% and 100% as well as the "Wertstrategiemodell 30". The customizable "BW Premium Nachhaltigkeit" product is enjoying growing demand. In asset management, we have been offering our customers extensive sustainability reporting since 2021.

We hold gold that is produced ethically and socially and environmentally responsibly for the precious metals business.

To provide sales assistance to savings banks, in 2023 we again held training sessions and web conferences on investment solutions with sustainability features.

In LBBW's development loan business, investments by savings bank customers, for example to improve energy efficiency or use renewable energy, are financed through loans from Kreditanstalt für Wiederaufbau (KfW) (development loans). Savings banks for which LBBW acts as the central bank receive a development loan report for their sustainability reporting.



#### Sustainability research and advisory unit for savings banks and institutional investors

LBBW is one of Germany's leading research and capital market institutions. It is not only our private investors and corporate customers who stand to benefit from our many years of experience in and up-to-date analyses on sustainability issues. We also provide our expertise to savings banks and institutional customers for consultations, assessments, proprietary investments management and lending portfolio analysis.

For our sustainability research and advisory unit, we cooperate with two highly qualified specialists who are some of the leading providers worldwide of sustainability analyses and ratings in the area of environmental, social and governance (ESG): ISS ESG, the responsible investment area of Institutional Shareholder Services ISS and MSCI ESG Research, the sustainability division of financial services provider MSCI

As well as in-depth issuer analyses and market trends, we also provide customer service teams at savings banks, cooperative banks and retail banks with information relating to sustainability.

# Over 400 banks with nearly 15,100 users

have already gained access to the new MSCI sustainability page in the LBBW Markets portal.



The MSCI sustainability page on the LBBW Markets portal was launched in August 2021. → LBBW-markets.de. This means that people in Sales have access to sustainability information from MSCI ESG Research for over 170 equities. We provide sustainability profiles of listed companies prepared by MSCI ESG Research ("ESG Investor Snapshot"), an MSCI rating overview of all LBBW Equity Coverage, information about potential compliance violations and general explanations on ratings systems and the exclusion criteria applied. Effective immediately, LBBW's "Aktie Kompakt" publication can also be obtained in a sustainability version with an integrated MSCI ESG corporate rating.

#### Information for proprietary investments and portfolio management

We offer savings banks and institutional customers sustainability analyses for their proprietary investments and portfolio management.

Since 2021, we have made it possible for institutional customers and savings banks to incorporate sustainability ratings into the risk, performance and regulatory analyses of their proprietary investments. As part of the "ESG Portfolio Monitor Premium", we provide company ratings and quantitative and qualitative issuer analyses for over 400 equities that are regularly updated by the LBBW Research team. In addition, data from ISS ESG – ESG ratings, ESG score, prime status and compliance with the UN Global Compact (UNGC) – is integrated into the monthly company analyses and the daily LBBW Research report.

Through the LBBW Markets portal, our institutional customers and savings banks have access to LBBW Research's sustainability studies. Users of the ESG Portfolio Monitor Premium can obtain additional supplemental information on a contract basis, e.g. brief company portraits from ISS ESG and an overview of all issuers covered by LBBW Research featuring key figures, ratings and exclusion criteria for countries and companies. The characteristics are also briefly explained.

# Investment products with sustainability features at a glance

EUR million	2023	2022
Funds/mandates pursuant to Article 8 of the Disclosure Regulation <sup>1</sup> LBBW Asset Management Investmentgesellschaft mbH		
Mutual funds with sustainability features, including:	4,156.9	3,333.5
LBBW Global Warming	1,566.2	1,246.1
LBBW Gesund Leben	36.6	38.2
LBBW Nachhaltigkeit Aktien	248.2	206.0
LBBW Multi Global Plus Nachhaltigkeit	83.4	76.7
Special funds (from 2021 onwards: as per Article 8 Disclosure Regulation)	18,435.1	17,377.8
Managed special funds	12,380.44	11,535.4
Administered funds (with external asset managers)	6,054.69	5,842.3
Total	22,592.08 <sup>2</sup>	20,711.3³
Structured bonds and certificates with sustainability features		
ESG strategy products that take account of environmental and social issues (PAI)	15,816.9	7,133.2
of which environmentally sustainable investments (as defined in the Taxonomy Regulation)	92.1	
Total	15,816.9	7,133.2
Asset Management		
Individual asset management mandates	799	796
LBBW Balance CR 20	1,180	1,159
LBBW Balance CR 40	1,020	923
LBBW Balance CR 75	593	517
VV-Strategie Wertstrategie 30 ESG <sup>4</sup>	50	43
VV-Strategie Wertstrategie 50 ESG	233	307
VV-Strategiefond Ertrag ESG	57	39
VV-Strategiefond Ausgewogen ESG	107	83
VV-Strategiefond Dynamik ESG	36	23
Total assets managed and advised under sustainability-oriented criteria	4,075 <sup>5</sup>	3,890 <sup>6</sup>
Total investment products relating to sustainability	42,484	31,734.5
BW Zukunfts-Sparbrief		
Total funds invested	3.8	2.9

ESG classification approach: Investment products are classified in accordance with Articles 6, 8 and 9 of the Disclosure Regulation. We report all investment products with sustainability features in the new "ESG assets" category pursuant to Article 8 of the Disclosure Regulation.

Corresponds to approximately 32.4% of LBBW Asset Management Investmentgesellschaft mbH's total assets under management as of 31 December 2023.

Corresponds to approximately 26.4% of LBBW Asset Management Investmentgesellschaft mbH's total assets under management as at 31 December 2022.

Name change, formerly: VV-Strategie Stiftungen Wertstrategie 30 ESG

Corresponds to approximately 37.4% of total assets under management (AuM) and assets under advisory of Asset Management as of 31 December 2023.

Corresponds to approximately 40% of total assets under management (AuM) and assets under advisory of Asset Management as of 31 December 2022.

Demand for financial investments with sustainability features has grown significantly in recent years. In addition to large institutional investors, there has been a significant increase in interest from retail customers. We continue to see enormous potential in investments with sustainable features.

As of 31 December 2023, LBBW Asset Management Investmentgesellschaft mbH managed ESG assets in accordance with Article 8 of the Disclosure Regulation with a total volume of EUR 22.59 billion. This corresponds to approximately 32.4% of LBBW Asset Management Investmentgesellschaft mbH's total assets under management. The volume of sustainably managed assets and assets under advisory in Asset Management amounted to EUR 4.08 billion. This corresponds to approximately 37.4% of the total volume in Asset Management.

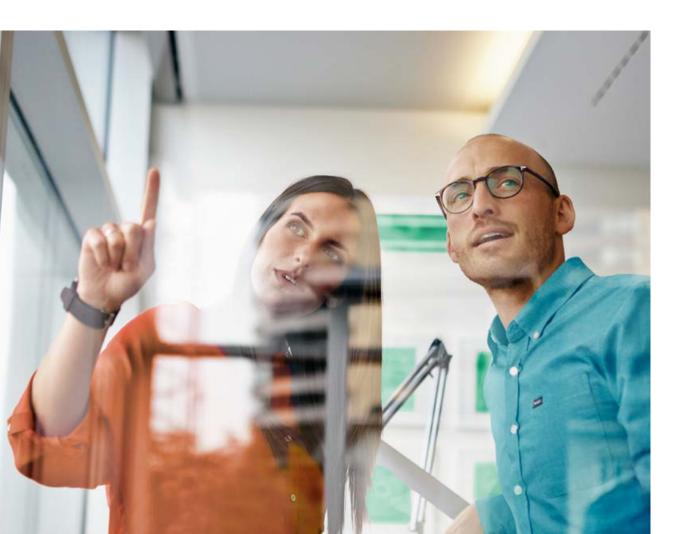
#### By way of comparison:

The proportion of sustainable investment funds and mandates in the German market as a whole is 12.3%.



(Source: FNG Market Report 2023).

We also take sustainability criteria into account in our conventional investment products and strive to increasingly integrate ESG aspects into our product selection. Sustainability criteria now play an important role in many asset classes. In accordance with the Disclosure Regulation, product makers have now classified their products according to ESG criteria. Funds with sustainability features currently account for about 50% of BW-Bank's range of funds, split between various asset classes. The number of investment products with sustainability features offered by the bank will be gradually increased further in the future.



# **Financing**

# "We consider it our responsibility to society to help our customers develop sustainable business models."

Our economy is going through a period of upheaval. The energy transition, digitalization and global restructuring as a result of political conflicts are just some of the challenges that need to be met.

As a state bank, we provide companies with liquidity while at the same time fostering digitalization and the move to renewable energies. We increasingly support our customers in transitioning to sustainable business models that are fit for the future. As a public-sector bank, we see this task as our responsibility to society.

Change involves more than just a new way of thinking and a strong will – it also requires the capital to drive forward good ideas and make innovation a reality. This is where we come in as a reliable partner and advisor. As a universal bank, we also help numerous SMEs to invest in a sustainable future. From environmentally friendly production facilities and digitally connected infrastructures to renewable energy projects, we work together to place the financing on a secure footing and our sustainable finance helps ensure competitive advantages.

We also help our retail customers to live in a more environmentally aware manner. We offer them our expertise for large and small projects alike, from financing an electric car through to designing their home to be energy-efficient.



#### Management of environmental and social risks

We are aware of our corporate responsibility in all financing projects. This is why we apply mandatory internal review processes and a comprehensive set of rules to ensure that reputation and sustainability risks relating to the environment, society, or ethics are identified, analyzed, and assessed at an early stage in the process of deciding on extending credit, such as export finance, corporate loans or project finance. This can result in LBBW rejecting such transactions or terminating business relationships.

## Sustainability standards in financing business

Our "Principles and Guidelines for Implementing LBBW's Sustainability Policy and Goals" and the "Guidelines for Lending" contained therein form the basis for the sustainability standards in the financing business

In addition to statutory requirements and provisions, LBBW adheres to internationally recognized standards and voluntary commitments for its internal guidelines and operating procedures. Alongside the UN Global Compact, these include the guidelines of the Organization for Economic Co-operation and Development (OECD) for multinational enterprises and the Performance Standards of the International Finance Corporation (IFC). The IFC standards were developed by the World Bank Group with the aim of ensuring that minimum environmental and social standards are observed in the design of globally financed projects and programs.

In addition to Germany, LBBW mainly provides project finance in Europe and North America, where particularly strict statutory environmental and social standards also apply.

In Germany, the approving authority assesses the following aspects for investments that require an environmental impact assessment:

- Impact on individuals and the population
- Impact on flora and fauna
- Land usage
- Change in organic substance, soil erosion, sealing, compaction
- Hydromorphological changes, changes in the quantity or quality of water
- Changes to the climate, e.g. due to greenhouse gas emissions, changes to the microclimate at the location
- Changes to the climate, e.g. due to greenhouse gas emissions, changes to the microclimate at the location

Only when a project has been approved and compliance with environmental protection standards is ensured do we disburse a loan. Where applicable, we also extend loans with environmental conditions attached, e.g. shutting off a plant at certain times.

The IFC standards must be observed for projects in developing nations and emerging economies in particular such as those financed by the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), or the development bank IFC itself.

# We have implemented the following review processes:



#### Traffic light review

In 2019, a uniform process for the sustainability review of borrowers by front office was introduced for corporate customer business (excluding export and project finance that is subject to specific review processes). The review criteria are based on the ten principles of the UN Global Compact as a framework for socially and ecologically responsible corporate governance. Using a traffic light model, each question is answered with green, yellow, or red. If this results in a red (negative) score due to extensive violations of the requirements for socially and ecologically responsible corporate governance or a violation of human rights, it is no longer permitted to do business with the respective company. For investment projects outside the DACH region (Germany, Austria, Switzerland), the review process also includes using the protected planet database (> www.protectedplanet.net) to examine whether the respective project is located in a specially protected area (e.g. United Nations Educational, Scientific and Cultural Organization (UNESCO1) World Heritage Sites, sites covered by the international Ramsar Convention on wetlands, UNESCO MAB (UNESCO's "Man and the Biosphere" program), International Union for Conservation of Nature (IUCN) Category Ia, Ib or II protected areas). If one of these protected areas is involved, the LBBW sustainability team must be consulted. In addition to the traffic light checklist, an ESG checklist was developed (see below). As part of the further development of this checklist, the traffic light checklist was integrated into the ESG checklist to ensure a consistent assessment. The ESG checklist does not need to be completed until a certain lending volume is reached. The traffic light checklist will continue to be used in its current configuration for all companies that are below this lending volume limit. This ensures that the entire corporate customers business has been subjected to a sustainability audit by the front office.



#### **ESG** checklist

The "EBA Guidelines on loan origination and monitoring" by the European Banking Authority (EBA) require ESG risks to be specifically evaluated as part of lending. The ESG checklist, which applies to all divisions, is divided into climate-physical, climate-transitional, social and governance. Within these areas, the potential ESG risk is rated on the basis of qualitative and, where possible, quantitative questions. The result of the individual areas and the overall evaluation are included and acknowledged in the loan application when granting loans. The EBA Guideline stipulates that all existing business above the threshold (certain lending volume) must be fully covered beginning on 1 July 2024. In addition, the classification in the ESG checklist will also be reviewed on a regular basis starting in 2024. → For more information, see page 88.



#### Review processes for corporate and project finance

Financial advisors examine loan applications in terms of compliance and sustainability risks based on internal lending rules. In the case of uncertainty or topics for which there are not yet any binding rules or review criteria, an opinion may be requested from Group Compliance and/or the ESG Group Transformation department. A standardized application form is used to record information including all the persons involved, the nature and purpose of the business relationship, the findings of all research conducted to date, and any anomalies identified in terms of compliance risks (including money laundering and fraud) or sustainability risks (including areas such as arms, genetic engineering, nuclear power, environmental destruction, species and biodiversity conservation, climate change, workers' rights, and human rights). In addition to the voluntary requests for opinions described

above, binding criteria were also established where an opinion from Group Compliance and/or the ESG Group Transformation department is required. Following a corresponding analysis by the compliance and/or sustainability experts, the financial advisor responsible for the transaction initially decides whether the transaction should be pursued. There is also a standardized inquiry process in place for this. If so, the corresponding compliance/sustainability analyses are included in the loan application and taken into account in the lending decision. When it comes to verifying sustainability aspects, the ESG Group Transformation department refers to databases from renowned sustainability agencies such as "imug | rating" and "ISS ESG", as well as the ESG due diligence information service "RepRisk".

# **Cross-industry guidelines**

The following cross-industry guidelines apply for all types of financing (including general corporate finance, project finance, export finance).

#### 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 United Nations Guiding Principles on Business and Human Rights.

We do not 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 convictions. In order to identify, prevent and reduce human rights violations, we have integrated aspects of human rights into our investment and credit process to the greatest possible extent. We are aware that certain sectors could involve greater risk potential in terms of human rights abuses. To this end, we have defined specific industry guidelines for our lending business.

If our corporate customers extract natural resources in a way that affects land rights, we expect this to take place with the free, prior and informed consent (FPIC) of the affected land users.

#### Biodiversity principles and species protection





All companies directly or indirectly use services that affect biodiversity. LBBW does not support projects that clearly lead to large-scale destruction of biodiversity without adding ecological value. This is particularly true of projects in areas with international protected status (e.g. High Conservation Value Areas (HCVA), IUCN protected areas, UNESCO World Heritage Sites, wetlands according to the Ramsar Convention) and endangered species (e.g. the Washington Convention (CITES)). Protected areas are essential for sustainable development and play a major role in achieving the Sustainable Development Goals "Life below water" (SDG 14) and "Life on land" (SDG 15).

With regard to wildlife and species protection, we expect our customers and their suppliers to avoid negative impacts on populations or numbers of plant and animal species included on the IUCN Red List of endangered species. LBBW also rejects trading in the endangered plant and animal species placed on the CITES lists.

Living genetically modified organisms should only be produced or traded with the approval of the importing country and subject to all of the requirements of the Cartagena Protocol being fulfilled. LBBW also places emphasis on ensuring that activities in the area of genetic material and genetic engineering only take place in accordance with the approval and processing requirements set out in the United Nations Convention on Biological Diversity and the associated Bonn Guidelines and Nagoya Protocol. Further information on guidelines relating to biodiversity and species protection  $\rightarrow$  see page 163 et segg.

#### Indigenous peoples



We are aware of the need to protect indigenous population groups and their connection to the land of their ancestors. In our project finance, we therefore take particular care to protect indigenous peoples and their cultural heritage. Where business has an impact on indigenous peoples, LBBW takes into account factors such as compliance with human rights, the ecological consequences for the affected region, and land rights.

If resettlement is unavoidable, we expect our corporate customers to act in accordance with national laws and regulations and – where applicable – with International Finance Corporation (IFC) Performance Standard PS 5 ("Land Acquisition and Involuntary Resettlement").

Where we identify potential impacts on indigenous peoples in project and export finance, we expect our corporate customers to act in accordance with the goals and requirements of IFC Performance Standard PS 7 ("Indigenous Peoples"). We expect them to obtain free, prior, and informed consent (FPIC) from the affected groups and to actively involve the groups in their decision-making and implementation processes. This applies in particular to the areas of land, natural resources and environment (territory), legal equality including the right to culturally adapted education and health-care, political participation, and self-administration. In this respect, LBBW places particular emphasis on the need for the companies to refrain from establishing or supporting settlements in occupied areas in accordance with international humanitarian law.

### **Industry-specific guidelines**

We have established not only cross-industry guidelines but also specific industry guidelines, which are described below.

#### Review process for sector-country risks

An additional review process covers the identification, analysis and assessment of potential sustainability-related reputation risks in international financing projects for particularly critical business activities, mining (including deep-sea mining), bioenergy production, synthetic fiber and plastics production, pesticide and fertilizer production, tobacco cultivation and textile production in particularly critical countries.

Financing projects in a sector-country combination classified as critical are subject to a careful risk assessment process. One exception is financing that includes security by the federal government or another state export credit agency in an OECD country, as these have already undergone an environmental/social review. Also excluded from the review process are high-volume documentary transactions (e.g. letters of credit, guarantees, and sureties) in which the Bank functions merely as a broker between the importer and exporter.

This review process is currently being updated and is expected to be rolled out in the first half of 2024 to corporate customer finance and project finance.

#### Coal mining and coal-fired power plants



The use of fossil fuels like coal, oil and gas is one of the most significant causes of climate change. Burning coal is one of the main sources of the  ${\rm CO_2}$  emissions that contribute to global warming. Accordingly, specific guidelines are in place for the financing of coal mining and energy from coal. These guidelines were made stricter in 2021.

The following limits apply to the financing of coal mining and energy provision:

#### Absolute thresholds

- No financing is provided to energy suppliers that mine more than 70 million metric tons of coal each year (starting in 2025: more than 50 million metric tons)
- No financing is provided to energy suppliers that have more than 15 gigawatts of coal-fired power plant capacity

#### Phase out:

- All existing contractual obligations will be maintained until maturity. Financing that does not meet the framework's criteria will not be renewed.
- For all new financing, the companies must provide a transformation plan for achieving targets to phase out coal (by 2038 for companies based in Germany, by approx. 2040 for companies based abroad).
- Any financing in the area of renewable energy that supports the transformation of a customer's existing business model is excluded from the thresholds and the following regulations.

As part of our general corporate financing, we support energy suppliers with the aim of promoting the transition to renewable energies.

LBBW does not provide general corporate finance for energy suppliers in the following cases:

- Energy suppliers that build new coal-fired power plants.
- Energy suppliers who are new customers where coal accounts for more than 20% of electricity production or revenue.<sup>1</sup>
- Energy suppliers who are existing customers based in Germany where coal accounts for more than 35% of electricity production or revenue (30% from 2025 and 25% from 2030).<sup>1, 2</sup>
- Energy suppliers who are existing customers based outside Germany, where coal accounts for more than 20% of electricity production or revenue.<sup>1</sup>
- Companies that clearly perform mountaintop removal mining (MTR)<sup>3</sup> directly.

Existing general corporate finance, including refinancing, is still possible with a term until 2030, regardless of the thresholds.

LBBW does not finance any projects that are identifiable to us in Germany or abroad by

- energy suppliers in connection with
  - the construction of new coal-fired power plants of any kind,
  - the expansion of the capacity of coal-fired power plants unless effectiveness or fuel efficiency is being improved or emissions are being reduced,
  - other investments in coal-fired power plants;
- mining companies in connection with
  - the construction of new or expansion of coal mines of any kind, unless the project involves technical modernization to improve the environmental or social conditions on-site,
  - particularly destructive mining methods such as mountaintop removal mining (MTR)<sup>3</sup>.

LBBW does not offer export financing for goods and services or other financing in/for coal mines (surface mining or underground mining) or coal-fired power plants.

Export financing involving particularly destructive mining methods, such as mountaintop removal mining<sup>3</sup> – where identified – is not permitted.

All existing contractual obligations will be maintained until maturity.

Whichever is highest.

<sup>2</sup> In view of the current gas shortages in the winter of 2022/2023 and to ensure reliable supply nationally, in line with political requirements, German energy providers are, for a limited period of time, permitted to temporarily exceed the 35% limit set out in these guidelines for existing customers until 31 December 2024. A review will be carried out by no later than 30 September 2024.

Mountaintop removal mining (MTR) describes a special form of mining used in coal extraction in which the mountaintop is removed to provide access to the hard coal seams below. This is cheaper than underground mining, but leads to the destruction of the area's landscape and ecosystems. Other negative consequences of this method include the accumulation of large quantities of excess rock and soil, and the release of heavy metals, which can contaminate rivers and groundwater. The resulting dust emissions are also classified as potentially carcinogenic.

#### **Nuclear** power



Nuclear power is extremely risky due to the incalculable health risks of radiation, especially when accidents occur, and the unsolved 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 bridging technology. In Germany, the decision to end the use of nuclear power precludes the construction of new nuclear power plants. There is therefore no need for rules regarding this scenario. LBBW does not support projects that are identifiably related to the construction of new nuclear power plants or expansion of existing nuclear capacity in other countries. This means:

- General corporate financing is not provided to energy suppliers that operate nuclear power plants outside Germany if the share of nuclear power legally attributable to total plant output is greater than 25%.
- 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 goods or services is provided for nuclear power plants outside Germany if certain thresholds regarding the total investment amount or nominal volume are exceeded.

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

#### Mining





When providing project finance in the mining industry, LBBW generally takes into account

- the way in which the company operates the mine (e.g. environmental pollution through the introduction of toxic chemicals, processing of excess rock and soil),
- the protection of High Conservation Value Areas and UNESCO World Heritage Sites,
- compliance with human rights, particularly the rights of local communities and indigenous peoples,
- compliance with minimum standards of occupational safety and working conditions in accordance with International Labour Organization (ILO) standards,
- land restoration measures.

## Agriculture and forestry



At LBBW, we are aware of the role we play as a bank in the allocation of capital in the European and global economies. This role also makes us a key player when it comes to environmental sustainability. To reflect this position and help bring about a sustainable future, we apply specific lending guidelines for agriculture/forestry.

	New customer	Existing customer	
Soy	New customers involved in the production of soy must be a member of the Roundtable on Responsible Soy Association (RTRS) or meet comparable, acceptable standards. The customer's main production sites must also be certified by the RTRS.	For new lending business with existing customers involved in the production of soy, membership in the Roundtable on Responsible Soy Association (RTRS) must have been agreed upon or comparable, acceptable standards met. Certification of the main production sites by RTRS must als be agreed. Membership and certification must be complete by no later than 2025. If membership and certification is not complete by this time and there are no prospects of this changing, no new business or renewals will be approved.	
Palm oil	New customers involved in the production of palm oil must be a member of the Roundtable on Sustainable Palmoil (RSPO) or meet comparable, acceptable standards. The customer's main production sites must also be certified by the RSPO.	For new lending business with existing customers involved in the production of palm oil, membership in the Roundtable on Sustainable Palmoil (RSPO) must have been agreed upon or comparable, acceptable standards met. Certification of the main production sites by RSPO must also be agreed. Membership and certification must be complete by no later than 2025. If membership and certification is not complete by this time and there are no prospects of this changing, no new busines or renewals will be approved.	
Cotton	We expect new customers involved in cotton production to use initiatives such as the Better Cotton Initiative as a guide.	For new lending business with existing customers involved in cotton production, we expect them to use initiatives such as the Better Cotton Initiative as a guide.	
Logging	New customers involved in timber production in high-risk countries¹ must have been certified by the Forest Stewardship Council (FSC) or the Program for the Endorsement of Forest Certification (PEFC) or meet comparable, acceptable standards. High-risk countries within the meaning of these guidelines are all timber-producing countries organized in the International Tropical Timber Organization (ITTO). National legislation is sufficient for all other countries.	For new lending business with existing customers involved in timber production in high-risk countries', certification by the Forest Stewardship Council (FSC) or the Program for the Endorsement of Forest Certification (PEFC) must have been agreed upon or comparable, acceptable standards met. Membership must be complete by no later than 2025. If membership is not complete by this time and there are no prospects of this changing, no new busines or renewals will be approved.	

#### Fisheries and aquaculture



To conserve biodiversity in the area of fisheries and aquaculture in the long term, LBBW has specific rules and regulations for lending to new and existing customers that are active in the areas of fisheries and aquaculture.

LBBW does not finance the following fishing activities or customers that apply any of the following practices as part of their fishing.

Illegal fishing	Includes IUU fishing (illegal, unrecorded, unregulated)
Poison/dynamite	Many negative effects (including harm to the environment and animals, risks to people)
Marine mammals	Targeted hunting of marine mammals, including dolphins, seals, manatees, sea otters and polar bears
Shark finning	Removing shark fins and then discarding the animal in the ocean
Whaling	Hunting wales is the subject of international debate. Many species are endangered.

New and existing customers outside Europe that are involved in fisheries and aquaculture must also be certified by the Marine Stewardship Council (MSC) or the Aquaculture Stewardship Council (ASC) or meet comparable, acceptable standards. Without suitable certification, no lending services can be provided.

No additional certifications need to be reviewed for new and existing customers within Europe due to existing EU-legislation.



#### Cattle breeding in South America



As part of the guidelines on environmentally sustainable credit allocation, LBBW also wants to regulate lending transactions with new and existing customers that work in cattle farming in South America in order to reduce the loss of biodiversity that this causes.

New and existing customers that operate cattle farms in South America must be a member of the Global Roundtable for Sustainable Beef or meet comparable, acceptable standards. No lending business is possible without the corresponding membership.

#### **Uranium mining**

Uranium mining (for nuclear power plants, nuclear weapons or even medical purposes) is associated with significant radiation exposure and therefore endangers the health of people and seriously pollutes the environment in the entire region surrounding the mines. LBBW does not support uranium mining without sufficient environmental and safety standards and health protection measures, and hence refrains from engaging in business activities that we can identify as directly involving uranium mining, as well as from providing export finance to suppliers of uranium mining companies that do not comply with these environmental and safety standards and health protection measures. This means:

- 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 the relevant 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 & 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 relevant proof of compliance with health and safety standards is submitted (see above).
- No financing or security is provided for goods or services used in uranium mining that exceed a certain nominal volume if no relevant proof of compliance with health and safety standards is submitted (see above).

#### Crude oil/natural gas



In 2023, LBBW tightened its guidelines on oil and gas for general corporate financing and project finance.

#### a) General corporate finance:

LBBW does not provide general corporate finance for new and existing customers (new business) to extract or produce oil and gas in the following cases:

- The aim of the business strategy/model is to increase production volumes.
- The customer supports production in protected areas or controversial production practices:
  - Oil and gas upstream projects (production of crude oil and natural gas) in the Arctic and Antarctic region1
  - Oil drilling in the Amazon rainforest
  - Fracking to extract oil and gas
  - Extraction of oil and tar sands
  - Deep-sea drilling<sup>2</sup> to extract oil and gas
- Oil and gas companies that are new customers clearly generated more than 10% of their annual revenue from upstream activities on average in the last three years.
- Oil and gas companies that are existing customers and that exceed the revenue figure for new customers, cannot provide evidence that they are shifting to midstream and downstream or alternative models (including reducing production quantities in upstream business).

All existing contractual obligations will be maintained until maturity. Index-based transactions (e.g. MSCI World) and derivatives, trading lines and allocation limits are excluded from the guidelines. These do not constitute corporate finance in the conventional sense.

> In 2023, LBBW tightened its guidelines on oil and gas for general corporate financing and project finance.



<sup>&</sup>quot;Arctic" is defined in relation to onshore or offshore areas for the purposes of these guidelines as follows, Onshore; areas north of the Arctic Circle (66 33'48,43" northerly latitude); offshore: marine areas in accordance with the Polar Code of the International Maritime Organization (IMO) Deep-sea drilling is defined as drilling more than 1,500 m below sea level, see Oil & Gas Policy Tracker.

#### b) Project finance:

LBBW does not engage in project finance to extract or produce oil and gas (upstream). This means it is not involved in financing controversial crude oil extraction processes such as drilling for crude oil or natural gas in the Arctic<sup>1</sup>, the extraction of oil and tar sands, oil drilling in the Amazon rainforest, or fracking (i.e. crude oil/natural gas drilling operations under high pressure, e.g. to extract shale gas).

#### c) Export finance

Many countries use gas as a bridging technology to reduce dependency on oil and coal. Financing in connection with gas upstream business activities should be possible if (cumulatively)

- there is ECA coverage.
- the exporter is an existing LBBW customer,
- no production is located in protected areas,
- no controversial production practices are employed,
- no other ESG guidelines are breached,
- the financing is used for modernization work,
- the ESG Group Transformation department votes that there is no "high to very/extremely high risk".

#### Defense and security

LBBW recognizes its special responsibility as a bank when it comes to financing companies in the defense sector. It meets this responsibility through extensive review processes and strict guidelines for weapons and armaments deals. We respect the fundamental right to self-defense in accordance with Article 51 of the Charter of the United Nations. Our commitment extends to adherence to international conventions that comprehensively control and restrict arms exports and financing in this area. We expect our customers to comply with all international standards that apply to the industry. This is the binding guideline for our decisions to promote peace, security and global stability.

LBBW does not participate in the financing of specific projects related to the production of controversial weapons (e.g. plutonium, highly enriched uranium, mustard gas) or enrichment facilities.

The definition of controversial weapons is currently derived from the following international treaties:

- Cluster munitions (Oslo Convention on Cluster Munitions, 2008)
- Anti-personnel landmines (Ottawa Convention, 1999)
- Biological weapons (Biological Toxin Weapons Convention, 1972)
- Chemical weapons (Chemical Weapons Convention, 1993)
- Nuclear weapons (Nuclear Non-Proliferation Treaty, 1970)

In addition, LBBW does not do business with companies that are known to be involved in the production of banned weapons or key components as defined by the above conventions.

At the operational level, we ensure this through various lists that are regularly updated on the basis of controversial weapons research conducted by ISS ESG, the sustainability rating department of Institutional Shareholder Services (ISS):

- Exclusion list for companies involved in the development, maintenance, production, storage, testing and transportation of cluster munitions and/or anti-personnel mines. This list applies group-wide at LBBW (Bank) and all subsidiaries that are majority-owned by LBBW and is also integrated into the Bank's automated embargo monitoring system.
- Transaction checklist for nuclear weapons and biological/chemical weapons within LBBW (Bank) for companies that are demonstrably linked to the production of weapons of mass destruction.

There are strict standards and limits for the export of weapons of war (in accordance with according to the supplement to the German Weapons of War Control Act (Kriegswaffenkontrollgesetz – KrWaffKontrG), e.g. warships, tanks, bombs) to foreign countries and for the export of other arms (not falling under the KrWaffKontrG according to BAFA export lists, e.g. guns, ammunition).

LBBW finances or secures exports of arms and defense goods only if the following conditions are met: The receiving country must have BAFA export authorization and must not be on the list of excluded defense goods and arms export countries. These include, among others:

- Countries with a fragile state
- Countries that severely violate human rights
- Countries that are subject to a UN or relevant multilateral arms embargo over the danger of weapons being used for serious violations of human rights or international law

#### **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, etc.

#### **Gambling**

LBBW does not provide financing for controversial forms of gambling.

Changes to existing lending regulations during the year and new policies are updated on an ongoing basis in the  $\rightarrow$  "LBBW Sustainability Regulations", where they can also be viewed.  $\rightarrow$  More information: www.LBBW.de/sustainability

#### Training and communication



All the sustainability principles and review processes for financing are set out in the Bank's mandatory lending rules. They are available to all financial advisors and risk management experts on the LBBW intranet. Information on changes is also provided on the intranet and in newsletters.

# Climate-related impacts of financed projects and loans

For a number of years, we have been increasingly focusing our efforts on the downstream impact our banking operations have on the environment. At the heart of this is calculating the greenhouse gas emissions (GHG emissions) generated by projects and loans that we finance and providing a transparent picture of these.

Despite ongoing methodological challenges, something of an industry standard is now being developed in the form of the Initiative Partnership for Carbon Accounting Financials (PCAF'). PCAF expands on and clarifies the Greenhouse Gas Protocol (GHG Protocol<sup>2</sup>). In 2023, we again commissioned the consulting firm MACS Energy & Water, which specializes in sustainability in the financial sector, with calculating the GHG footprint of our lending business, known as Scope 3 emissions. The PCAF-based calculations are still based on LBBW's exposure (differentiated both by geography and sector), i.e. the total of all outstanding receivables from and commitments to borrowers as at 31 December 2023. Scope 3 emissions represent the Scope 1 and Scope 2 emissions generated by the customers (Scope 3.1 and 3.2) to which the loans are attributed in accordance with their share of financing. We use actual emissions data published by the customers wherever it is available. If it is not available, we use industry averages.

The tables on page 170 and page 171 show the exposure, the related financed emissions of our customers and average emissions intensity (financed emissions per exposure), broken down by country and sector. GHG emissions at the Group level are 12.3 million metric tons of CO₂ equivalents. LBBW (Bank) accounts for 11.8 million metric tons of CO<sub>2</sub> equivalents. Around 66% of financed emissions are due to manufacturing, with a correspondingly high share of exposure, and the high-emissions energy provision sector → see table on page 170. In line with the business activities of LBBW (Bank), 70% of the financed issues also relate to loans and project finance in Germany → see table on page 171. Another 0.6 million metric tons of CO₂e is attributable to Berlin Hyp³ according to the LBBW calculation methodology.

Table 1: Financed emissions<sup>1</sup> of the LBBW Group and Berlin Hyp with a breakdown of the LBBW (Bank) portfolio by NACE sector

Institution		Sector	Exposure in EUR billion	Fin. emissions in million metric tons	Emissions intensity in metric ton per million EUR
LBBW Group*		Total	317.9	12.3	39
Berlin Hyp		Total	38	0.6	15
LBBW		Total	280	11.8	42
	A	Agriculture and forestry, fishing	0.3	0.1	425
	В	Mining and quarrying	1.2	0.6	490
	C	Manufacturing	40.8	3.7	92
	D	Energy provision	11.9	4.1	343
	E	Water supply; sewerage; waste management and remediation activities	3.5	0.3	73
	F	Construction	5.6	0.2	28
*	G	Wholesale and retail trade; repair of motor vehicles and motorcycles	12.1	0.4	36
ector	Н	Transporting and storage	5.5	0.7	135
of which by sector**	J	Information and communication	7.6	0.1	8
lich	К	Financial and insurance activities	108.7	0.1	1
of w	L	Real estate activities	36.8	0.4	11
	М	Professional, scientific and technical activities	8.2	0.2	21
	N	Administrative and support service activities	5.3	0.1	28
	0	Public administration and defense, compulsory social security	15.6	0.3	22
	Q	Human health and social work activities	2.4	0.0	8
	S	Other services activities	1.6	0.1	53
		Other (I = Accommodation and food service activities; P = Education; R = Arts, entertainment and recreation)	13.4	0.3	23

 $Measured\ against\ the\ LBBW\ Group\ portfolio,\ 1.2\%\ of\ the\ exposure\ and\ 13.3\%\ of\ the\ financed\ emissions\ are\ "carbon-related\ assets"\ according\ to\ portfolio,\ 1.2\%\ of\ the\ exposure\ and\ 13.3\%\ of\ the\ financed\ emissions\ are\ "carbon-related\ assets"\ according\ to\ portfolio,\ 1.2\%\ of\ the\ exposure\ and\ 1.2\%\ of\ the\ financed\ emissions\ are\ "carbon-related\ assets"\ according\ to\ portfolio,\ 1.2\%\ of\ the\ exposure\ and\ 1.2\%\ of\ the\ financed\ emissions\ are\ "carbon-related\ assets"\ according\ to\ portfolio,\ 1.2\%\ of\ the\ exposure\ and\ portfolio,\ 1.2\%\ of\ the\ exposure\ an$ 

the GICS sector granularity.

The economic unit is based on the reported intensity or an average value of the operating sector. It is then aggregated using the legal coding (e.g. of a holding company).

Table 2: Financed emissions<sup>1</sup> of the LBBW Group (breakdown by country)

Institution	Country	Exposure in EUR billion	Fin. emissions in million metric tons	Emissions intensity in metric ton per million EUR
LBBW Group	Total	317.9	12.3	39
	Germany	208.8	8.6	41
	France	10.4	0.0	4
	Luxembourg	10.1	0.2	19
of which by country	United States of America	10.1	0.6	61
	Netherlands	9.9	0.2	17
	United Kingdom	9.1	0.1	9
	Canada	6.9	0.1	10
of	Austria	6.3	0.4	60
	Ireland	6.0	0.1	9
	Switzerland	4.6	0.2	49
	Other*	35.6	1.9	53

Financed emissions at the customer level are included in ongoing monitoring. The data is also used in internal and supervisory stress tests for climate risks. We also aim to gradually improve the accuracy of GHG calculations over the next few years by moving closer to the PCAF standard and further increasing the use of real data from customers.

At the same time, LBBW provides its customers with targeted support in sustainable transformations in order to sustainably reduce their carbon footprints  $\rightarrow$  see sector pathways.

<sup>1</sup> Note: Financed emissions to be published in the disclosure report under Capital Requirements Regulation (CRR) Article 449a refer only to the sub-portfolio of the credit positions in the banking book to corporate customers (in particular excluding derivatives and line agreements). Accordingly, a lower figure is reported in the disclosure report.



#### Sector pathways

As a strong universal bank with regional roots, LBBW believes it has a duty to help actively shape the transformation of companies, the economy and society and it aspires to fulfill this.

This is why we want to play an active role in helping to decarbonize  $CO_2e$ -intensive business models. To achieve this, the Bank has developed sector-specific transformation pathways for the most carbon-relevant industries in the portfolio and set targets for 2030. The sector pathways cover a significant proportion of the financed emissions and make it possible to manage the most carbon-relevant business models on a sector-specific basis.

Achieving the targets will require an intensive strategic dialog with customers to discuss and review corporate climate strategies. LBBW has developed a comprehensive training program to enable corporate customer advisors to conduct this dialog on an equal footing  $\rightarrow$  see page 124 et seqq. The transformation pathway of key customers is also evaluated in portfolio management and incorporated into the exposure strategy. Changes in portfolio-level  $CO_2$  intensities are regularly reported to the Board of Managing Directors.

We described the detailed procedure for developing the sector pathways in

→ <u>"Sustainable transformation - our path to net zero"</u>. We use the net zero emissions scenario (NZE) of the International Energy Agency (IEA)¹ as reference pathway.

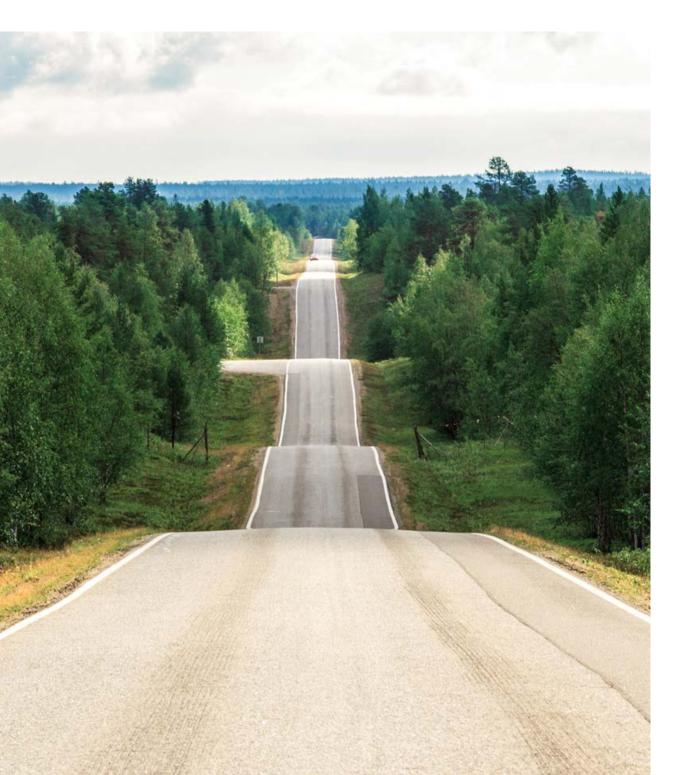
Sector	Value chain	Relevant control parameter	2021	Actual 2022*	Target (2030)	Reduction (versus 2021)		
Energy generation	Upstream/elec- tricity generation	Scope 1	224 kg CO <sub>2</sub> /MWh	214 kg CO <sub>2</sub> /MWh	110 kg CO <sub>2</sub> /MWh	~ 50%		
Oil and gas	Upstream	Establish clear guid	Establish clear guidelines for new upstream business through new lending guidelines					
Automotive manu- facturing	Automotive manufacturers	Scope 3	153 g CO <sub>2</sub> /km	157 g CO <sub>2</sub> /km	95 g CO <sub>2</sub> /km	~ 40%		
Automotive supply	Automotive suppliers	Share of revenue attributable to combustion engine components	25%	22%	17% share of revenue	30% reduction in share of revenue generated by automotive suppliers through com- bustion engine components		
Cement	Cement producers	Scope 1 + Scope 2	565 kg CO₂/metric ton of cement	563 kg CO₂/metric ton of cement	480 kg CO₂/metric ton of cement	~ 15%		
Aviation	Aircraft financing and airlines	Scope 1	88 g CO₂/pkm	80 g CO₂/pkm	66 g CO₂/pkm	~ 25%		
Steel	Steel manufacturers	Scope 1 + Scope 2	1,074 kg CO₂/metric ton of steel	1,314 kg CO₂/metric ton of steel	860 kg CO <sub>2</sub> /metric ton of steel	~ 20%		
Commercial real estate	Commercial real estate	Scope 1 + Scope 2	51 kg CO₂/m²	37 kg CO₂/m²	22 kg CO <sub>2</sub> /m <sup>2</sup>	~ 57%		

<sup>\*</sup>The most recent sustainability data for companies is available for 2022; exposure for weighting as of 31 December 2023.

#### History of sector pathways

All sectors show a downward trend. In the energy generation sector, the average  $CO_2$  intensity fell from 224 kg  $CO_2$ /MWh in 2021 to 214 kg  $CO_2$ /MWh in 2022. This is a very positive development given the government-subsidized use of coal following the natural gas supply freeze. The auto parts, aviation and commercial real estate sectors also performed well.

The automotive OEM sector stayed flat, mainly due to changes in how key customers calculate  $CO_2$ .  $CO_2$  intensity in the cement sector also stayed flat. The  $CO_2$  intensity of the steel sector increased. This trend is attributable to individual companies due to the small size of the portfolio. The targets nevertheless remain realistic in these sectors.



# Financing products with sustainability features

At LBBW, we create targeted incentives and help our corporate and retail customers and investors invest more in sustainability, in turn accelerating the transformation to a strong future economy.

Sustainable finance has further established itself in the most important financing markets for corporate customers. These are financing solutions that incorporate social, environmental and governance criteria to promote long-term economic stability and positive environmental and social impacts. The market players – issuers, banks and investors – are increasingly professional. The relevant guidelines for green and ESG-linked financing from the International Capital Market Association (ICMA) and Loan Market Association (LMA) were further refined. While green financing is used exclusively for sustainable investments, ESG-linked financing is based on ESG key performance indicators (ESG KPIs) – such as CO<sub>2</sub> emissions, recycling rate or number of workplace accidents – that are selected based on the borrower's sustainability strategy. Compliance with these indicators is monitored on a regular basis.

ESG KPIs included in ESG-linked financing are having to meet ever-stricter requirements (e.g. there is a growing demand for the integration of Scope 3 CO<sub>2</sub> targets). To ensure compliance with the LMA guidelines, LBBW has introduced a process for reviewing the materiality of individual KPIs. This process also includes a backcheck to ensure that the main sustainability issues in a borrower's business model are covered by the individually selected ESG KPIs.

In the syndicated loan market, there has been a significant increase in the use of individually defined ESG KPIs when linking sustainability elements, in contrast to the use of sustainability ratings from external agencies (e.g. ISS ESG, ecovadis, Sustainalytics). This trend is further supported by the ability to use contract addenda to stipulate ESG linking during the life of the loan.

In 2023, LBBW's Green ABCP program (through its sponsored Weinberg Asset-Backed Commercial Paper (ABCP) program) was further established. Another seller of receivables was acquired for the ABS program, which allows the high level of investor interest to be served more broadly.

#### Financing the energy transition

The transition to renewable energies is a key lever as we move toward a sustainable future. This means that the complete decarbonization of the energy system is linked to the comprehensive transformation of the entire sector. LBBW has been financing renewable projects such as wind turbines and photovoltaic systems for a number of years. While large utilities were the first to invest in renewable energy, more and more municipal utilities, production companies and private households are switching to sustainable generation technologies to produce electricity and heat. New regulations in the Building Energy Act (Gebäudeenergiegesetz – GEG), passed in 2023, will further boost investment in renewable energy. The intelligent networking of sustainable solutions is being accelerated by the onset of digitalization: smart grid infrastructures and intelligent demand control using smart metering are helping to improve efficiency. The development of powerful storage technologies is essential not only in terms of energy supply to municipalities, companies, and private households but also when it comes to the penetration of electric mobility. Our aim is to provide stable, reliable financing solutions in order to help the energy transition to succeed. We support our customers in all their projects, whether large or small – from sustainable industrial parks to energy-efficient design in the home.

Headed by a sector specialist for energy, utilities, and waste disposal, we have consolidated our expertise on the latest challenges in the transformation process in the energy industry on a Bank-wide basis in order to ensure close integration between sales, risk management, research, and product development. We ensure that our team is updated on energy-related topics at all times through internal industry workshops and webinars and work together to design new financing solutions. We regularly participate in conferences and customer events with a view to engaging in joint dialog and actively driving the transition to renewable energies. We also organized our own events in 2023 in order to initiate constructive discussions and get effective financing solutions off the ground.

We refer our corporate customers to energy efficiency service providers on request. In this regard, we work with external partners to calculate savings potential and determine the available funding options.

We intend to continue to make an active contribution to the transition to renewable energies, as the complex political, economic, and social challenges involved can only be resolved by working together. In 2023, LBBW continued to help fund numerous renewable energy projects – such as photovoltaic systems and onshore and offshore wind farms – in Germany and abroad. There is a clear trend in conventional power production towards building efficient cogeneration plants, that not only produce electricity but also use the warmth generated for heating in the form of district heating or for industrial purposes in the form of process steam, making them highly efficient.

LBBW also provides support in structuring customized export finance solutions (e.g. wind power projects in Vietnam) with its extensive and long-standing expertise. LBBW is the world's second largest bank for export finance, according to the TXF Export Finance Research Report 2023 published by London-based Trade & Export Finance (TXF). This is the fifth time that LBBW has been ranked among the best export financing banks worldwide.

Efforts to accelerate the expansion of renewable energy require high levels of investment to create the infrastructure needed for the energy transition. For example, we are supporting the construction of the major north-south routes to take wind energy in northern Germany and transport it to where it is consumed in the south of the country. The timely expansion of these power lines is key to the successful phase-out of coal-fired electricity generation. As well as expanding major electricity highways, distribution grids have to be upgraded and extended in order to integrate charging infrastructure for e-mobility and generate power from decentralized energy sources into the grid.



Security of supply has once again become a key issue, especially in the natural gas sector. Price trends in energy markets have once again considerably increased pressure to continue expanding renewable energy and shown that investment not only helps protect the climate, it also works to ensure reliable supply in our country. At the same time, the supply situation must be stabilized in the short term and money invested in new gas infrastructure, particularly with regard to import capacity for liquefied natural gas (LNG). However, the new infrastructure must not delay the transformation of the energy system; instead, it makes sense to support green alternatives in parallel, such as creating an international hydrogen economy. Especially in areas where electrification is not possible or is very difficult, alternatives must be found to replace fossil fuels in the long term, such as hydrogen and other alternative gases. We closely monitor the market and technological developments here so that we can point the way to transformation for existing investments.

Decarbonizing the heating supply will be a major financial challenge for our country in the coming years, especially for private households. The majority of heating systems in Germany are fired with natural gas and fuel oil. Electric heat pumps will play an increasingly important role in the future. In addition, the expansion of district heating networks can serve existing buildings, especially in urban areas. Local district heating networks will become increasingly important for supplying neighborhoods in the future. Municipal heating planning is an important step in defining future heating structures.

In waste management, considerable investment is also required as a result of increased requirements regarding the separation and recovery of waste in order to conserve more valuable resources in the future and reuse raw materials. This is less about traditional waste disposal and more about a holistic circular economy with closed-loop materials cycles and the reuse of valuable secondary raw materials. This development also requires companies in the sector to refine their established business models so that available resources are used as sustainably as possible.

#### **Corporate Customers**

The Corporate Customers segment comprises business with small, medium-sized and large enterprises as well as corporate groups.

#### Positive incentive loans

Sustainable business activity should be rewarded. This is the principle behind the "positive incentive loan", which incentivizes sustainable business activity. To this end, the conditions of a bilateral or syndicated loan financing instrument are tied to sustainability elements to incentivize better sustainability performance by way of lower credit margins. We are seeing growing interest in sustainable finance across all sectors and for all sizes of companies and expect the strong growth for positive incentive loans on lending markets to continue. LBBW helps companies determine key sustainability indicators so that they can integrate these into sustainable finance transactions.



#### Schuldschein loans and bonds

In addition to bilateral and syndicated loans, Schuldschein loans can be linked to positive incentive mechanisms. We successfully placed the world's first Schuldschein transaction linked to a company's sustainability rating (ESG rating) on the market in 2019, attracting a high level of interest among companies and investors. In 2023, LBBW arranged ESG-linked Schuldschein loans with an external sustainability rating for Dürr AG, Egger Holzwerkstoffe GmbH and the MANN+HUMMEL Group, among others. LBBW also arranged ESG-linked Schuldschein loans with company-specific sustainable performance targets for clients such as ALTANA AG, the KION Group, the Hochwald Foods Group and Palfinger AG. LBBW was involved in a transaction for Burgenland Energie AG aimed at investing in suitable green projects in the form of a green Schuldschein loan.

In the bond segment, LBBW acted as joint lead arranger for Amprion GmbH and Mercedes-Benz AG in a new green bond transaction. Proceeds are earmarked for sustainable projects.

We support green Schuldschein loans and green bonds for companies that wish to play an active part in decarbonization. When issuing green Schuldschein loans, we place particular emphasis on ensuring that the sustainable investments financed are incorporated into a holistic sustainability strategy and thus help transform the business model.

#### **ESG-linked leasing**

The LBBW subsidiary SüdLeasing GmbH helps customers improve their environmental and social credentials through ESG-linked leasing. In doing so, they are helping contribute to a sustainable future. SüdLeasing works with the rating agency Ecovadis here, which offers a sustainability rating based on 21 CSR criteria, taking account of international standards. Terms and conditions of the agreement are directly linked to the company's sustainability rating. This creates a monetary incentive to improve sustainability: The better the rating, the cheaper the lease.

#### **ESG-linked factoring**

The primary objective of the LBBW subsidiary SüdFactoring is to increase sustainable solutions and offer customers the best possible support. In ESG-linked factoring, like with ESG-linked leasing, the conditions of the contract are linked to a recognized sustainability rating to encourage customers to improve sustainability. To put this into practice, SüdFactoring works with global rating agencies that consider environmental, social and ethical factors in their rating and offer a sustainability rating based on 21 CSR criteria, taking account of international standards.

### **Real Estate and Project Finance**

The Real Estate/Project Finance segment primarily focuses on commercial real estate financing business and on structured project finance.

#### Real estate

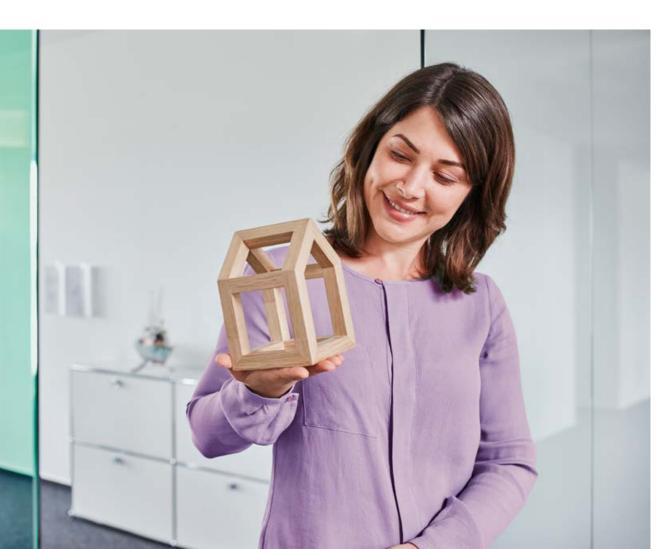
The commercial real estate industry has a key role to play in decarbonizing the economy. For several years, LBBW has been financing particularly energy-efficient buildings in Europe and North America through the green bond program. The volume of this business has been increasing steadily. As of 31 December 2023, the pool of "green buildings" amounted to approximately EUR 7.8 billion (previous year: EUR 7.9 billion).

Another important business activity in commercial real estate financing is the financing of municipal or quasi-municipal housing companies and housing cooperatives that are committed to providing good, safe and socially responsible housing.

We also specifically inform the owners of commercial properties about the availability of public-sector grants. This includes the funding programs operated by the Kreditanstalt für Wiederaufbau (KfW) and the development loan programs maintained by state-owned development institutions (e.g. L-Bank).

#### **Project finance**

LBBW makes a significant contribution to decarbonization by financing renewable energies. In 2023, the renewable energy portfolio was expanded by 12% to EUR 3.3 billion, with renewables accounting for 92% of the financed energy generation plants.



LBBW also provides sustainable funding in social infrastructure by financing hospitals, schools and public transportation. The sustainable portfolio of green and social financing accounts for nearly 60% of project finance.

#### Project finance by region and sector in 2023

Project finance Balance sheet assets (in EUR) (as of 31 December 2023)	Renewable energies	Conventional energies	Digital projects	Social infra- structure	Construction and civil engineering projects	Other	Total
Germany	1,047,513,485	85,115,270	427.543.906	686.981.780	480.257.574	245.174.222	2,972,586,237
Europe excluding Germany	2,075,122,848		970,267,122	381,544,109	284,518,005	51,081,969	3,762,534,052
USA/Canada	26,657,586	199,168,702	34,756,736	136,364,950	44,068,376	450,801,368	891,817,718
Other regions	173,903,532	19,099,952			-	41,321,312	234,324,795
Total	3,323,197,450	303,383,924	1,432,567,763	1,204,890,840	808,843,956	788,378,870	7,861,262,803

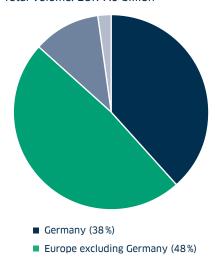
In the renewable energy sector, LBBW financed one of the largest repowering projects in Europe in 2023. In Germany, 50 wind turbines were replaced by 16 more efficient ones, increasing energy output sixfold. This is enough to power 67,000 three-person households with green power. We also financed a large photovoltaic portfolio, relatively small wind turbines in Germany and several offshore wind farms in France. In 2024, we will significantly expand our financing activities in Germany as a result of the German government's decision to expand the use of renewable energies.

There remains a strong need for energy-efficient fiber optic networks to connect rural and suburban areas to a high-speed network. We are particularly active in Germany and Western Europe in this area. We are also focusing on new conversion technologies such as green hydrogen and its power-to-X variants as well as  $CO_2$  capture and storage.

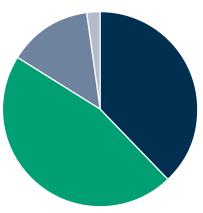


#### Project finance balance sheet assets by region

(as of 31 December 2023) Total volume: EUR 7.9 billion



(as of 31 December 2022) Total volume: EUR 6.51 billion



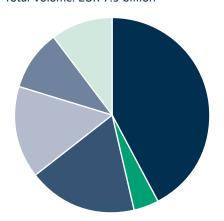
- Germany (38%)
- Europe excluding Germany (46%)
- USA/Canada (14%)
- Other (2%)

#### Project finance balance sheet assets by sector

(as of 31 December 2023) Total volume: EUR 7.9 billion

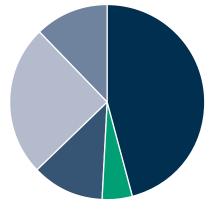
■ USA/Canada (11%)

■ Other (3%)



- Renewable energies: wind, solar/photovoltaic, biogas, geothermal (42%)
- Conventional energies (4%)
- Digital projects (18%)
- Social infrastructure (15%)
- Construction and civil engineering projects (10%)
- Other (10%)

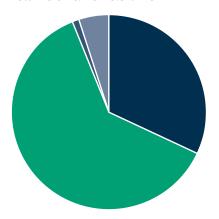
(as of 31 December 2022) Total volume: EUR 6.51 billion



- Renewable energies: wind, solar/photovoltaic, biogas, geothermal (46%)
- Conventional energies (5%)
- Infrastructure (12%)
- Public private partnerships (25%)
- Other (12%)

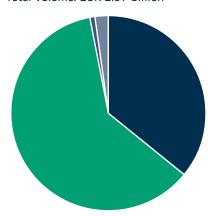
#### Renewable energies project finance balance sheet assets by region

(as of 31 December 2023) Total volume: EUR 3.3 billion



- Germany (32%)
- Europe excluding Germany (62%)
- USA/Canada (1%)
- Other (5%)

(as of 31 December 2022) Total volume: EUR 2.97 billion



- Germany (36%)
- Europe excluding Germany (61%)
- USA/Canada (1%)
- Other (2%)



#### **Capital Markets Business**

In the Capital Markets Business segment, we support institutional customers such as banks and public sector issuers (supranational, sub-sovereign and agency ("SSA")) in issuing bonds for social and environmental purposes through our primary market business.

#### Schuldschein loans and bonds

One of the projects successfully supported in 2023 was the increase in the European Union's Next-GenerationEU green bond. The increase from EUR 5 billion to EUR 8 billion attracted more than 400 different investors and resulted in an order book of more than EUR 70 billion. Proceeds from the NextGenerationEU green bond go to green projects identified in EU Member States' recovery and resilience plans (RRPs).

We also collaborated with Berlin Hyp on the completion of joint projects in 2023. At the start of the year, LBBW was one of the banks mandated by Berlin Hyp for its first issue of a dual tranche bond, with each tranche amounting to EUR 500 million. Both Pfandbrief bonds were structured as ESG bonds, consisting of a three-year long social Pfandbrief and a ten-year green Pfandbrief. More than 170 investors participated in the Pfandbrief bonds. The significant oversubscription reflects strong demand.

#### **Private Customers/Savings Banks**

The Private Customers segment comprises all activities with private customers in retail banking in addition to services for high net-worth private clients. Business customers including medical practitioners, independent professionals, and tradespeople are also allocated to this segment.

#### Microloans

We facilitate the straightforward financing of smaller projects up to EUR 50,000 with "small-scale loans", which are anticipatory loans combined with an LBS home loan savings plan as the repayment vehicle. This enables retail customers to carry out energy-saving renovations in owner-occupied or leased properties at low interest rates without excessive red tape.

"We facilitate the straightforward financing of smaller projects up to EUR 50,000 with 'small-scale loans'."



#### **BW Green Movement Loan**

We want to get e-mobility off the ground. To achieve this, we support customers who want to get an e-bike, pedelec or e-scooter or install a charging station for their electric car (wallbox) in their garage at home by offering the BW Green Movement loan by BW-Bank in cooperation with Creditplus Bank. This sustainable loan option of up to EUR 5,000 provides quick, affordable and simple initial support. The BW Green Movement loan is available through all sales channels. Creditplus Bank AG is acting as the lender and is responsible for the entire lending process, including refinancing.

#### Energy-efficient renovation of residential properties

More and more owners are looking to renovate or modernize their properties in order to reduce energy consumption, increase efficiency or generate renewable energy through their own systems, partly due to the new provisions in the Building Energy Act (Gebäudeenergiegesetz – GEG) that came into force on 1 January 2024. Whether it be smaller projects or larger, long-term projects, we offer a range of financing options to support green projects.

#### ProKlima loan

To underline our contribution to environmental protection and climate change mitigation and complete our product range, we have been offering a green loan option for financing sustainable use projects in cooperation with LBS Süd since 2 January 2023: the ProKlima loan. By offering attractive interest rates, we help our customers make energy-efficient upgrades and renovations and support them as they make their homes sustainable.

We finance the following energy projects:

- Insulating the building envelope
- Replacing windows and exterior doors
- Thermal protection in the summer
- Ventilation and air conditioning systems
- Systems for generating heat or electricity
- Connection to a district heating system

The ProKlima loan is based on a home loan savings plan from LBS Süd that is used to pay off the loan. Our customers from Stuttgart can also apply for a subsidy from the City of Stuttgart and obtain a professional evaluation from the Stuttgart Energy Advisory Center (EBZ).

#### "BW ModernisierungsVorsorge"

We help our customers to accumulate capital for future modernization activities via a home loan savings plan, allowing them to obtain a favorably priced home loan to cover additional capital requirements, including small loan amounts.

#### Construction green financing

The pilot project for green construction financing in employee customer advisory was launched in July 2022. Since the beginning of 2023, the offer has been made to all retail customers who want to buy a property or are planning to renovate an existing property to make it more energy-efficient. Using the KfW renovation calculator, we prepare a brief analysis of the property's energy status, primary energy needs and related  $CO_2$  emissions. We also provide information about expected legal requirements and compare these with potential options for meeting the "Efficiency House" standard. Both options are analyzed, taking account of energy cost savings and financial subsidies. Starting in 2023, we will report the share of green financing for new construction financing business in accordance with the taxonomy criterion energy efficiency  $CO_2$  consumption and  $CO_2$  reduction for renovations per financing/property.

#### **Development loans**

Under certain conditions, sustainable private and corporate projects can obtain financing subsidies from government development loan programs, e.g. Kreditanstalt für Wiederaufbau (KfW). We help our customers to explore the available subsidies and apply for development loans. In 2023, the majority of new business was again generated with development loans in the area of energy efficiency. The federal subsidies for efficient buildings were essential here. This funding is now at a low level due to the current environment. L-Bank's funding for digital and sustainable investments was very well received and provides excellent support for SMEs.

#### Residential development loan programs

We help residential real estate companies and private investors to apply to KfW development loan programs. In addition, we assume risk when passing through the approved KfW funds. Indirectly, this enables us to contribute to the availability of energy-efficient and affordable housing. We also participate in financing urban development projects and projects to restructure residential neighborhoods.

In 2023, LBBW approved a new business volume of EUR 1,593 million comprising around 5,500 separate loan agreements for private energy efficiency measures via its own distribution channels as well as the savings banks, meaning it remains the market leader in its core markets of Baden-Württemberg, Rhineland-Palatinate, and Saxony.

The commercial loans for ecological purposes (including environmental and energy efficiency, renewable energies, and flood defenses) arranged by LBBW via its own distribution channels or for the savings banks remained at a high level as of 30 December 2023 with a new business volume of EUR 1,177 million and some 931 individual loan agreements. In LBBW's core markets, the savings banks organization received more than 50% of the total funding volume in 2023.

LBBW is the market leader in its core markets when it comes to promoting innovation and digitalization through its own distribution channels and the savings banks, holding a market share of 60% in 2023. Good use continued to be made of existing programs for financing new, sustainable business models and digital and innovative investment projects. A new business volume of EUR 457 million was approved in 2023, comprising 885 individual loan agreements.

Together with savings banks, LBBW did EUR 588 million in new business with 5,401 customers to fund social projects.

New development loan	business volume (EUR million)

30 Dec. 2023	30 Dec. 2022	30 Dec. 2021	30 Dec. 2020
1,593	1,968	3,454	3,195
1,177	1,609	1,798	1,441
457	681	341	313
588	569	672	906
	1,593 1,177 457	1,593     1,968       1,177     1,609       457     681	1,593     1,968     3,454       1,177     1,609     1,798       457     681     341



# **Employees**

### Fostering diversity

We have launched a large-scale initiative on diversity, equality and inclusion to inspire our employees to embrace the vibrant and enriching diversity at our Bank. Highlights included the "1st LBBW Diversity Knowledge Forum" and the "wort.wechsel!" dialog session on diversity. We expanded our reporting on the intranet. We also increased DE&I staffing and embedded this function at the management level. Since 2023, we have also been supporting "Netzwerk Chancen" (opportunities network), which supports young adults from financially disadvantaged and non-collegeeducated backgrounds, and have formed the first mentor/mentee tandem. The initiative is continuing in 2024 and demonstrates a clear commitment to an open and respectful corporate culture.

#### More freedom

Today, you can work from anywhere – in the office, on the road or at home. We have provided all employees with laptops and are now giving them even more flexibility and freedom with the new "Hybrides Arbeiten" (hybrid work) works agreement. From now on, teams can define their workdays independently together with their manager. A playbook provides practical tools, tips and checklists to help get started.



the 1<sup>st</sup> LBBW Diversity Knowledge Forum



## Employees.

## Team-focused, top performing, diverse

Lifestyles and ways of working are changing. Digitalization offers up many opportunities but also challenges. LBBW invests in its employees' skills and performance and makes a conscious effort to address the changing requirements at work. Only an ambitious team that thinks ahead, is well trained and acts responsibly can convince its customers and succeed against the competition. We want our employees to be able to enjoy working for us and work together successfully while also having enough room for their private lives. This is our motivation for pursuing sustainable human resources management.

Success is a team effort. Together with employees who are ambitious and responsible, we are shaping the future of banking. Together, we address complex challenges, value cross-divisional and cross-hierarchical cooperation and practice increasingly agile working methods so that we can respond to changes quickly and successfully. An important strategic lever is getting our employees excited about their work at LBBW.

Our sustainable human resources management helps all employees grow their professional abilities and enhance their soft skills throughout their entire career.

Investing in young talent and future managers is particularly important to us and so we developed various talent programs for particularly committed and high-performing employees with considerable potential. We offer a range of different development programs aimed specifically at our female employees to increase the number of female managers. Another mentoring program is directed at female employees for whom leadership roles are an option only if they work part time, for example due to family obligations. Job sharing, where two employees share a position, is possible at all levels.

Hybrid work models have proven their worth in recent years. Even before the COVID-19 pandemic, we took organizational and technical steps to give our employees more freedom. We have provided laptops to all employees so they can work from home or on the road. A new company agreement came into effect in 2023, making teamwork even more flexible.

We will continue our large-scale diversity campaign in 2024 because we know that we benefit from the varied backgrounds, skills, and cultural orientations within our Group and, in particular, from the wealth of experience of our employees from 74 different countries. We want to inspire them so that they enjoy working for the bank and continue to do so in the future and so we will always live up to our aspirations of being a top employer in the financial sector.

## Personnel figures

The number of employees in the LBBW Group totaled 10,434 as of 31 December 2023. LBBW (Bank) counted 8,113 employees as of this reporting date.

The following tables contain annual comparisons of all personnel figures.

### Personnel figures for the LBBW Group (as of 31 December of each year)

	2023	2022	2021	2020	2019
Employees					
Employees, total according to IFRSs	10,434	10,384	9,893	10,121	10,005
of which women	5,312 (51%)	5,246 (51%)	5,013 (51%)	5,147 (51%)	5,191 (52%)
of which men	5,122 (49%)	5,138 (49%)	4,880 (49%)	4,974 (49%)	4,814 (48%)
Full-time employees	7,512 (72%)	7,433 (72%)	6,996 (71%)	7,234 (71%)	7,133 (71%)
Part-time employees	2,922 (28%)	2,951 (28%)	2,897 (29%)	2,887 (29%)	2,872 (29%)
of which women	2,583 (88%)	2,600 (88%)	2,561 (88%)	2,585 (90%)	2,582 (90%)
of which men	339 (12%)	351 (12%)	336 (12%)	302 (10%)	290 (10%)
Apprentices (including Cooperative State University ["Duale Hochschule"] students)	293 (2.8%)	254 (2.4%)	275 (2.8%)	329 (3.3%)	304 (3.0%)
Graduate trainees	146	117	95	134	83
Fixed-term employees	53	16	14	8	6
Age					
Average age (in years) <sup>1</sup>	46.1	46.3	46.1	45.7	45.5
Age breakdown¹					
> 60 years	499 (5%)	428 (5%)	385 (4%)	325 (4%)	294 (3%)
51-60 years	3,319 (36%)	3,308 (37%)	3,264 (36%)	3,207 (35%)	3,144 (34%)
41-50 years	2,610 (28%)	2,626 (30%)	2,770 (31%)	2,935 (32%)	3,050 (33%)
31-40 years	1,661 (18%)	1,598 (18%)	1,644 (18%)	1,732 (19%)	1,792 (19%)
25-30 years	781 (9%)	680 (8%)	668 (7%)	691 (8%)	730 (8%)
< 25 years	293 (3%)	251 (3%)	242 (3%)	289 (3%)	260 (3%)
Other					
Average length of service (in years) <sup>1</sup>	18.8	19.5	19.4	18.9	18.8

<sup>1</sup> All figures on the age and length of service of employees refer to the LBBW Group excluding the subgroups (i.e. not including LBBW Immobilien Management GmbH, MMV Bank GmbH and Berlin Hyp AG).



## Personnel figures for LBBW (Bank) (as of 31 December of each year)

	2023	2022	2021	2020	2019
Employees					
Employees total	8,113	7,845	7,938	8,148	8,230
of which women	4,159 (51%)	4,038 (51%)	4,074 (51%)	4,198 (51%)	4,283 (52%)
of which men	3,954 (49%)	3,807 (49%)	3,864 (49%)	3,950 (48%)	3,947 (48%)
Full-time employees	5,672 (70%)	5,440 (69%)	5,496 (69%)	5,684 (69%)	5,728 (70%)
Part-time employees	2,441 (30%)	2,405 (31%)	2,442 (31%)	2,464 (30%)	2,502 (30%)
of which women	2,167 (89%)	2,140 (89%)	2,181 (89%)	2,220 (90%)	2,252 (90%)
of which men	274 (11%)	265 (11%)	261 (11%)	244 (10%)	250 (10%)
Severely disabled persons and persons with equivalent disabilities (key date)	396 (4.9%)	382 (4.9%)	402 (5.1%)	419 (5.1%)	419 (5.1%)
Apprentices (including Cooperative State University ["Duale Hochschule"] students)	272 (3.4%)	227 (2.9%)	251 (3.2%)	304 (3.7%)	282 (3.4%)
Graduate trainees	131	97	90	128	80
Fixed-term employees	41	5	4	7	4
Casual workers	13	11	14	16	17
Temporary employees	15	11	2	16	41
Management					
Board of Managing Directors	7 (0.1%)	7 (0.1%)	7 (0.1%)	6 (0.1%)	6 (0.1%)
of which women	1 (14%)	1 (14%)	1 (14%)	0 (0%)	0 (0%)
Division heads (including brand board members)	54 (0.7%)	52 (0.7%)	52 (0.7%)	53 (0.7%)	54 (0.7%)
of which women	8 (15%)	9 (17%)	7 (13%)	8 (15%)	9 (17%)
Department heads	179 (2%)	172 (2%)	173 (2%)	167 (2%)	174 (2%)
of which women	42 (23%)	37 (22%)	35 (20%)	22 (13%)	22 (13%)
Group head	523 (6%)	444 (6%)	442 (6%)	467 (6%)	470 (6%)
of which women	158 (30%)	114 (26%)	100 (23%)	106 (23%)	105 (22%)
Age					
Average age (in years)	46.1	46.3	46.1	45.7	45.5
Age breakdown					
> 60 years	415 (5%)	362 (5%)	332 (4%)	282 (3%)	252 (3%)
51-60 years	2,962 (37%)	2,945 (38%)	2,913 (37%)	2,860 (35%)	2,810 (34%)
41-50 years	2,324 (29%)	2,340 (30%)	2,463 (31%)	2,636 (32%)	2,741 (33%)
31-40 years	1,439 (18%)	1,359 (17%)	1,409 (18%)	1,484 (18%)	1,542 (19%)
25-30 years	704 (9%)	601 (8%)	586 (7%)	606 (7%)	640 (8%)
< 25 years	269 (3%)	238 (3%)	235 (3%)	280 (3%)	245 (3%)

	2023	2022	2021	2020	2019
Other					
Part-time executive staff at levels 1 to 3	7	8	8	6	7
Men on parental leave/family year	169	179	197	202	210
of which men working during parental leave	28	17	20	20	21
Women on parental leave/family year	495	573	595	590	579
of which women working during parental leave	140	72	111	71	113
Men on family year leave	1	0	1	1	2
Women on family year leave	27	24	25	26	23
Men on family care leave	1	5	10	5	3
Women on family care leave	11	15	14	17	13
Average length of service (in years)	19.3	20.0	19.9	19.5	19.3
Layoffs due to operational reasons	0	0	0	0	0
Turnover rate, including early retirement and severance agreements	5.4%	6.8%	5.4%	4.1%	5.1%
Women who have left the company	190	221	182	169	204
Men who have left the company	215	228	204	174	201
External hires	626	287	147	n/a	n/a
of which women	282	128	57	n/a	n/a
of which men	344	159	90	n/a	n/a
Rate of absence due to illness	4.5 %	5.5%	3.7%	4.7 %	4.0%

	2023	2022	2021	2020	2019
Personnel development					
Total personnel development measures	25,903	19,981	16,614	4,357	8,999
of which digital	20,594	16,380	14,632	n/a	n/a
Training days per employee (not including apprentices)	1.5 days	1.4 days	1.0 days	1.2 days	2.2 days
Training hours per employee (not including apprentices) (7.8 hrs./day)	12 hours	11.2 hours	7.9 hours	9.4 hours	17.1 hours
Personnel development measures by category (no.) <sup>1</sup>					
Specialist training	20,196	13,058	11,972	2,548	4,369
Executive staff training	1,741	725	691	463	874
Long-term training (study programs/certificates)	129	70	112	294	389
Training on social and methodological expertise	3,641	3,130	3,729	979	2,875
Language training	196	159	110	73	492

n/a = no data available.

The introduction of a new SAP system (HR.lerncampus) and the associated system changeover required changes to be made to the categories.

	2023	2022	2021	2020	2019
Remuneration structure by gender LBBW (Bank) <sup>1</sup>					
AT	46%	45%	44%	43%	42%
of which women	30%	28%	28%	27%	27%
of which men	70%	72%	72%	73%	73%
TG 7 - 9	40%	40 %	40 %	40%	40%
of which women	66%	66%	65%	65%	65%
of which men	34%	34%	35%	35%	35%
Up to TG 6	14%	15%	16%	17%	18%
of which women	80%	81%	80%	81%	82%
of which men	20%	19%	20%	19%	18%

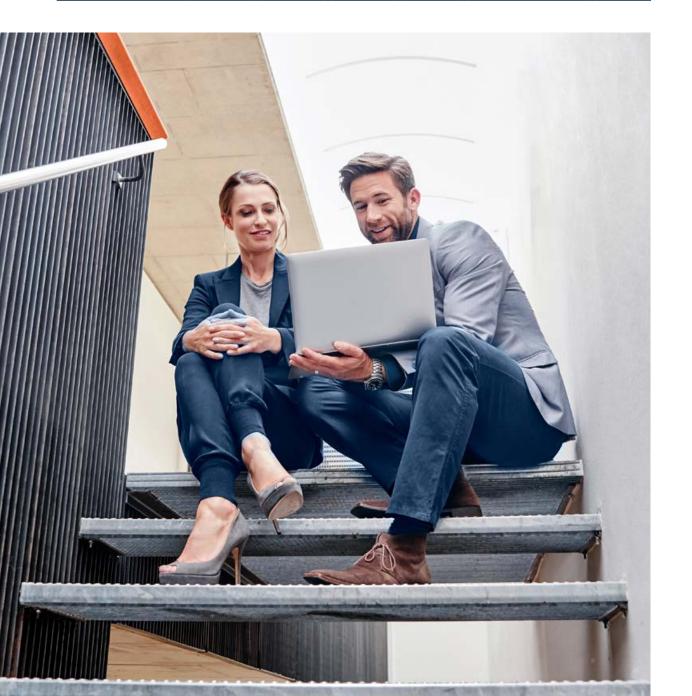
<sup>1</sup> Employees in the TVôD civil service collective bargaining agreement category (1.82%) were assigned to the relevant bank-specific wage group.

AT ("außertariflich") = Not subject to collective bargaining agreements. TG ("Tarifgruppe") = Wage group.

Employees by location LBBW Group <sup>1</sup>	Stuttgart	Mannheim	Karlsruhe	Mainz	Leipzig	Branches	Outside Germany
31 Dec. 2022	6,470	269	264	415	269	1,147	298
31 Dec. 2023	6,452	251	266	423	290	1,154	327
Change	- 18	- 18	2	8	21	7	29

<sup>1</sup> LBBW Group excluding subgroups (i.e. not including LBBW Immobilien Management GmbH, MMV Bank GmbH or Berlin Hyp AG).

Employees by location LBBW (Bank)	Stuttgart	Mannheim	Karlsruhe	Mainz	Leipzig	Branches	Outside Germany
31 Dec. 2022	5,373	256	256	406	218	1,072	264
31 Dec. 2023	5,582	239	260	414	244	1,081	293
Change	209	- 17	4	8	26	9	29



## Key performance indicators - human resources

The best foundation for business success is a sustainable human resources policy. In order to make implementation of the guidelines for sustainability in human resources policy measurable, we regularly document key performance indicators (KPIs).

Key performance indi- cator	is an indicator of the extent to which	2023	2022	2021	2020	2019
1. Compensation and benefits						
Ratio of lowest salary group to minimum wage (wage EUR/ hour * 100/minimum wage as at 31 December EUR/hour)	we ensure a fair living wage	148%	145%	177%	181%	186%
2. Change management						
Percentage of employee- initiated resignations (not including early retirement and severance agreements)	employees are satisfied with the work organization and working conditions	1.8%	2.3%	1.9%	1.4%	1.7%
Percentage of measures by management consulting (no. of events [team workshops]/no. of employees * 100)	change processes in the company are furthered by the employer	0.9%	0.5%	n/a	n/a	1.0%
3. Work-life balance						
"Audit berufundfamilie" audit certification by the Hertie Foundation every three years	independent institutions consider our company to be family-friendly	Re-audit	Re-audit	Re-audit	Re-audit	Re-audit
Daycare places	we make it easier for our employees who are parents to work	114 (incl. 5 places for children of guests)	112 (incl. 5 places for children of guests)	113 (incl. 5 places for children of guests)	110 (incl. 5 places for children of guests)	96 (incl. 5 places for children of guests)
Ratio of part-time employees	our employees take advantage of flexible working time models to balance their careers and personal lives	30%	31%	31%	30%	30%
No. of part-time executive staff at levels 1 to 4/Percentage of part-time executive staff at levels 1 to 4	our employees take advantage of flexible working time models to balance their careers and personal lives	48 (7%)	45 (7%)	38 (6%)	36 (5%)	34 (5%)
No. of female part-time executive staff Levels 1 to 4 part time women/percentage of part-time executive staff at levels 1 to 4	our employees take advantage of flexible working time models to balance their careers and personal lives	37 (20%)	34 (21%)	27 (19%)	28 (21%)	25 (18%)
4. Communication and informati	on					
Percentage of employees who can access the company intranet	the employer informs employees about impor- tant events	96.4%	96.6%	96.8%	97%	97.1%
Results of the employee survey regarding information <sup>1</sup>	employees feel sufficiently informed	8.2	7.9	8.0	7.7	7.3%

Key performance indicator	is an indicator of the extent to which	2023	2022	2021	2020	2019
5. Management						
Participation rate in manage- ment training/workshops	executives discuss their management duties and further develop their leadership skills	14%	7%	2%	18%	18%
Employee review percentage	the percentage of employees with whom a review was conducted every three years	KPI elimi- nated due to annual performance dialog introduced in 2023, see p. 197.	74%	71%	74%	74%
6. Personnel development						
Personnel development days per employee (no. of personnel development days/no. of employees)	we further develop our employees' skills	3.2	2.5	2.1	0.5	1.1
Training days per employee (total no. of training days/no. of employees)	we further develop our employees' skills	1.5	1.4	1.0	1.1	1.9
7. Employee retention						
Early turnover rate (employment relationships terminated in probationary period/no. of hires * 100)	we make good personnel choices	3.2%	0.7%	4.8%	3.6%	1.8%
Turnover rate by age structure (age cluster in %) (resignations/ average no. of employees per age group)	young employees remain with the company	> 60 years 26.0%	> 60 years 34.8%	> 60 years 34.9%	> 60 years 43.4%	> 60 years 52.9%
		51-60 years 4.5%	51-60 years 3.8%	51-60 years 3.4%	51-60 years 3.0%	51-60 years 2.5%
		41-50 years 2.0%	41-50 years 4.0%	41-50 years 2.0%	41-50 years 1.8%	41-50 years 1.8%
		31-40 years 3.8%	31-40 years 8.5%	31-40 years 3.7%	31-40 years 3.8%	31-40 years 4.4%
		25-30 years 5.5%	25-30 years 9.5%	25-30 years 4.8%	25-30 years 3.4%	25-30 years 7.1%
		< 25 years 8.6%	< 25 years 11.8%	< 25 years 17.0%	< 25 years 6.8%	< 25 years 15.7%
Average length of service (in years)	we are able to retain our employees for the long term	19.3	20.0	19.9	19.5	19.3
Employee satisfaction (results of employee survey) <sup>1</sup>	employees are satisfied with their employer	8.2	7.9	8.0	7.9	7.5

<sup>1</sup> Average score across all employee survey respondents. On a scale from 1 (lowest) to 10 (highest).

Key performance indicator	is an indicator of the extent to which	2023	2022	2021	2020	2019
8. Demographic developments						
Average age of the workforce (in years)	we ensure a balanced ratio of older and younger employees	46.1	46.3	46.1	45.7	45.5
Age breakdown (age clusters in %)	we ensure a balanced ratio of older and younger employees	> 60 years 5%	> 60 years 5%	> 60 years 4%	> 60 years 3%	> 60 years 3%
		51-60	51-60	51-60	51-60	51-60
		years 37%	years 38%	years 37%	years 35 %	years 34%
		41-50	41-50	41-50	41-50	41-50
		years 29%	years 30%	years 31%	years 32%	years 33%
		31-40	31-40	31-40	31-40	31-40
		years 18%	years 17%	years 18%	years 18%	years 19%
		25-30	25-30	25-30	25-30	25-30
		years	years	years	years	years
		9%	8 %	7%	7 %	8%
		< 25 years 3%				
Training ratio (number of apprentices/no. of employees * 100)	we train young professionals internally	2.2%	1.7%	2.0%	2.6%	2.4%
Ratio of Cooperative State University ("Dual Hochschule") students (no. of students/no. of employees * 100)	we train young professionals internally	1.1%	1.2%	1.1%	1.1%	1.0%
Graduate trainee ratio (number of graduate trainees/ no. of employees * 100)	we train young professionals internally	1.6%	1.2%	1.1%	1.6%	1.0%
9. Promoting health						
Rate of absence due to illness (with physician's note) (total absences due to illness in days/target working time in days * 100	our employees are absent due to illness	4.5%	5.5%	3.7%	4.7%	4.0 %
10. Equal opportunity and diver	sity					
Percentage of female employees	we provide equal opportunities regardless of gender	51%	51%	51%	52%	52%
Percentage of women in leadership positions <sup>2</sup>	we provide equal opportunities regardless of gender	27.4%	25.6%	21.2%	19.6%	19.3%
Percentage of workforce of non-German nationality	opportunities regardless of national origin	7.7%	7.1%	6.7%	6.4%	6.1%
Percentage of severely disabled persons and persons with equivalent disabilities in the workforce	we employ people with disabilities in our compa- ny in accordance with the German Disabilities Act	4.9%	4.9%	5.1%	5.1%	5.1%

Average score across all employee survey respondents. On a scale from 1 (lowest) to 10 (highest). Team leaders were included in the figure for the first time in 2022.

## Personnel development





We pursue a sustainable personnel development policy as the ability to recruit and retain skilled and committed employees is a decisive factor in business competitiveness. We actively support our employees in their efforts to develop their skills and abilities throughout their entire careers. We offer separate development programs for top talents.

"We place particular emphasis on developing talented younger employees in order to remain competitive in the future."

Methodological, structural and cultural changes are supported on a project-by-project basis as needed in order to provide targeted support for change processes as part of LBBW's strategic focus. LBBW experts from HR management, HR development, and talent management as well as agile coaches consult on and implement change processes together with the divisions.

Training and continuing education are critical to professional development. In this respect, 2023 was another very successful year. There was strong demand for new content and a significant increase in the use of our learning programs. The training measures (excluding mandatory training) were used around 25,400 times in 2023 (previous year: 17,000). 58% were completed by managers and employees digitally (web seminars and e-learning courses). The high level of interest continues to underpin our determination to offer our employees a wide range of learning opportunities and expand this range even further.



Digital training on banking and division-specific training programs are firmly integrated in LBBW's Lerncampus. This digital in-house platform offers a wide range of opportunities for personal and interdisciplinary development. Four times a year, we send out a newsletter to our learners on an issue taken from the interdisciplinary continuing education courses. The 2023 issues were health, lifelong learning, communication, self-reflection and personal strengths.

The full range of learning programs is available to all LBBW employees. We also offer special training courses for managers.

We work with many different institutes and people on our interdisciplinary programs. These are mainly smaller companies and individuals who enrich our portfolio.

We rely heavily on internal instructors for subject-specific courses. If they are unable to satisfy our requirements, we are supported by highly regarded institutes with whom we design and conduct training courses (e.g. Frankfurt School, Haufe Academy). Sustainability training courses are offered in close collaboration with the Federal Association of Public Banks in Germany (VÖB) as well as Akademie Heidelberg and Forum Institut (both training providers).

The need for training and continuing education at LBBW is determined in the course of annual personnel planning together with the specialized divisions. The individual training needs of employees are identified in discussions with their supervisors. Training that is mandatory due to statutory regulations is organized and held by the responsible specialized divisions (e.g. on topics such as money laundering, fraud prevention, data protection, information security (including cyber security) etc.). These are generally self-directed training programs. → More information on compliance training: page 94 et seqq. and page 103.

In 2023, we revised the mandatory training on sustainability that all our employees, including the Board of Managing Directors, must regularly repeat every two years. The content was updated to account for current developments and action areas. It covers the following topics:

- The dimensions of sustainability: ESG
- How sustainable is LBBW today?
- Why do we take a strategic approach to sustainability?
- Strategy and governance at LBBW
- Our action areas:
  - Item 1: Sustainable investment and lending
  - Item 2: CO<sub>2</sub> reduction of own and financed emissions

Biodiversity was added as a new component (Item 3: Nature)

After adding 22 new training classes on sustainability to our continuing education program in 2022 – covering topics from the analysis of sustainability risks to sustainability regulations to green bonds – we increased the number of courses to 68 in 2023. More than 6,600 employees have now completed a total of 68 training courses (not including the mandatory training on sustainability).

#### New sustainability training

Training completed in 2023 by business unit

Business unit	Number of employees				
Finance and Operations	330				
Real Estate and Project Finance	190				
Capital Markets Business/Asset Management/International Business	1,832				
Risk Management and Compliance	2,452				
Retail and Business Customers/Savings Banks	583				
Subsidiaries and equity investments	225				
Corporate Customers	824				
Central Divisions	58				
Other units	3				
Total	6,497				

In 2023, we worked with our departments to assemble the above courses into "sustainability learning pathways" that reflect different information needs. At the same time, we conducted a gap analysis with an external service provider to determine further learning needs. We will build on this to provide new sustainability learning pathways in 2024 that will help our business units make further progress in sustainability.

In addition, sustainability advisor certification was offered in 2022 for employees in Risk Management and Corporate Customers. In 2023, 38 employees from the Corporate Customers business (previous year: 43) and 24 employees from Risk Management (previous year: 23) participated in the continuing education program. The certification as "geprüfte(r) Nachhaltigkeitsberater:in" (certified sustainability consultant) was awarded by Sparkassenakademie.

The internal and external training opportunities offered by LBBW can also be used by employees in the offices outside Germany. We also support our employees in their personal development by promoting part-time study programs.

#### **Supervisory Board training**

In addition to individual continuing education sessions, the Supervisory Board received training on information risk management in the context of non-financial risks on 27 February 2023, on monetary policy on 27 March 2023 and on sustainability on 3 July 2023. The Audit Committee received training on the Corporate Sustainability Reporting Directive on 23 June 2023. Attendees of the Remuneration Control Committee meeting on 22 September 2023 were instructed on the latest developments relating to the German Remuneration Regulation for Institutions (Institutsvergütungsverordnung – InstitutsVergV). On 16 October 2023, the Risk Committee was trained on the Basel Committee on Banking Supervision's risk reporting standard BCSC 239.

→ More information: Supervisory Board report in the <u>2023 annual report</u>, page 7.

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"The new performance dialog has been linking remuneration and personnel development topics since 2023."

Employees who want to get to know the work processes and structures in another organizational unit in order to understand different perspectives and gain fresh momentum for their own job have the option of temporary work shadowing. This gives employees and managers the opportunity to experience everyday working life in another department for up to a week and to connect with the local team.

The new performance dialog, which combines the former employee review and target-setting discussion, was introduced at the beginning of 2023. This annual dialog helps managers and employees engage in regular, structured discussions. Employees are given more responsibility and can propose their own objectives and development aspirations. They also examine, document and explain their strengths as well as areas and ideas for development as part of the self-assessment process. Managers are empowered to help develop their people. Since all the important stages of employee development are now mapped in a single process, it is much easier for managers to take a more active role. They can track and nurture their people's potential.

#### Skill and executive development







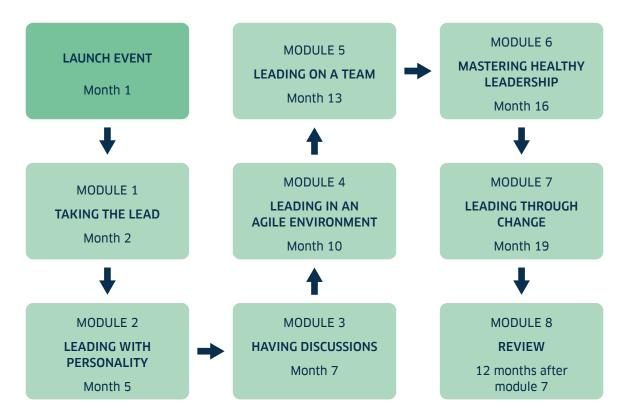
Demands on senior managers and employees remain high in times of rapid change. For example, established methods and procedures must be adapted to changing circumstances when more employees work virtually or in hybrid systems. Support for structured further development remains essential.

The "LBBW Competence Model" provides clear guidance as to the expectations LBBW has of its employees. The competences, which are broken down to behavioral level and translated into key issues, serve as points of reference for everyday working life. We systematically apply the "LBBW Competence Model" in our selection processes, e.g. when appointing graduate trainees or analyzing the potential of managers, and thus provide a base for targeted ongoing development.

When managers take on their first management position after a successful potential analysis process, they also complete the "Führen im LBBW-Konzern" (leadership in the LBBW Group) training series. In 2023 alone, six cohorts of 12 people started this series. Participants learn the most important management methods and fundamentals in the eight-module series. The eighth module, Review ("Nachhaltig führen" – sustainable leadership), was introduced in 2023. It is designed to facilitate the transition into everyday working life and consolidate the series lessons in the long term.



## The modules of the "Führen im LBBW-Konzern" (leadership in the LBBW Group) training series:



The gap analysis of learning needs has highlighted the relevance of technical sustainability expertise and underscored the need for the content and its delivery to be more deeply entrenched through educational programs on mindset and culture. That is why, in 2024, we will be launching a program for senior executives that will focus on these issues.

We place particular emphasis on developing talented younger employees in order to remain competitive in the future. Our aim is to equip high-potential employees at an early stage to help them compete for management and key positions and hence keep them at the company. Selected talented young employees with high potential can take part in a talent program. At department head level, potential candidates for senior management positions will be supported in a talent group together with the Board of Managing Directors. We also provide targeted support for talented young employees in different business areas of the Group whose specific career paths require special skills.



#### **Training**





LBBW takes its responsibility for training young people seriously: At the end of 2023, 293 young people were being trained in the LBBW Group (previous year: 254). Each year, LBBW offers around 110 training positions in the following professions: banking specialist, office management assistants, dialog marketing assistants and IT specialist. We also provide 35 places for students in the bank management and business information systems programs at Baden-Württemberg Cooperative State University (Duale Hochschule). In 2023, the apprentice hiring rate was about 92% and 92% for students. The high value LBBW places on education and training and its top quality are also reflected in the results of audits by the Chamber of Industry and Commerce. In the last five years, for example, the best apprentice banker came from LBBW on three occasions.

Training the younger generation is an important success factor for LBBW's future. For this reason, we offer first-rate graduate trainee programs to optimally foster talented young people and develop their professional and personal skills. The number of graduate trainees at the LBBW Group at the end of 2023 was 146.

Sustainability is an integral part of any training at LBBW. Our apprentices, Cooperative State University students and graduate trainees are already informed about sustainability topics at LBBW as part of training events during their induction weeks. The topic of sustainability is firmly enshrined in all banking-specific training for future banking specialists, financial assistants, and Cooperative State University students. Fundamentally sustainable and holistic advisory concepts are practiced and bank products are scrutinized with regard to sustainability aspects. For example, LBBW's sustainable investment products form part of the investment training. The training on "house and home" includes aspects of sustainability with regard to valuing a property (energy values, wellbeing, environmental protection) and the accompanying financing concept (residential development loan programs for energy-efficient construction from KfW and L-Bank).

Social and ecological criteria are also taken into account when assessing investment strategies in the Savings Banks Association's stock market simulation game ("Planspiel Börse"), in which all LBBW (Bank) apprentices take part in their second year of training.

In cooperation with the social service agency mehrwert, our apprentices can work in a social service facility for a week and thereby learn firsthand about the daily life of people who are elderly, disabled, or ill. Alternatively, they can work on an environmental project. Along with organized introductory and follow-up sessions, this time is a valuable, personally enriching experience for many of our trainees.

#### Older employees

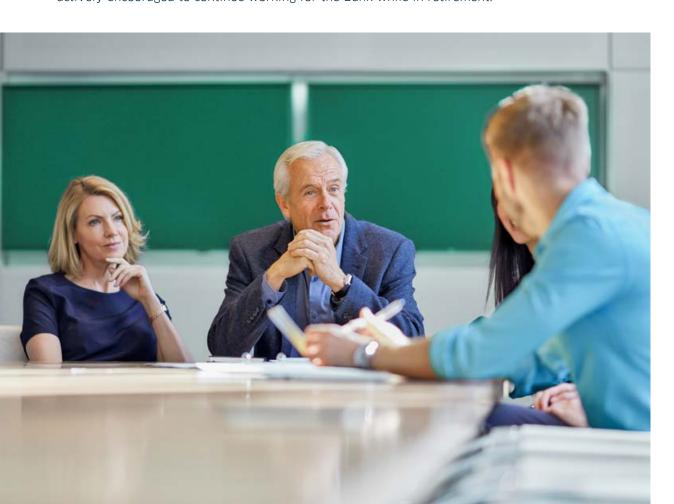


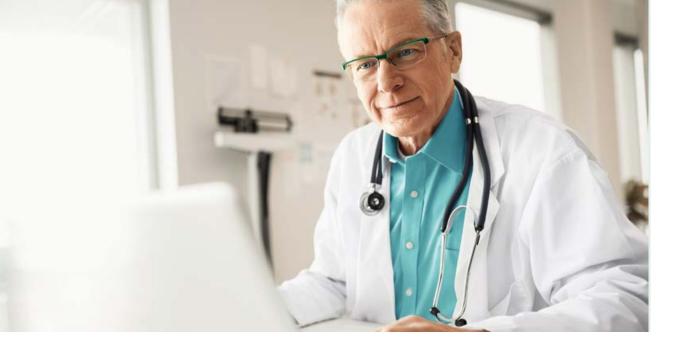


Life-long learning is part of our corporate culture. This applies to all our employees regardless of their age. We tailor our training courses to the requirements of the jobs and the skills of the employees, which is why the age structure in our seminars is mixed. This gives younger participants an opportunity to learn from the wealth of experience of their older colleagues, while older employees benefit from the fresh input and skills of their younger coworkers. Consequently, we are able to overcome preconceptions, strengthen teams, and maintain productivity through life-long learning. To sharpen our focus on intergenerational collaboration, we participated in a 2023 training study involving 300 employees to promote and strengthen intergenerational collaboration. We will review the study findings and make adjustments to our offerings and policies as appropriate.

Thanks to our company health management program and the consultations and support provided by our occupational physicians and the psychosocial services department, we offer older employees a comprehensive range of services to maintain their work performance and actively and joyfully participate in working life. Subject to prior consultation with their managers, employees who care for a family member can apply for an additional six months' leave over and above the statutory entitlement of six months.

Given the age structure of our employees, many key knowledge carriers will foreseeably retire in the coming years. To ensure efficient succession and knowledge transfer in critical positions, positions may be filled by two people during a transition period. Alternatively, employees are actively encouraged to continue working for the Bank while in retirement.





#### Health



Company health management (CHM) at LBBW is tasked with promoting the health and wellness of employees in the workplace, thereby maintaining and improving motivation and performance.

The Health Round Table, comprising representatives from various units and employee representatives, functions as an advisory and information committee.

Modern insights from traditional ergonomics, including occupational psychology, are the foundation for health management (CHM) at LBBW. However, the services we offer our employees go much further: from the immediate physical design of their working environment and soft factors like leadership behavior, communication, teamwork, dealing with conflict situations and resilience training, through to the communication of important lifestyle factors for vitality and wellbeing and, in particular, psychosocial support in their private as well as professional life. The CHM therefore pursues a multi-disciplinary approach and is led by LBBW's head occupational physician who is also head of the Health & Prevention department.

The "Fokus Gesundheit" (focus on health) program helps raise awareness among our employees of the importance of consciously watching out for their health at work and taking care of this every day. Over a period of a year, modules on health-related topics such as ergonomics, dealing with stress, promoting exercise, and healthy eating are customized and presented to each of the organizational units. Five organizational units completed the program in 2023.

LBBW also offered its employees an influenza vaccination and other vaccinations for specific groups for the 2023/2024 season. About 1,288 influenza, 41 COVID-19 and 539 travel vaccinations were given to 369 employees at the main offices in 2023.

All larger LBBW offices regularly ran a number of different health-promoting courses as well as work-place exercise and relaxation sessions such as "Bewegte und entspannte Mittagspause" (exercise and relaxation during lunch).

Employees who work more than 30 kilometers from Stuttgart, Mannheim, Karlsruhe, Leipzig, or Mainz are informed on the intranet about preventive courses offered by statutory health insurance plans. We support these individual preventive health activities with a limited annual financial contribution. However, this is only possible if the health insurance companies generally cover the costs but not in full.

#### Occupational health service



As the primary point of contact, the occupational health service supports and advises all our employees in fundamentally all health-related matters while maintaining strict physician-patient privilege. In addition to typical workplace and social medicine issues such as returning to work after a physical or mental illness, the occupational health service is also available for behavioral and environmental interventions, first aid, emergency medical care/services, and travel medicine, as well as general medical care and vaccinations. These services are closely integrated with those offered by the psychosocial services department (the former social services department) and LBBW's health promotion activities to create a model that our employees can access to develop their own personal health strategy.

We also support our employees with preventive health measures. Under the framework collective agreement, employees are also entitled to time off work to attend all the medical screenings and preventive check-ups recommended by the Federal Joint Committee ("G-BA") of the German statutory health insurance funds.

The services of physicians at LBBW's locations in Stuttgart, Karlsruhe, Mannheim, and Mainz as well as of occupational nurses in Stuttgart are available to every employee. In 2023, employees used the occupational health service for health advice and medical treatment around 6,669 times, with 1,584 members of staff receiving personal care by doctors and 2,025 by medical assistants.

occupational health service **6,669** 



#### **Social Contribution:**

From March to June 2023, LBBW's social exercise initiative "Bereit für Bewegung" (Eager to Exercise) linked 20 LBBW locations for a good cause: 70 freely formed teams used their own muscle power to cover 73,369 kilometers and virtually visited all of LBBW's international branches. 537 participants made their way around the globe in 20 stages. All the objectives of this initiative launched by the occupational health service were achieved. The head of the occupational health service had defined the yardstick for measuring the success of this 2023 campaign (number of teams, number of team members).

A nationwide LBBW initiative is planned for 2024 to increase the number of organ donors.

There were no reports of occupational disability as a result of employment at LBBW.

#### **Psychosocial services**



The psychosocial services department (the former social services department) advises employees and executives at all sites and branches on topics such as stress, conflicts and difficult situations at work, mental health issues like burnout and depression, addiction and personal issues (such as family conflicts, care requirements or the death of a loved one). Preventive advice on resilience and healthcare is also offered. After acute crises such as serious accidents, sudden death or bank robbery, the psychosocial services department offers direct emergency psychological help that can prevent or mitigate possible subsequent illnesses and missed work. In individual cases, employees can also be referred to external counseling centers, clinics, or psychotherapists. In the year under review, the service was used by 777 people and the number of individual consultations was 2,324.

In 2023, people most commonly sought help for health issues such as exhaustion and depression. Many people also need psychosocial support after serious physical illnesses.

The psychosocial services department is responsible for coordinating integration management in the workplace in accordance with the German Social Code (SGB IX, Section 167). This process is used by employees to manage their return to work after a period of illness and to reconcile health and working requirements following longer periods of incapacity. Workplace integration management is optimized and adapted to legal requirements through regular discussions between representatives of the various internal departments.

In addition to one-on-one consultations, the psychosocial services department offers all employees and managers workshops, training courses and presentations covering psychosocial issues such as burnout prevention, resilience and stress management, or dealing with difficult situations with customers. The aim of all services provided by the psychosocial services department is to help people overcome crises and regain or safeguard their health and performance.

#### **Occupational safety**





Occupational safety at LBBW is governed by a number of statutory regulations. However, we do much more than the minimum required by law in order to offer our employees a safe, pleasant, and productive work environment.

# "We do much more than provide our employees with an optimal work environment."

For instance, occupational safety experts and occupational physicians are involved in the early stages in workplace-related decisions such as the purchasing of furniture and IT equipment, new construction and renovations, and the development of building standards.

The conditions of workplaces are examined during on-site inspections, and possibilities for improvement are examined as necessary. Numerous safety-related on-site inspections and individual consulting sessions on workplace ergonomics were carried out in 2023 on a scheduled or ad-hoc basis. In addition, regular training was provided for employees involved in occupational safety at LBBW (e.g. executives and safety officers). In order to further improve ergonomics in the work-place, safety officers were trained to be "Ergo Scouts".

In its function as an advisory and coordination body, our occupational safety committee, which meets quarterly and represents LBBW's entire workforce, deals with all key occupational health and safety issues.

The number of reportable workplace accidents in 2023 was five (previous year: four). The rate of workplace accidents per 1,000 employees was therefore 0.6 (previous year: 0.5), which is well below the industry average. A total of 19 reportable accidents sustained by employees on the way to or from work were registered (previous year: 18).

#### Fire protection

The action areas from the fire protection requirements plan were once again developed further in 2023. For example, we began conducting site-specific fire protection risk assessments and reviewed existing fire safety regulations. We designed the role of the fire protection supervisors as a link between the fire protection officer and the fire protection assistants and prepared a submission to the Board of Managing Directors for this purpose. We have completed LBBW's fire protection organization with the fire protection supervisory function. We also continued to develop our emergency response organization and conducted evacuation drills at locations used by the Bank in 2023. All ten scheduled training sessions for fire protection assistants were held and successfully completed by approximately 140 employees.

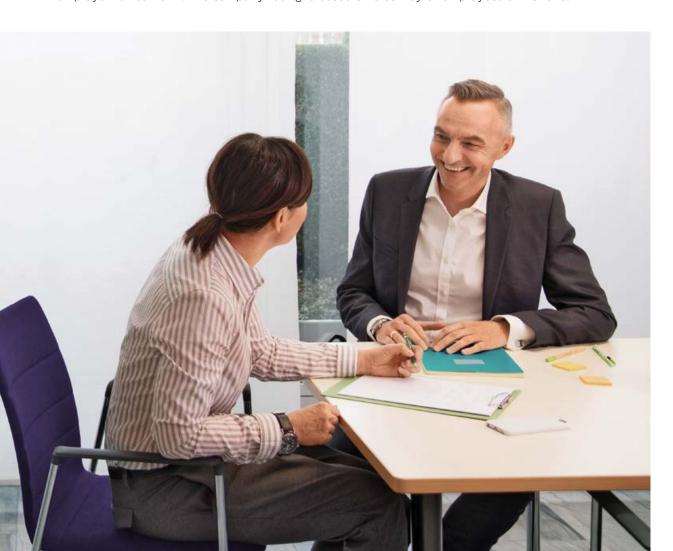
## **Employee survey**

The tenth Bank-wide employee survey was conducted in 2023. Questions touched on the following issues: cooperation, leadership, information, atmosphere, satisfaction, agility, competitiveness and digitalization. Participation in the survey was again very high at 76.4% (previous year: 76.0%). In total, 6,245 out of 8,165 employees filled out the online survey. The fact that the participation rate has been high for years demonstrates the high level of interest and commitment shown by employees.

The Bank-wide results of the 2023 employee survey improved slightly again compared to previous years. In absolute terms, "leadership", "agility", "information" and "satisfaction" were the top-rated issues with 8.2 or more points (on a scale from 1 to 10) while "atmosphere", "competitiveness" and "digitalization" still show room for improvement. Around 27% of all participants took the opportunity to include comments or suggestions for improvement in a blank field provided for this purpose – slightly less than in the previous survey.

The results for the Bank as a whole were published on the intranet. In addition, well over 700 individual analyses were prepared for members of the Board of Managing Directors, divisions, departments, groups and in some cases for teams.

The high level of satisfaction with LBBW as an employer is also reflected in the ranking by the "ZEIT" publishing group, which is prepared in cooperation with the employer review platform kununu. LBBW has been ranked as "one of the top employers in Germany" since 2016 and as the "most wanted employer" since 2022. The company rating is based on a survey of employees on kununu.



## Equal opportunity and diversity





Companies that want to benefit from the expertise of their employees must create a working environment free of prejudices. Everyone should be valued regardless of their gender, nationality, ethnic or social origin, religion or worldview, disability, age, sexual orientation or identity. To project and communicate these values both internally and externally, LBBW created the position of diversity officer in 2008 and was the first state bank to sign the Diversity Charter. Equal opportunity and diversity are also set down in the guidelines on human resource policy. While the early years focused on gender diversity and work-life balance, diversity categories such as age, social background and sexual orientation are becoming increasingly important. The creation and support of the LGBTTIQ\* network was therefore an important step in raising awareness of diversity within the Bank.

In the **Wort.Wechsel!**dialog forum, some **80**employees regularly share their
views on culturally relevant topics.



LBBW is well positioned in terms of workplace diversity. It has various programs, initiatives and measures in place to promote diversity. Our highly flexible working hour model combined with telecommuting creates an important environment for diversity in the workplace. We want to motivate our employees to use all available opportunities even more readily so that they become an integral part of our corporate culture. This is why the Board of Managing Directors has tasked the interdisciplinary **culture@LBBW team** with further developing the diversity agenda, with a particular focus on culture. The "wort.wechsel!" dialog forum on diversity in May 2023 and the 1st LBBW Diversity Knowledge Forum in July 2023 – which 340 employees attended – laid the foundation for a large-scale DE&I initiative that will continue well into 2024. It is a clear commitment to creating a corporate culture of openness, respect and equal opportunity that is essential for sustainable, forward-looking management. In the initiative, employees and managers at LBBW are empowered by various diversity measures and reinforced in their clear commitment to diversity at LBBW.

Over **340** employees participated in the **1**<sup>st</sup> LBBW Diversity Knowledge Forum.





We want not only to make progress in our corporate culture but also to speak more directly to each individual. LBBW does not tolerate any form of discrimination within the Bank or with respect to its employees, customers, business partners, suppliers or other persons. LBBW pursues a zero-tolerance policy when it comes to all forms of gender discrimination, including verbal, physical, and sexual harassment. Among other things, we ensure this through the "Works Agreement on Protection from Discrimination and a Cooperative Environment in the Workplace", as well as our Code of Conduct. We offer the seminar "Wenn Kundschaft plötzlich persönlich wird" (When supporting customers suddenly gets personal) to empower employees on how to act when personal boundaries are crossed.

According to the "Works Agreement on Protection from Discrimination and a Cooperative Environment in the Workplace", employees who feel discriminated against may turn to the staff council, representatives for employees with disabilities, the responsible manager, the psychosocial services department or the complaints board. For purposes of resolving these issues, meetings can be requested up to division head level in which the staff council may also participate if desired. If no agreement can be reached, the complaints board can be requested to resolve the issue.

While the majority of our employees behave respectfully, there are occasional instances of behavior that are offensive and do not reflect LBBW's values and standards. For this reason, we want to make our internal processes more transparent and encourage our employees to report any irregularities. After all, the Bank can only develop successfully as a team if individual incidents are taken seriously and there are safe spaces for honest feedback. This is why the existing complaints management system is being revised and expanded to include trust-based consequence management. There were two complaints in 2023.

#### Sexual orientation



Bankers Respect And Value Each other

BRAVE, an LGBTTIQ\* network (lesbian, gay, bi, transsexual, transgender, intersexual, queer) network founded in 2020, expands the range of existing networks where LBBW employees can get involved in company policy focusing on diversity. The name BRAVE is an acronym for "bankers respect and value each other". The network aims to support open, respectful corporate policy and promote tolerance and

acceptance at work. LBBW's participation in the Christopher Street Day Parade in Stuttgart in 2023 was also a complete success, with BRAVE and the Bank making a joint statement to the outside world. More than 100 employees took part in the parade.

#### **Ethnicity & nationality**



As a financial institution working across industries and cultures, LBBW benefits from the diverse interests, biographies, skills, and cultural orientation of its workforce. Currently, people from 74 countries across the globe work in the LBBW Group. Employees of non-German nationality make up 7.8% (previous year: 7.3%) of the total workforce; the figure at LBBW (Bank) is 7.7% (previous year: 7.1%). This diversity is extremely valuable for the company and helps us to establish and maintain contacts throughout the world.

In the future, we want to focus more on social backgrounds in our diversity efforts. In a Diversity Charter survey of 510 managers and HR professionals, 59% said they had experienced or witnessed discrimination based on social background. We want to change this. As an institution, we want to contribute to greater diversity by focusing more on this dimension of diversity in recruitment. We also support "Netzwerk Chancen" (network opportunities), which provides support programs for people climbing up the social ladder. The first tandem has been in place at LBBW since 2023. Both the mentor and the mentee are benefiting from the interaction.

#### Gender & gender identity





Same pay for the same or equivalent work: LBBW's Group remuneration strategy states that men and women must receive equal pay  $\rightarrow$  see page 219. The requirements described here are binding. Any gender pay gaps are actively managed and closed.

The Group remuneration strategy is presented to the Board of Managing Directors and the Supervisory Board. We provide the same training and promotion opportunities to employees with equivalent qualifications.

We want to continually improve career opportunities for women and increase their numbers in specialist and executive staff positions. When filling new positions and replacing existing ones at all levels of management, we aim to actively tap the entire pool of high-potential workers to fill management positions with high-potential female employees in particular.

At the end of 2023, women accounted for 51% of the total staff at the LBBW Group (LBBW (Bank): 51%). The percentage of women in the management levels was 27.2% at the LBBW Group (previous year: 25.4%) and 27.4% at LBBW (Bank) (previous year: 25.6%). The 25% target for the key performance indicator (KPI) to measure the "percentage of women in leadership positions", which was first set in 2019, was achieved in 2022. We are now aiming for a percentage of women in management positions at the LBBW Group of at least 30% by the end of 2025.

## Managers at LBBW (Bank) (as of 31 Dec. of each year)

	2023		2022		2021		2020	
Managers by gender	Women	Men	Women	Men	Women	Men	Women	Men
Level 1: Members of the Board of Managing Directors	1 (14%)	6 (86%)	1 (14%)	6 (86%)	1 (14%)	6 (86%)	0 (0%)	6 (100%)
Level 2: Brand board members + division heads	8 (15%)	46 (85%)	9 (17%)	43 (83%)	7 (13%)	45 (87%)	8 (15%)	45 (85%)
Level 3: Department heads	42 (23%)	137 (77%)	37 (22%)	135 (78%)	35 (20%)	138 (80%)	22 (13%)	145 (87%)
Level 4: Group heads	133 (29%)	331 (71%)	114 (26%)	330 (74%)	100 (23%)	342 (77%)	106 (23%)	361 (77%)
Level 5: Team leaders	25 (42%)	34 (58%)	28 (45%)	34 (55%)	22 (35%)	40 (65%)	22 (32%)	46 (68%)
Total managers								
Percentage of women at levels 1 to 3	51 (21%)	189 (79%)	47 (20%)	184 (80%)	43 (19%)	189 (81%)	30 (13%)	196 (87%)
Total levels 1-4	184 (26.1%)	520 (73.9%)	161 (23.9%)	514 (76.1%)	143 (21.2%)	531 (78.8%)	136 (19.6%)	557 (89.4%)
Total all managers	209 (27.4%)	554 (72.6%)	189 (25.6%)	548 (74.4%)	165 (22.4%)	571 (77.6%)	158 (20.8%)	603 (79.2%)

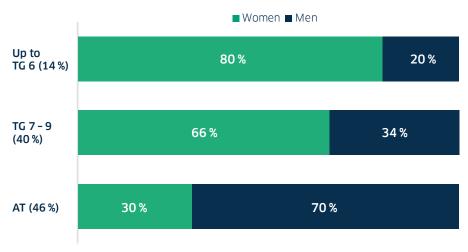
#### New recruitment<sup>1</sup>

	20	2023		2022		2021		2020	
Managers by gender	Women	Men	Women	Men	Women	Men	Women	Men	
Level 2: Brand board members + division heads	2	7	2	2	0	4	1	5	
Level 3: Department heads	7	13	8	12	12	16	5	8	

<sup>1</sup> Employees taking up a new level 2 or level 3 position in the period under review.



#### Remuneration structure by gender, LBBW (Bank), as at 31 December 2023<sup>1</sup>



1 Employees in the TVöD civil service collective bargaining agreement category were assigned to the relevant bank-specific wage group. AT ("außertariflich") = Not subject to collective bargaining agreements. TG ("Tarifgruppe") = Wage group.

A larger percentage of male rather than female employees hold jobs whose remuneration is not subject to collective bargaining agreements (AT). The reverse is true for jobs subject to collective bargaining agreements.

LBBW aims to provide all employees fair, non-discriminatory remuneration and expressly supports the objectives of the German Pay Structure Transparency Act (Entgelttransparenzgesetz – EntgTranspG) of 6 July 2017. The law improves the transparency of pay structures with a view to ensuring equal pay for women and men performing the same or equivalent work in practice. Fixed remuneration is essentially based on the function performed and its value under applicable collective bargaining agreements or, for employees not subject to collective bargaining agreements, in line with market. Relevant factors determining remuneration include the tasks and requirements of the position, the qualification requirements and the skills of the employees, and long-term individual performance.

To ensure gender equality at LBBW, we actively ensure a healthy work-life balance and actively advance women by, among other things, making voluntary commitments and participating in initiatives and networks.

#### **UN Women's Empowerment Principles**

To mark International Women's Day on 8 March 2022, LBBW was one of the first German banks to sign the UN Women's Empowerment Principles, which call primarily for an equal leadership culture and gender equality at companies  $\rightarrow$  see page 76. Our commitment underlines our determined ambition to promote women and our employees' involvement in advocating gender equality at work.

#### Women@LBBW initiative

Women@LBBW is a Bank-wide initiative launched in 2021 by female managers at the divisional and Board of Managing Directors levels. Its motto is "Women for more women". The initiative aims to establish more female managers at all levels of LBBW through networking, mentoring and experience sharing. The initiative thus also contributes to LBBW's goal of having women in at least 30% of its management positions by the end of 2025 → see page 208.

In 2023, nine sponsors supported interested female employees through personal experience sharing, coaching, career planning tips, mentoring and the creation of a network of opinion leaders. More than 300 interested and ambitious participants exchanged ideas in various event sessions (e.g. career talks, rooftop talks, networking evenings, walk and talks). The initiative also participates in LBBW's extensive range of seminars and mentoring programs for women. The Women@LBBW community now has 418 members (as of 16 January 2024).

# The **community page** on the intranet was visited approximately **2,800 times** in 2023.



The Women@LBBW initiative will continue to focus on networking, mentoring, sharing experiences and events. It intends to involve even more of the Group's managers in its activities in 2024.



#### Women's network at LBBW

Equal opportunities for all genders and an improved work-life balance are the core objectives of LBBW's women's network. The Chairman of the Board of Managing Directors of LBBW is the honorary patron of the initiative. The women's network includes over 500 women with a wide range of different positions. Virtual formats such as the web talk breakfast and the women's power break were well received again in 2023. The network has provided valuable impetus and implemented ideas since its formation in 2007. An annual highlight is the International Women's Day, to which all women at the Bank are invited. In 2023, the curator of the LBBW art collection offered guided tours of the "I Am Woman" exhibition curated especially for this day  $\rightarrow$  see page 237.

#### Flagship event for International Women's Day: M-U-T

The Women@LBBW initiative and the LBBW women's network jointly organized a Group-wide flagship event to mark International Women's Day. The event, which was themed

- M Mindset
- U Umfeld (environment)
- T Tu es (do it)!

provided valuable ideas, especially for reviewing personal success strategies.

Board member and Women@LBBW sponsor Stefanie Münz emphasizes:

"We can be proud of what we have achieved so far, but each and every one of us is encouraged to get involved in increasing diversity in leadership positions at LBBW."

#### Increasing female empowerment

LBBW's extensive range of seminars and mentoring programs for women remain a key component of the active promotion of women in the LBBW Group.

In 2022, a special mentoring program aimed at female employees who are exceptionally suited to leadership roles but have been unable to actively engage in management positions due to their personal lives. By specifically engaging with female members of staff at times when they have family obligations, we want to encourage women to take on leadership roles on a part time basis or at times when they have family obligations. Thanks to its tremendous success, the program was advertised for this target group again in 2023. We also allow job sharing in almost all positions. For example, in 2023, two mentees from the previous mentoring program filled a group management position.

In addition, LBBW participated in a cross-company mentoring program for the first time in 2023.

#### Physical and mental skills



As of 31 December 2023, LBBW (Bank) had 396 (previous year: 382) employees with severe disabilities or who held an equivalent status. This corresponds to 4.9% of the workforce (previous year: 4.9%).

In order to increase the quota of people with disabilities employed at LBBW, we report our current external job openings to the Federal Employment Agency ("Bundesagentur für Arbeit"). When selecting hires, job applicants with a disability are given preference, provided their qualifications are equivalent. The LBBW Representative Body for Employees with Disabilities is integrated into all processes.

LBBW employees who hold severely disabled status are advised and represented by the General Representative Body for Employees with Disabilities (GSBV) and six regional representative bodies. Among others, the representatives have the responsibility of providing personal advice and assistance, support during internal and external job interviews and hiring, assistance with workplace design (e.g. setting up an appropriate work station) and providing support during consultations with the employer LBBW, the staff council and the general staff council.

#### Age

LBBW's (Bank) employees are 46.1 years old on average, with 42% being over 50 years old. In contrast, 12% are aged 30 or younger. This has implications not only for succession planning but also for day-to-day intergenerational collaboration and knowledge transfer. We therefore participated in a training study to promote, strengthen and consolidate intergenerational collaboration → see page 200. We will use the findings to evaluate and refine our services. We have also created the option for employees to continue working for the Bank after retirement.

## Company retirement planning

What business could better support its employees in arranging financial planning for their golden years than a bank? In view of the long-term investment period, our pension system uses a fund-based model that benefits from the performance of the capital markets. LBBW provides employees with annual contributions in a "Basiskonto" (employer-financed retirement account). LBBW employees can make additional contributions to an "Aufbaukonto" (employee-financed retirement account) by voluntarily converting a portion of their gross compensation. These contributions are invested in two multi-asset funds according to a lifecycle model. Employees receive the full benefit of any positive performance. If performance is negative at the settlement date, LBBW guarantees that employees will receive at least the amount contributed.

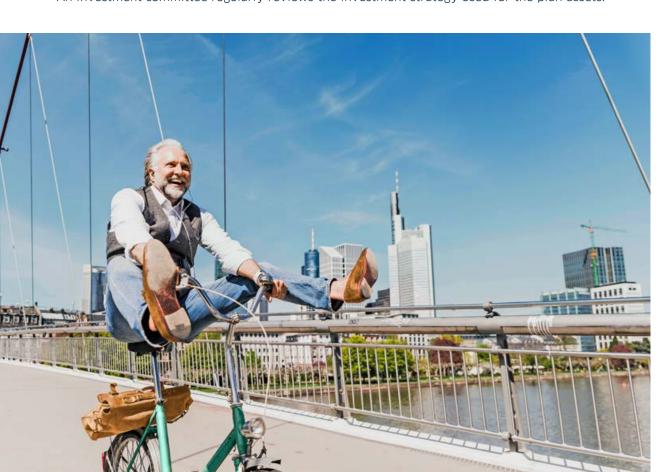
In 2023, LBBW's company retirement plan investments and expenses amounted to EUR 91 million (previous year: EUR 95 million).

For most of LBBW's existing pension obligations, plan assets within the meaning of International Accounting Standard 19 (IAS 19: Employee Benefits) are created after entitlements are transferred as at 31 December 2020 to a non-insurance-based pension fund under German law as a legally independent entity.

A special fund has been set up by means of a contractual trust arrangement (CTA) for entitlements arising since January 2021. This also created plan assets in accordance with IAS 19, which are offset against the existing pension obligations in the same amount. Assets will not be transferred back to the sponsoring undertaking.

Both plan assets are invested in accordance with the LBBW Group's ESG criteria.

An investment committee regularly reviews the investment strategy used for the plan assets.



## Career and personal life

Work takes up half of our lives, as they say, and we see it as our responsibility to bring the one half into balance as much as possible with the other half. For employees in the life phase of caring for children, this has gone without saying at LBBW for a long time now. Support for employees who are caring for older relatives or family members with disabilities is becoming increasingly important.

#### Care of family members



In the wake of demographic change, the relevance of achieving a balance between work and caring for family members will grow even more over the coming years. The "Pflegefall, was nun?" (care required – what now?) seminar provides our employees with an overview of issues including long-term care insurance and financing of costs, dealing with home nursing services, legal precautions and counseling centers. In addition, it provides a forum for reaching out to other colleagues. The event was run both virtually and in person in 2023.

"The 'Pflegefall, was nun?' (care required – what now?) seminar provides our employees with an overview of issues including long-term care insurance and financing of costs, dealing with home nursing services, legal precautions and counseling centers."

Subject to prior consultation with their managers, employees who care for a family member can apply for an additional six months' leave over and above the statutory entitlement of six months. Shorter periods of leave are also possible. The works agreement on hybrid work provides further options for increased flexibility.



#### Childcare and other services



Reliable and skilled childcare is crucial for working parents to ensure that professional and family life is balanced to everyone's satisfaction.

Childcare services currently provide 114 spots, mostly at LBBW's own childcare facilities at the offices in Stuttgart, Mannheim, Karlsruhe, Mainz and Leipzig. Special vacation programs and emergency care options round out this service. In Stuttgart, for example, we signed a partnership agreement for emergency childcare services with the parent-child center at the generation house "Generationenhaus West".

We offer all employees an advisory and support program provided by a third-party service provider, "pme Familienservice". LBBW pays the cost of the consulting and placement services, while the actual childcare costs are paid by the parents.

To make it easier for our staff to return to work after a leave of absence, we offer a variety of measures for maintaining contact and pursuing continuing education during the parental leave or care period. For example, Human Resources regularly keeps employees informed via an online portal informing them about current job vacancies and the procedure for returning to work. The e-mail newsletter "LBBW Einblicke" is also available upon request. In addition to the parental leave time guaranteed by law, mothers and fathers who were employed by LBBW for at least three years previously can take a leave of absence called a family year. We also organize two events a year for expecting parents. These aim to help colleagues with similar questions connect with each other across the bank and encourage them to actively plan their professional development. A new addition is our keep-in-touch program for employees on parental leave, which enables them to work very short hours. It aims to enable them to stay in touch during leave to make it easier to return to work.

LBBW has been recognized as a "family-oriented company" by the "berufundfamilie" audit since 2010. Following successful re-audits in 2013, 2016 and 2019, another re-audit took place in 2022. This focused on how to gear the wide range of work-life balance programs even more closely to the different age groups and generations in different phases of their lives. The signed action program must be completed by the end of 2025. The works agreement on hybrid work has already fulfilled one of the most important requests – the ability for employees to independently schedule their own in-office time. Non-pay scale employees were also given the opportunity to take extra days off.

#### Flexible working arrangements



Family-oriented human resources policies require work time to be managed flexibly. Because we see work-life balance as a priority, we offer our employees a range of working time models that provide substantial flexibility for caring for children or other dependents or simply making some time for themselves. We provide various means for our employees to design an individual, mobile work structure that suits them.

Mobile and hybrid work: We have been taking decisive organizational and technical action to ensure that as many employees as possible can work from home or on the go since 2018. New electronic access technology allows many employees to access the Bank's systems from their personal computers and laptops.

The COVID-19 pandemic has fundamentally changed the world of work. This is why, in 2022, we issued LBBW notebooks to all employees to accommodate the new hybrid working environment – working in the office, on the go or from home.

LBBW established the new "Hybrides Arbeiten" (hybrid work) works agreement on 1 January 2023. It provides a clear framework that meets operational and regulatory requirements while providing greater flexibility and freedom for hybrid collaboration. Among other things, the works agreement stipulates that, in the future, teams will work with their manager to define their hybrid workday independently and set out the results in binding team agreements. We have created a hybrid work playbook for our employees to help them apply the works agreement. It is a practical guide packed with tools, tips, and checklists to make day-to-day work easier.

**Part-time models:** These include individual, family-friendly solutions, job sharing options and independent team solutions. working arrangements are also possible within the scope of the statutory possibilities for full- and part-time employees. For part-time management positions, an employment level of at least 70% or a job-sharing model is required.

LBBW FlexiWertkonto – early retirement: The LBBW FlexiWertkonto provides our employees with a model with which they can finance early retirement prior to the commencement of statutory pension benefits. During this period, they receive their salary from the capital that they have saved in their LBBW FlexiWertkonto account. Employees utilizing this option continue to be employed by LBBW and continue to be covered by statutory pension and health insurance as well as the company's pension plan.

LBBW FlexiWertkonto - sabbatical: Whether to take time out to care for a family member or for continuing education purposes, employees can also use the capital they have saved in their LBBW FlexiWertkonto account to finance a temporary leave of absence.

**Temporary leave of absence**: In principle, our staff have the option of taking a longer temporary leave of absence.

# Codetermination



The Baden-Württemberg State Employee Representation Act (Landespersonalvertretungsgesetz) in the version dated 12 March 2015 forms the basis for co-determination at LBBW. In contrast, LBBW's subsidiaries are subject to the German Labor Management Relations Act (Betriebsverfassungsgesetz).

As a member of the Federal Association of Public Banks in Germany ("Verband Öffentlicher Banken" (VÖB)), LBBW applies the collective bargaining agreements for public-sector banks. For historical reasons, we are a guest member of the Baden-Württemberg Municipal Employers' Association ("Kommunaler Arbeitgeberverband Baden-Württemberg" (KAV)).

Some 94.2% of Group employees were represented by staff councils or works councils at various locations in Germany in 2023. Executive staff (2023: 2.5%), local employees working at the branches and offices outside Germany (2023: 2.8%), and employees at some subsidiaries (2023: 0.5%) are not represented by staff councils or work councils. Staff meetings are held regularly at LBBW's larger locations.

Staff councils and the ver.di labor union employee group use LBBW's intranet to disseminate current information and articles. When changes occur at LBBW that affect the workforce, the employee representatives are included in the process at an early stage to develop socially acceptable solutions.

94.2% of Group employees were represented by staff councils or works councils at various locations in Germany in 2023.



# Remuneration systems

Each year, LBBW (Bank) prepares a → remuneration report in accordance with Section 16 of the German Remuneration Regulation for Institutions (Institutsvergütungsverordnung – InstitutsVergV)) dated 25 September 2021 in conjunction with Article 450 of Regulation (EU) 575/2013 (Capital Requirement Regulation – CRR) and publishes this on its website. The appropriateness of the remuneration systems is also reviewed annually.

In the LBBW Group, the Group remuneration strategy provides the framework for the structure and implementation of remuneration systems. It is derived from the higher-level business and risk strategy. This ensures that strategic objectives are implemented in the remuneration systems and processes at LBBW. The remuneration parameters for variable compensation therefore support the attainment of the goals derived from the business and risk strategy.

LBBW expressly supports equal pay for women and men performing the same or equivalent work and endeavors to provide all employees with fair, non-discriminatory remuneration. The Group remuneration strategy ensures that remuneration systems are based on performance, results and the market, thereby preventing pay discrimination on the basis of gender. It was reinforced in 2023, placing greater emphasis on closing any gender pay gaps.

LBBW pays appropriate (fixed and variable) remuneration and benefits compared with the market – with a considerable focus on fixed remuneration. Fixed remuneration is essentially based on the function performed and its value under applicable collective bargaining agreements or, for employees not subject to collective bargaining agreements, in line with market. Relevant factors determining remuneration include the tasks and requirements of the position, the qualification requirements and the skills of the employees, and long-term individual performance. The amount of the fixed remuneration ensures that employees are not dependent to a significant degree on variable remuneration. Performance-based variable remuneration rewards the long-term success of the LBBW Group, LBBW (Bank) and the subsidiary and the above-average contribution of the employee. The remuneration parameters that determine performance-based variable remuneration are based on the long-term attainment of the goals derived from the bank's business and risk strategies and help achieve these.

In 2023, LBBW started measuring success in accordance with LBBW's growth and relevance strategy using the five strategic levers "Sustainable Transformation", "Innovative Solutions", "Enhanced Resilience", "Inspire Employees" and "Social Contribution". The strategic goals of the LBBW Group form the framework for determining the performance-related variable remuneration of the Board of Managing Directors, management and non-pay scale employees. LBBW's remuneration strategy is based on two main objectives: growth and relevance. The LBBW strategy house indicators serve as the basis for determining the degree of target achievement for remuneration purposes. They include the four strategic levers that have an operational focus ("Sustainable Transformation", "Innovative Solutions", "Enhanced Resilience", "Inspire Employees"). With regard to LBBW's sustainability targets, this applies to all five levers, but particularly to the strategic lever of "Sustainable Transformation", which focuses on the key issues of sustainability and transformation.

As a rule, when LBBW hires new employees, they are assigned to a wage group based on the collective bargaining agreements for public-sector banks (bank-specific collective bargaining agreement). This guarantees payment exceeding statutory minimum wage. LBBW's foreign branches and subsidiaries follow LBBW's domestic remuneration policy, complying with local laws and regulations in all cases.

Remuneration for LBBW employees comprises a fixed salary and, where applicable, an additional performance-based variable component and benefits. These benefits extend to employees' personal and professional lives, health, mobility and perks. The major remuneration-related benefits are the company pension plan, the LBBW FlexiWertkonto (working time account) and the use of company cars. In addition, employees derive significant value from benefits such as remote working, corporate health management, access to leased JobRad bicycles and discounted JobTicket commuter passes for public transportation. LBBW decided to pay an inflation and energy bonus of EUR 2,000 to all active employees in Germany to mitigate the impact of higher inflation and energy prices. The first installment of EUR 1,200 was paid out on 1 December 2022, the second installment of EUR 800 on 1 February 2023.

Performance-based variable remuneration is based on quantitative and qualitative target attainment with a view to the employee's position, the agreed-upon targets, target attainment and the duties performed. The Group remuneration strategy ensures that performance-based variable remuneration does not provide an incentive to take unnecessary risks. There is no correlation between risk-taking and the performance-based variable remuneration that can be earned. This means the remuneration system is geared toward risk-adjusted performance as a whole. The amount of performance-based variable remuneration at LBBW is determined according to the Group's target attainment. Individual sales targets can be included in the variable remuneration targets set for employees (line workers and executives). However, executives must consider regulations on the minimum requirements for the compliance function (MaComp) and the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) with regard to acting in customers' interests. Quantitative targets (e.g. number of applications) are not used. That means that sales targets are not directly rewarded.

# Innovation management

Sustainable ideas, pioneering products and innovative concepts are instrumental to the future viability of our bank. To reinforce a culture of innovation at LBBW, specifically drive the digital transformation and develop further strong business models, we established central innovation management in 2020 and expanded it into the Digitalization & Innovation department in 2022.

The team of around 20 people works with functional departments to gather, support and generate ideas and drive strategic digital initiatives across a range of relevant topic clusters (digital assets, digital money, green tech, artificial intelligence and data analytics, metaverse, open finance). The wide range of employee proposals from ideas management are included in the innovation process.

Prototypes and business concepts are tested and refined until they are ready for the market. LBBW employees and customers are involved in the testing and evaluation from the outset. This means that potential solutions can be quickly tested in real conditions and further adjusted and optimized on the basis of feedback.

Digitalization & Innovation also encourages a culture of innovation at LBBW through communication and event formats that provide knowledge and impetus on relevant technological financial innovation (fintech) and general technology trends.

# LBBW ideas management **III**

In an increasingly dynamic world, it is important to meet challenges with new ideas. LBBW ideas management gives employees a tool to use their creativity in a structured way.

The aim is to constantly improve our products, processes and services and, in turn, to encourage our innovation and competitiveness and offer our customer attractive services. In exchange for their dedication, our employees enjoy a percentage share in our success.

Idea management was fundamentally restructured in 2023 to encourage creativity even more effectively. In the future, managers will be able to evaluate some ideas themselves and use not only the classic push principle but also modern pull principles in which employees generate ideas through targeted idea campaigns. All of this was implemented on a modern, future-proof IT platform.

With this new process, we were able to increase the number of ideas by 50% to 4,213 in 2023 and increase the already high benefits by 59% to 18.9 million. There were 474 ideas relating to the environment/sustainability. Thanks to the high quality of the ideas, more than 1,000 processes were optimized and innovative, sustainable and digital solutions were created. LBBW's idea management contributes to the Bank's strategic levers and makes it a more attractive employer. The benefits include lower material costs, additional revenue and time savings.



# Company restaurants 💷







# "The six company restaurants operated by our subsidiary LBBW Gastro Event offer our employees varied and healthy nutritional choices."

LBBW Gastro Event GmbH's sustainability approach also involves active supplier selection and the careful use of resources in its business operations:

- Since October 2016, all LBBW Gastro Event GmbH company restaurants have been certified to carry
  the "Job & Fit" logo of the German "Nutrition Society ("Deutsche Gesellschaft für Ernährung" (DGE)).
  Regular reviews are carried out of the quality of food provided, meal planning and preparation, as
  well as the general conditions in the restaurants, communication with diners, and opportunities for
  feedback. The requirements of the DGE quality standard for in-company catering are consistently
  met and confirmed in recertifications.
- The two company restaurants at the "Am Hauptbahnhof" and "Am Pariser Platz" locations in Stutt-gart have been certified as organic (according to the EU regulation on organic food production) since 2008 and are audited annually by third parties. This means around 70% of diners have access to certified organic meals. The availability of organic vegetables and desserts has been regularly increased since April 2022.
- All company restaurants offer at least one vegetarian dish and one pork-free dish every day. In
  addition, the menu of the Stuttgart company restaurants includes two vegetarian dishes several
  times a week, as well as at least two different types of vegetable side dishes every day. Vegan
  appetizers, main dishes, and desserts are occasionally also offered.
- In selecting suppliers, LBBW Gastro Event gives preference to regional providers. Wherever possible, LBBW Gastro Event purchases the bulk of the fresh produce served via regional business partners and from regional producers. This supports local suppliers and also means short transportation routes, thus easing the strain on the environment. We also tailor our menus to incorporate seasonal fruit and vegetables. The food purchased or produced in the region is designated on the menu as "From the Region".
- LBBW Gastro Event's cafeterias, kiosks and conference areas only provide regional mineral water.
- Most of the meat used in the company restaurants is obtained from selected butchers in the surrounding area, with whom we maintain personal contact. We take care not to purchase fish from overfished stocks. Where available on the market, we purchase certified products with MSC, ASC or "Naturland" certification. Our fish suppliers are aware of this topic and indicate the origin of the fish on the packing slips in every shipment.

- All the restaurants and cafeterias run by LBBW Gastro Event and the kitchenettes it operates at the central buildings have been serving solely fair trade and organically grown coffee and espresso since 2009.
- The meals served are constantly monitored and specifically labeled as "organic", "regional" and "vegetarian" in order to address diners' preferences and culinary trends. A total of about 500,000 meals were served in 2023 at the two largest company restaurants at the "Am Hauptbahnhof" and "Am Pariser Platz" locations in Stuttgart. Of these, 16% were organic, 30% regional and 24% vegetarian.





- Food is prepared in batches, served continuously, and regularly replenished to keep it as fresh as possible. Some dishes are prepared to order at the live cooking stations available at four out of our six restaurants to ensure maximum quality and freshness.
- Organic waste from all the sites is sent to biogas facilities and recycled to produce energy.
- Even after the COVID-19 pandemic, there is still demand for lunch to go, and so we purchased LBBW-branded reusable takeaway boxes in October 2022 to replace the previous disposable bagasse trays. The boxes are available for a deposit and professionally washed and returned by Gastro Event GmbH.
- So that those working from home or remotely can also enjoy a hot lunch, special pre-prepared lunches are available to take away at the three largest offices in Stuttgart. The choice of dishes is published on the intranet every day
- By switching the to-go cups for cut fruit and vegetables from the biodegradable bioplastic PLA (polylactic acid) to returnable, refillable glass containers, we are reducing our plastic waste by around 12,000 plastic cups a year.
- Around 55,000 containers used for food retention samples have been converted from PET plastic to reusable cups.
- LBBW Gastro Event has worked with the Paulinenpflege vocational training center in Winnenden since 2015. The center provides vocational training for around 300 young people with hearing and speech impairments, people with autism, and people with learning difficulties. Every year, up to four trainees from Winnenden complete an internship at one of the Bank's restaurants and are subsequently invited to apply for an apprenticeship as a chef with LBBW Gastro Event.

Our food and drink choices have a significant impact on the climate. Various campaigns were held to raise awareness of climate-friendly nutrition among diners at the company restaurants in 2023.

# KlimaWochen 2023

Which is better for the climate – a cordon bleu chicken breast or an Asian vegetable chow mein? The answer was revealed on the menu of the LBBW Gastro restaurants in Stuttgart from 16 to 27 October 2023. The amount of CO₂ emissions generated by growing, transporting and preparing each entrée was displayed to help diners understand the carbon footprints of their food choices, motivate them to eat in a more climate-friendly way and discourage them from leaving leftovers on their plates. Information and product displays as well as accompanying webinars were offered by the occupational health service, LBBW's carbon footprint team, the real estate subsidiary LBBW Corporate Real Estate Management and external partners such as Stuttgart Ernährungsrat (food policy council). Employees were educated on topics such as vegetarian and vegan diets, sustainable shopping, sustainable mobility and energy-saving tips for the home. "KlimaWochen 2023" was the second iteration of this event, which was presented by LBBW Gastro Event → see page 244.

# Climate quiz

Participants in the **#Klimahandeln@LBBW** (climate action@LBBW) seminar collaborated to create a climate quiz on food sustainability. More than 400 people answered the questions during the KlimaWochen 2023 event. Ten randomly selected winners were presented with gift baskets containing food and beverages at the "Am Hauptbahnhof" company restaurant. This prompted a spontaneous discussion about climate-friendly nutrition.





# Society

## Cultivating community commitment

We motivate our employees to give back to the community and support those who want to do so through our corporate volunteering program. Since 2023, every employee has had a paid day off for this purpose. More than 300 volunteers participated in the Bank's wide range of community activities during the year. A fixed element of corporate volunteering activities are the social days when we invite employees to trade in their office routine for a day of volunteering. Volunteers helped out at the Malteser Hilfsdienst charitable support organization and the Blauer Elefant children's home, among other institutions. Great initiative is also shown by our talented young people who regularly lend a hand at the Tafel food bank stores. The Morgenmacher pilot project, which LBBW launched together with the KinderHelden (children's heroes) organization, is proving successful: Our mentors continue to look after elementary school children who have had a difficult start in life.

## Promoting dialog and innovation

From science to business: the "Gründermotor" initiative in Baden-Württemberg supports young start-ups from the initial idea to the financing stage. We support the program on many levels. As a corporate partner, BW-Bank sales experts act as coaches in an advisory capacity. As a venture partner, LBBW's innovation management team works with entrepreneurs on specific projects. Finally, LBBW subsidiary Venture Capital is involved as an investment partner. It is our way of contributing to society to drive economic progress in Germany.



for good causes



# Society

# Regional, value-enhancing, inspiring

As a bank with roots in our region, we have an obligation to the people in our core markets. We therefore participate in civic projects and many different educational initiatives. Through donations, sponsorships, and philanthropy, we are a driving force. Community involvement is part of our corporate culture and an integral part of our corporate strategy.

As a public-sector bank ("Landesbank"), our calling is not just about business: we also have an important social mission. And we have been living up to this mission for a good 200 years. In 1818, Queen Catherine of Württemberg founded our earliest predecessor, "Württembergische Spar-Casse", in Stuttgart with the aim of alleviating the misery of her people following catastrophic crop failures caused by a volcanic eruption and severe famine. To this day, we remain deeply connected to the people and companies in our region.

→ Video on the history of BW-Bank

We take our social responsibility seriously and have defined "Social Contribution" as one of our five strategic levers. We believe it is our duty to actively drive sustainable change in our society and promote social cohesion. Our employees also have our full support if they want to get involved in community service. In 2023, we established a policy that corporate volunteers will receive one day off per year.

Our owners are the State of Baden-Württemberg, the City of Stuttgart, and the municipally owned "Sparkassenverband Baden-Württemberg" (Savings Banks Association of Baden-Württemberg). We fulfill our social responsibility as a public-law institution: as the central bank for the savings banks, we ensure that the population, business and the public sector are provided with appropriate and adequate monetary and credit services. The LBBW Group does business primarily in its regional core markets of Baden-Württemberg, Rhineland-Palatinate, and Saxony, and selectively leverages growth opportunities in attractive economic regions such as Berlin, North Rhine-Westphalia, Bavaria, and Hamburg. In particular, we support small- and medium-sized enterprises, the engine of the regional economy, to reinforce their competitiveness and protect local jobs.

BW-Bank functions as a savings bank in the territory of the state capital Stuttgart. A checking account on a credit basis can be opened by anyone, regardless of income or negative entries on record with the general credit protection agency ("Schutzgemeinschaft für allgemeine Kreditsicherung" (SCHUFA)). In this way, we continue to provide people in financial crises with access to banking services.

Customers who wish to make a contribution to society with their investments or assets receive support from us in the form of sustainable investment products and our many years of foundation experience.

We also support education in schools with a variety of initiatives and lend a hand to projects in the fields of art, culture, sports, ecology, and social concerns with our donations, sponsorships, and foundations. The LBBW collection not only preserves and cultivates works of art but also enables the public to appreciate the artistic development of our country. Showing great commitment, our employees once again dedicated their energy and donations to helping those in need. Because, especially in challenging times, we have always believed it is our duty to be there for each other and to uphold the values of a community bound by respect and responsibility.

# Education



Investing in education is investing in the future – and the rewards are greatest when as much practical training as possible is provided. As a public-sector bank with regional roots, we take our social mandate seriously and actively help to increase young people's familiarity with the business world while giving school pupils early guidance in choosing their career and coaching young company founders. In doing so, we aim to convey not only knowledge and digital competence, but also reinforce social skills and a sense of responsibility for the sustainable development of society.

# Learning and having fun

#### Kinderspielstadt Stutengarten

The Kinderspielstadt Stutengarten vacation project was held again in 2023. In the summer break, over 1,500 children learned about how life works in a large community in a mini village made of wooden huts, containers and tents in the Bad Cannstatt equestrian arena. Whether as mayor, bank employee or baker, the 6 to 13 year-olds had the opportunity to explore more than 72 different careers and businesses in a fun environment and help create a community spirit.

15 BW-Bank apprentices, Cooperative State University students and trainees once again took on responsibility for the Stutengarten bank branch and provided money for the entire children's village. They showed the children how to make deposits and withdrawals from savings accounts, earn interest on savings and sell Stutengarten shares. The Stutengarten booking system MiniOSPlus (developed by business information system students at LBBW) was used to book incoming and outgoing payments and transmit local governments' economic support payments for companies using the installed network.

This taught them money circulates in a city, how to invest it well and the role banks play in the economy and society.

The LBBW team of apprentices also promoted and supported the fundraising campaign for "Graneros Kids" in Chile. EUR 1,500 was raised for this cause.

Kinderspielstadt Stutengarten was held for the 15<sup>th</sup> time in 2023. It is organized by Stuttgarter Jugendhaus gGmbH. BW-Bank has been an active partner since the very beginning.



Kinderspielstadt Stutengarten was held for the 15<sup>th</sup> time in 2023.

BW-Bank has been an active partner since the very beginning.



# Thinking entrepreneurially

#### Wissensfabrik - Unternehmen für Deutschland e.V.

LBBW has been a member of "Wissensfabrik", a nationwide initiative by companies and foundations to promote education and entrepreneurship in Germany, since 2013. Wissensfabrik's aim is to form partnerships with educational institutions and entrepreneurs to improve career prospects for the younger generation, and thereby contribute to the future viability of Germany as a location for business.

Via BW-Bank, LBBW is involved in education through core projects such as the start-up initiative "School-2Start-up – Schüler entdecken Wirtschaft" (School2Start-up – pupils discover the world of business) and "IT2School – Gemeinsam IT entdecken") (IT2School – discovering IT together), that introduce information technology (IT) to children and young people in their everyday lives through various teaching modules and teach them not only how to use digital media but also how to design it. The projects are supported by volunteer advisors from BW-Bank.

In addition, LBBW has been promoting entrepreneurship for years as a partner to the nationwide WECONOMY competition for young company founders. The winners receive regular coaching services for one year. They gain the opportunity to learn from the knowledge and experience of prominent executives as well as access to a nationwide network of more than 130 established companies. Another highlight is an invitation to the "Meet the CEO" days with top management from the companies that sponsor WECONOMY. LBBW was involved in mentoring with a member of the Board of Managing Directors, heads of division, and other employees. Together with experts from the Corporate Customers talent programs and the business start-up group in the Business customers and independent professionals segment, we also participate in the "Student2Start-up" and "Speedmentoring" projects.

#### Gründermotor

LBBW is a venture partner in the Baden-Württemberg "Gründermotor" (founder engine) initiative, and its subsidiary BW-Bank is a corporate partner. Start-up teams from Baden-Württemberg receive close support and coaching for four months as part of "master classes". Experts from the Corporate Customers and Business Customers Coaches sales units work as coaches in the Corporate division. In Venture, this involves specific collaboration with start-ups on projects. LBBW's innovation management team has been involved in this since 2022, and the LBBW subsidiary Venture Capital is an investment partner.

# Training purposefully

### BW-Bank's school service/partnerships with educational institutions

BW-Bank supports educational institutions in Greater Stuttgart with a wide variety of services. There are currently 65 active partnerships with educational institutions. BW-Bank employees conducted a total of 78 individual activities at educational institutions in 2023. They share their expertise with schools and teachers through workshops, lectures and projects. In addition, schools can participate in projects such as "Planspiel Börse", a stock market simulation game, with the support of BW-Bank.

BW-Bank's school service is based on specialist insight, age-appropriate and relevant to pupils' lives. School contact persons at BW-Bank maintain close contact with schools and teachers to provide methodological guidance on delivering the talks and workshops. BW-Bank focuses on schools' educational objectives and responsibilities at all times.

# Corporate volunteering

# Community involvement of LBBW employees

As part of the strategic "Social Contribution" lever, LBBW supports the involvement of its employees in community activities initiated by the Bank. To accomplish this, a central project team has been set up to make programs available, serve as a point of contact for questions about corporate volunteering and receive input from employees.

The importance of the topic was underpinned in January 2023 when the Board of Managing Directors approved temporary leaves of absence. This means that all LBBW employees have one day a year at their disposal for community activities initiated by the Bank. The leave of absence was implemented in the system in May 2023. Since then, more than 300 employees have taken advantage of this opportunity.

#### Morgenmacher

In the fall of 2022, LBBW launched the "Morgenmacher" project together with the KinderHelden gGmbH organization. In this program, an adult guides and supports a child in its development one year. It focuses on financial education but also covers language skills and individual personal development. In the first round, 23 LBBW employees participated in the project. In 2023, the second year, 18 KinderHelden – children's heroes – met regularly with their wards. The Bank has supported this community project with a donation of around EUR 15,000 and also gives employees time off work.

#### Social days

Another element of the corporate volunteering program are LBBW's social days when employees can trade in the office routine for a day of volunteering. In 2023, for example, 18 employees worked for Malteser Hilfsdienst e.V. on three social days. Schwäbische Tafel Stuttgart e.V., a food bank based in Stuttgart, has been supported by both the Talents4Talents program and a large number of employees since May 2023. LBBW's younger employees in Dresden and Leipzig helped out at the food banks in November. In Mainz, 28 employees took two social days to help at the Blauer Elefant children's home.

# LBBW Group donations

Donations are an important part of LBBW's commitment to society. We mainly focus on social, cultural and scientific projects as well as projects relating to the environment and sustainability. In keeping with our strong regional roots, grants are typically extended to recipients in our regional core markets. As a rule, LBBW does not make any contributions to political parties, politicians, or governments.

The LBBW Group supported

380 charitable institutions
with a donation volume of around

EUR 1,119,000 in 2023.

The LBBW Group assisted a total of 380 charitable institutions with donations of around EUR 1,119,000 in 2023. As has become traditional, LBBW helped people in need via the relief campaigns organized by Stuttgart's two daily newspapers and the "Weihnachtsmann & Co." corporate Christmas charity.

This was the first time that LBBW employees were able to make their own suggestions for the Christmas donation and tell the Bank which projects and institutions they wanted to support in 2023. Out of approximately 150 proposals, LBBW chose 15 organizations that work with children and adolescents, education and environment/nature. The following institutions thus received a Christmas donation of EUR 10.000 each:

#### Environment/nature:

- Streuobstinitiative im Stadt- und Landkreis Karlsruhe e.V.
- Arbeitskreis Umwelt Mombach e.V.
- Flugmodus e.V. fawn rescue organization in the Rems-Murr district
- Bergwaldprojekt e.V.
- Tierherberge Donzdorf e.V. in Göppingen County
- Nature-Support e.V.

#### Children and adolescents:

- KinderVesperkirche Mannheim
- Schlupfwinkel Stuttgart
- Musical-Werkstatt Graben-Neudorf e.V. in Karlsruhe County
- Karlsruher Kindertisch
- Flüsterpost e. V. Mainz
- BRH Rettungs- und Therapiehunde Fildern und Umgebung e.V.

#### **Education:**

- ARCHE Stuttgart
- Lernfreudehaus Karlsruhe
- Verein für Integration & Bildung Leipzig

In addition, BW-Bank made a donation of EUR 20,000 to Anpfiff ins Leben e.V. This association combines four areas of support: sports, school, work and social issues. It enables children and adolescents to create the best possible prospects for their personal and professional future.

In addition, the donations distributed from BW-Bank premium savings accounts funded grants to 128 community projects in Baden-Württemberg. Premium savers take part in a monthly prize draw as well as special annual draws where they can win up to EUR 25,000. 25% of the funds are not distributed as prizes but instead are used for social purposes. In this way, BW-Bank premium savings accounts raised around EUR 258,000 for charitable projects in the past year.

Participants in the management training course set up an employee fun fair in the LBBW company restaurants, using the theme "Gemeinsam Spaß haben, Gutes bewirken - Kirmes für den guten Zweck!" (have fun together, do good - fun fair for a good cause!"). The proceeds went to LINA-Support e.V., a non-profit committed to significantly improving the quality of life for young people with life-altering illnesses. The event raised around EUR 4,600. LBBW then doubled this amount, yielding a total donation of EUR 10,000.

#### "Rest-Cent" campaign: employee donations by rounding-off salaries

Since 2015 all active employees of the LBBW Group have had the opportunity to contribute the "cents", i.e. the amounts after the decimal point, of their monthly salaries for social projects. In recognition of employees' willingness to participate, an additional contribution is made to the program from LBBW's central budget. We also use our internal media to encourage people to participate in this charitable initiative.

The LBBW Group's "Rest-Cent" campaign turned nine in January 2024. Around 2,730 employees are now taking part in the campaign. Approximately EUR 107,000 has been raised since the launch (as of December 2023). The "Rest-Cent" contributions for 2023 (around EUR 16,000) were rounded up to EUR 20,000 from the Bank's central budget and used to support Deutscher Hospiz- und Palliativverband e.V. In 2024, the "Rest-Cent" campaign will enter its tenth round and support the German Children's Fund (Deutsches Kinderhilfswerk e.V.) in overcoming child poverty and projects for children and young people.

#### **Blood drives**

Local staff councils regularly ask employees at LBBW locations in Karlsruhe and Mainz to give blood.

Since 2005, blood drives have been held four times a year at LBBW's premises. The blood transfusion center at the Mainz university hospital takes the blood. During the 2023 blood drive in Mainz, employees collected more than EUR 1,000 in donations that will go toward Kinderkrebshilfe Mainz e.V., a children's cancer charity.

In Karlsruhe, the company blood drive was run by the German Red Cross with the support of two cooperation partners. With 75 willing donors and a monetary pledge from all participating collaboration partners for each blood donation, German Red Cross (DRK) Karlsruhe was pleased to receive a total donation of EUR 1,200 in 2023.

On 7 December 2023, a blood drive was held for the first time in Stuttgart at LBBW's vaccination center in cooperation with the Red Cross. The 130 available donation slots were fully booked within a few hours of the start of online registration. The drive was repeated in February 2024 due to people's huge willingness to donate blood.

## Christmas campaigns for children

In 2023, LBBW's local staff councils again decorated the Christmas trees at the company restaurants in Karlsruhe, Mannheim, Mainz and Stuttgart with cards containing gift wishes from children of disadvantaged families. Each child was invited to wish for a gift worth up to roughly EUR 30. Employees of LBBW, BW-Bank and the subsidiaries SüdFactoring, SüdLeasing and ALVG Anlagenvermietung GmbH were invited to pick out cards and buy the requested gifts. The gifts were collected by the staff councils and handed over to the non-profit organization Kinder und Jugend ARCHE Karlsruhe e.V. in Karlsruhe and Bretten, to the St. Josef children's home in Mannheim, the child protection association in Mainz, two shared accommodation facilities in Stuttgart run by Future 4 Kids and accommodation provided by the German Red Cross Stuttgart association. As well as the campaigns by local staff councils, some branches also arranged their own campaigns in conjunction with both employees and customers. In Mainz, the gifts from the 2023 Christmas campaign were handed over on the Bank's premises – with Santa Claus, hot chocolate and cookies.

In Mainz, young employees and students organized another bake sale during the 2023 Advent season with support from managers: As well as cakes and cookies, employees could buy recipe books and calendars from the Blauer Elefant children's center in exchange for a donation. EUR 520 was raised for the children's facility.

## Office supply drive in Mannheim and Karlsruhe

In 2023, an office supply drive was held in the Mannheim and Karlsruhe buildings to benefit the Pforzheim child protection association. The honorary patron was Ann-Kristin Stetefeld, a member of the Board of Managing Directors of-BW Bank.



# **Sponsorship**

As a sponsor, we support selected projects and institutions in our region. Our focus here is on art and culture, and we have long-standing partnerships with the Stuttgart Art Museum, the Stuttgart Opera House and the Mannheim National Theater. In sports, we remain the main sponsor of the renowned STUTTGART GERMAN MASTERS equestrian competition as well as the preceding BW-Bank Cup series for young riders in Baden-Württemberg. In business and innovation, we are involved in the start-up scene; successful examples include Wissensfabrik - Unternehmen für Deutschland e. V. and Gründermotor GmbH with its projects in Baden-Württemberg -> see page 228.

# I BBW Foundation

Since it was established in 1984, the Landesbank Baden-Württemberg Foundation has donated around EUR 27.9 million to about 12,000 projects. The activities of the foundation are aimed at having as broad an effect as possible, supporting young people, and providing assistance for a continuous stream of new initiatives. 

More information: <a href="https://www.LBBW.de/stiftung">www.LBBW.de/stiftung</a>.

In the area of art and culture, the foundation primarily supports music and literature as well as the performing and visual arts. In 2023, for example, the foundation provided funding for the exhibition project "längs und quer zum Fluss" (along and across the river) by Kathrin Wörwag from Kirchheim along the disused Neckar spinning mill in Wendlingen-Oberboihingen, the 10<sup>th</sup> "Kinderliteraturtage Karlsruhe" (Karlsruhe children's literature days) (KliK) organized by the Cultural Office of the City of Karlsruhe and the "S1 Festival" concert weekend organized by Jugendcafé Komma e.V. with workshops and a panel discussion at Jugendhaus Komma Esslingen.

In the field of education, training and continuing education, we help fund young people's schooling and vocational training and assists with selected projects. In 2023, they included the 2<sup>nd</sup> SDG Youth Summit with students from Heilbronn, Bad Friedrichshall and Bietigheim on the topic of sustainability at the Heilbronn Education Campus; the educational project "Wem gehört die Stadt? – Who owns Who" (who owns the city? – who owns who) by the Schlüsselmensch e.V. initiative for young refugees in Freiburg; and the educational theater project "Was heißt'n hier Geld?" (what do you mean by money) by BeWoJo e.V. Gäufelden with grades 3 and 4 of the Raitelsbergschule school Stuttgart to learn how to handle money in an age-appropriate way. As in previous years, we also provided grants for several outstanding dissertations.

In terms of nature and the environment, the foundation participates in projects for nature conservation and species preservation in a diverse animal and plant world. In addition, it funds small-scale research projects relating to protection of the environment and nature, biology and medicine, including alternative medicines. In 2023, for example, the foundation supported scientific studies in the Central/North Black Forest Nature Park as part of a project on the hydrology of the raised bogs in the Kaltenbronn moor region conducted by the Institute of Geography at Heidelberg University. At the same time, environmental education workshops were held for people of all ages on water cycles and living diversity on the "Weltacker" of BiNELa gUG in Überlingen.

# LBBW collection: Highly acclaimed displays

In November 2023, the LBBW collection presented outstanding works from its acquisitions of the past five years at Art Cologne as part of a curated high-ranking special presentation entitled "past is present is past". This was accompanied by the LBBW Art Talks, which could be viewed in person or as a live stream. This form of presentation also took place at Art Karlsruhe in May 2023 with another special presentation called "Social Fabric". Collection cooperations with the Stuttgart Art Museum and Kunsthalle Mannheim were also continued. One highlight of these collaborations was the loan of Michel Majerus's work in Mannheim to the public.

over **3,000 works**of various genres and media.

#### Collecting art: a social responsibility

From Otto Dix to Gerhard Richter, Rosemarie Trockel, Wolfgang Tillmans and Tobias Rehberger to Nevin Aladağ and Hito Steyerl, LBBW can look back at more than 50 years of a successful, consistent and complex collection of modern and contemporary art. Today, the collection comprises more than 3,000 works of various genres and media. This makes the LBBW collection one of the largest German corporate collections of modern and contemporary art, both within the financial sector and overall. The many highlights from the Bank's collection are displayed at the head office in Stuttgart and at other selected locations and areas of the Bank as well as in prestigious national and international museums and at art fairs.

While the collections of individual banks, which later merged into LBBW, in some cases grew organically, the bank has now (and following a turning point after the international financial crisis) adopted a consistent collection strategy. A board of collection curators was set up in 2018 to discuss and consider expansions to the collection and new purchases. Decisions regarding purchases are made on the basis of a clearly defined list of criteria. In this way, the approach once again lives up to the high standards of the collection: to reflect artistic development in Germany at the highest level with a high-quality selection – the focus is on artists who primarily live and work in Germany – and to build up and maintain a timeless collection that goes beyond short-sighted, speculative interests.

Collecting art means taking on considerable social responsibility for LBBW. With its unique collection, it looks after, preserves and maintains a cultural treasure, the intellectual capital of which belongs to the company which thus has an obligation towards it. The bank meets this obligation at a wide range of levels and so is dedicated to the parameters of a sustainably collection policy:

- Strict quality awareness: The collection is developed in accordance with fixed criteria drawing on as much professional expertise as possible. The focus here is thus on timelessness, not on subjective matters of taste or fleeting aesthetic or contemporary trends.
- Professional care: Professional curation of the collection ensures that it is properly preserved and maintained for the future. Of course, there is also an obligation to research the collection further, including under provenance criteria, and to take account of all necessary environmental criteria. The collection catalog is the basis for handling the collection at present as well as for further scholarly work.
- Public participation: The collection is not available only to LBBW employees to create an inspiring
  work environment: the general public can also take part. Visitors can get to know the works and consider fundamental questions at distinguished exhibitions at fairs such as Art Cologne or in museums,
  such as the "Jetzt oder nie" (now or never) anniversary exhibition in 2021/2022. Active, professionally managed lending also allows the art to be displayed at other locations.
- Substantive topics: Current acquisition policy focuses on the obligation towards issues that, while not
  urgent, are of socio-political relevance, such as the relationship between human beings and the environment in the Anthropocene age, questions about economization and related transformation process
  or migration and cultural identity. Here, the collection plays an active role in the process of raising
  awareness.
- Audience-friendly communication: With an ambitious communications program and programs for the public that reduce barriers to entry, we make the works of art more accessible to viewers. For example, the "Jetzt oder nie" exhibition arranged two weekends where entry was free of charge, ran art education programs for various age groups and provided free exhibition guides. The program also included a major school project and special offers for employees and their families. At the same time as this, a new website on the LBBW collection was developed in the anniversary year. The site makes key information on the collection and its works easily accessible and communicates it to a wider audience. In March 2024, the museum will once again take part in Stuttgart's Long Night of Museums, making part of the collection accessible to the public through guided tours and a specially curated presentation of the collection in the BW-Bank building at Kleiner Schlossplatz.

## "I AM WOMAN" - exhibit for employees to celebrate International Women's Day

A selection of works by women from the LBBW Collection was presented as part of the celebration of International Women's Day. Featuring more than 30 different works from 1920 to the present, the temporary exhibition offered a glimpse into the wide variety of issues and social, cultural and historical contexts that artists address in their work.

# There were 18 guided tours with a total of OVER 200 people.



For example, the exhibition featured the Stuttgart artist duo Wahlverwandt (Anne Schubert and Angelika Hartmann) whose embroideries – "Jeder Gott ist ein Mann" (every God is a man) and "Jede Frau ist eine Göttin" (every woman is a goddess) (2007) – raise questions about equality and gender roles.





Fotocredit: Wahlverwandt, »Every god is a man« und »Every woman is a godess«, 2007





# **Environment**

### Driving the urban energy transition

Turbo for inner-city transformation: Our photovoltaic system on the roofs of the LBBW campus at Pariser Platz supplies 260,000 kilowatt hours. Our central buildings are powered by 607 solar panels with a maximum peak capacity of 250 kilowatts. It is the most powerful renewable energy plant in downtown Stuttgart. We will also equip the BW Bank building at Kleiner Schlossplatz with a photovoltaic system. Other locations are being reviewed. All of LBBW's and BW-Bank's buildings in Stuttgart have been powered exclusively by green electricity since 2009. By switching to onsite power generation on a large scale, we are not only optimizing our business operations but also setting an example and promoting the sustainable development of the state capital of Baden-Württemberg.

## Safeguarding irreplaceable wealth

We want to help conserve biodiversity. This is why we train all employees on biodiversity issues, follow strict guidelines and criteria in our investment and lending business and support nature and species conservation projects through the LBBW Foundation. We also create space for flora and fauna in downtown areas by designing nature-oriented exteriors on LBBW's main building in Stuttgart, organic raised beds on our roof terrace and a falcon nesting box. The crossdivisional biodiversity workgroup and LBBW's carbon footprint team initiate many other campaigns and initiatives. For example, we are involved in the "Unternehmen Biologische Vielfalt" (corporate biodiversity) collaboration project of the Association for Environmental Management and Sustainability in Financial Institutions (VfU) and the Global Nature Fund, an international foundation for the environment and nature.



Most powerful PV system in downtown Stuttgart



# 

# Economical, efficient, consistent

We aim to do business in a way that is environmentally aware, carbon neutral and conserves resources. Thanks to the digital transformation, technical innovations and systematic savings in our business operations, we are gradually reducing our ecological footprint.

Over the last few years, we have been able to systematically reduce our energy consumption and improve efficiency. We are continuing to work on reducing our emissions. For example, we have built extensive charging infrastructure for electric vehicles and will expand this further in the years ahead. We have launched a wide range of campaigns to foster a cycling culture and encourage people to switch to bikes by providing leasing offers, secure areas to lock up bikes and free charging stations. With our sustainability app, employees can look up their individual carbon footprint and get tips on how they can help the environment. We are also continuing to optimize building technologies and IT.

We record and analyze consumption figures for our business operations on a quarterly basis so that we can respond to changes more quickly. This is because our goal is to steadily reduce our ecological footprint further in the years ahead too.

The environmental data for 2023 primarily reflects the rise in business travel, which had declined significantly in the previous years on account of pandemic restrictions.



# Environmental performance and consumption of resources

LBBW's materiality analysis identified the following environmental aspects as material:

- Responsible use and handling
  - of resources (energy, water, paper)
  - during the construction and operation of buildings
  - of hazardous substances
  - of waste
- Sustainability in business travel and fleet management
- Reduction of CO<sub>2</sub> emissions

The following section reports on the environmental aspects identified as material.

The following tables provide an overview of LBBW's environmental performance and the resources used in our business operations in recent years. The calculation and presentation of our key figures are based on the current VfU Indicators, the standards promulgated by the Association for Environmental Management and Sustainability in Financial Institutions ("Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V." (VfU)).

# CO, conversion factors according to VfU indicators (12 July 2022 - version 1.1 of the 2022 update)

-	Factor
Electricity (hydroelectric)	0.0065 kg/kWh
Electricity (wind power)	0.0169 kg/kWh
Electricity (photovoltaics)	0.0983 kg/kWh
Electricity (lignite)	1.2995 kg/kWh
Electricity (gas)	0.7526 kg/kWh
Electricity (nuclear)	0.006 kg/kWh
District heating	0.2783 kg/kWh
Heating energy (gas)	0.2571 kg/kWh
Heating energy (oil)	0.3265 kg/kWh
Rail travel	0.0558 kg/km
Road travel	
direct (Scope 1)	0.3328 kg/km
indirect (Scope 3)	0.3287 kg/km
Short-haul flights¹ (Economy)	0.1180 kg/km
Short-haul flights¹ (Business)	0.1471 kg/km
Long-haul flights¹ (Economy)	0.0743 kg/km
Long-haul flights¹ (Business)	0.1912 kg/km
Elemental chlorine free (ECF) and totally chlorine free (TCF <sup>2</sup> ) paper	0.9030 kg/kg
Recycled paper (post-consumer)	0.7730 kg/kg
Drinking water	0.6174 kg/m³
Waste (incinerated)	0.5190 kg/kg
Waste (landfill)	0.6170 kg/kg
Waste (recycled)	0 kg/kg
Hazardous waste	2.397 kg/kg

<sup>1</sup> The Radiative Forcing Index (RFI) is not included in the VfU conversion factors for air travel. RFI measures the amplified greenhouse effect of aircraft emissions at high flight altitudes.

<sup>2</sup> Elemental chlorine free (ECF) bleach prohibits the use of chlorine gas. Chlorine compounds are used. Total chlorine free (TCF) bleach does not use chlorine.

#### **EMAS** core indicators

EMAS core indicators reflect the organization's environmental performance in energy, emissions, materials, water, waste and biodiversity. The core indicators represent environmental performance based on a consumed or produced quantity compared to a corresponding reference value. Where data is available, the core indicators must be reported over a period of three consecutive years to show the evolution of environmental performance.

The following figures refer to LBBW (Bank) including BW-Bank, Gastro Event GmbH, LBBW Immobilien Management GmbH, LBBW Corporate Real Estate Management GmbH, LBBW Asset Management Investmentgesellschaft mbH, MMV, Berlin Hyp AG, SüdLeasing, SüdFactoring and ALVG.

The subsidiaries MMV, Berlin Hyp AG, SüdLeasing, SüdFactoring and ALVG have been included in the environmental performance statement since 2022. As a result, total consumption and CO₂ emissions have increased accordingly from 2022.

However, the data for the validated/certified locations (Am Hauptbahnhof 2, Pariser Platz and Kleiner Schlossplatz) are still comparable to previous years because the subsidiaries occupy other buildings or were already included in the consumption figures as subsidiaries when they were located at the certified locations.

LBBW (Bank) including BW-Bank, Gastro Event GmbH, LBBW Immobilien Management GmbH, LBBW Corporate Real Estate Management GmbH, LBBW Asset Management Investmentgesellschaft mbH, MMV, Berlin Hyp AG and SüdLeasing, SüdFactoring, ALVG.

Positions	2023	2022	2021	2020	2019
Input					
Energy (in kWh)	78,943,478	84,668,315	93,187,843	96,873,952	113,723,834
of which electricity	45,043,575	47,159,852	47,860,000	49,384,361	62,977,496
of which from renewable energy sources in %	96.7	97.8	100	100	100
of which electricity consumption – building operation	33,441,794	38,002,381	37,048,673	40,644,009	50,345,079
of which electricity consumption - data centers, including cooling	11,601,781	9,157,471	10,811,327	8,740,622	12,632,417
of which heating energy (not adjusted for weather)	27,751,706	30,761,506	40,384,048	36,481,603	41,145,788
of which heating energy (adjusted for weather)	33,899,903	37,508,463	45,327,843	47,489,321	50,746,338
Water (m³)¹	194,329	194,480	174,732	191,971	238,338
Office paper (sheets) <sup>2</sup>	15,224,936	16,796,400	21,480,700	31,127,1003	104,675,953
of which copy paper (in kg)	76,170	83,982	108,096	156,604	246,206
Printed advertising matter (in kg)	54,392	140,821	156,360	162,509	233,604
Transportation (in km)	33,830,876	20,804,785	6,942,800	8,261,840	25,475,023
of which by train	7,808,369	5,125,040	1,484,327	2,362,523	9,299,755
of which by car	19,621,749	11,443,489	4,823,131	4,781,396	9,682,264
of which by plane	6,400,758	4,236,256	635,342	1,117,921	6,493,004

Positions	2023	2022	2021	2020	2019
Output					
Waste <sup>3</sup> (in kg)	2,322,297	2,230,576	1,844,041	1,653,432	1,941,123
of which paper	611,738	685,725	645,006	642,302	810,255
of which waste recycled	1,621,105	1,361,142	1,014,566	1,052,946	1,301,659
of which hazardous waste <sup>4</sup>	135	7,727	526	9,303	12,735
Emissions					
CO <sub>2</sub> equivalents	15,702,117	13,660,062	10,964,307	9,909,698	15,372,000
SO <sub>2</sub>	12,731	10,567	5,854	5,981	15,678
NO <sub>x</sub>	24,081	22,789	19,840	18,959	41,575
PM	1,794	1,321	1,203	1,150	2,200

- The figures shown represent drinking water from the public supply. Wastewater is disposed of in the local sewer system; there is no direct release into natural waters. The substances contained in the water discharged by LBBW have no impact on biodiversity.

  Since 2020, only copy paper has been shown in sheets.

  Due to double counting, the total of the three categories listed may be higher than the total value shown.

  Some electronic waste has been classified as hazardous waste since 2016 because it could contain lithium batteries.

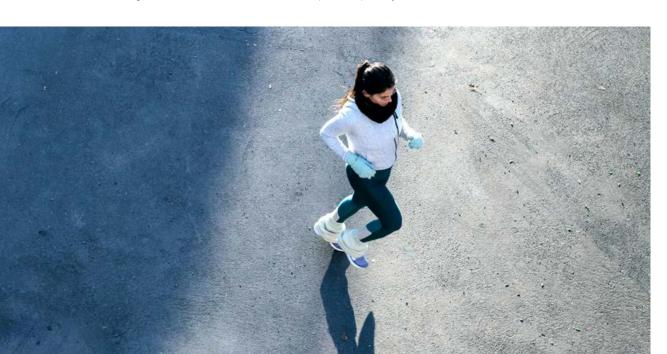
Input	2023	2022	2021	2020	2019
Employees (FTEs) <sup>1</sup>	9,502.2	9,257.3	8,437	8,616	8,493
Area (m²)	426,453	440,392	451,443	477,856	375,901
Area per employee (m²)²	45	48	54	55	44

- 1 FTE = Number of full-time employees and part-time employees expressed as full-time equivalents.
  2 The data centers have not been located in LBBW buildings since 2022. This means that we do not have any data on the floor space of our data centers at this time.

## Sealed surfaces at the validated locations in 20231

Location	Sealed surfaces (m²)	Share of total floor area of location (%)¹	of which intensive greening (m²)	of which extensive greening (m²)
Stuttgart				
Am Hauptbahnhof	35,011	87.4	5,050	9,550
Pariser Platz	11,137	100	-	5,509
Kleiner Schlossplatz	3,000	100	-	403

1 There were no changes in the share of sealed surfaces in the total area compared to the previous year.



# Key figures

LBBW (Bank) including BW-Bank, Gastro Event GmbH, LBBW Immobilien Management GmbH, LBBW Corporate Real Estate Management GmbH, LBBW Asset Management Investmentgesellschaft mbH, MMV, Berlin Hyp AG and SüdLeasing, SüdFactoring, ALVG.

_	2023	2022	2021	2020	2019
Energy efficiency					
Electricity consumption including data centers (kWh/m²)	2	2	106	103	168
Electricity consumption excluding data centers (kWh/m²)	79	86	82	86	134
Electricity consumption (in kWh/employee) <sup>1</sup>	4,740	5,094	5,672	5,732	7,416
Heating energy usage not adjusted for weather (kWh/m²)	65	70	89	76	109
Heating energy usage adjusted for weather (kWh/m²)	80	85	100	99	135
Heating energy usage not adjusted for weather (in kWh/employee)	2,921	3,323	4,786	4,234	4,845
Heating energy usage in adjusted for weather (in kWh/employee)	3,568	4,052	5,372	5,512	5,975
Water					
Water usage (in liters/employee/day)	82	84	83	89	112
Ratio of input (drinking water)/output (wastewater)	1	1	1	1	1
Materials efficiency					
Paper usage (sheets/employee) <sup>1</sup>	1,602	1,814	2,546	3,613	12,326
Copy paper (in kg/employee)	8	9	13	18	29
Printed advertising matter (in kg/employee)	6	15	19	19	28
Ratio of input (copy paper, printed advertising matter)/output paper	0.2	0.3	0.4	0.5	0.6
Share recycled					
Copy paper (%)	72	60	72	76	77
Printed advertising matter (%)	22	15.7	0	28	6
Business travel					
Business travel (in km/employee)	3,560	2,247	823	959	3,000
Waste					
Waste volume (in kg/employee)	244	241	219	192	229
Emissions					
CO <sub>2</sub> emissions from electricity, heating (in kg/employee)	771	905	963	811	1,105
CO <sub>2</sub> emissions from travel (in kg/employee)	801	469	203	209	577

<sup>1</sup> Starting in 2020, copy paper is shown only in sheets. 2 Since 2022, the data centers have no longer been located in LBBW buildings. No figure per m² can be given for 2022 due to a lack of area information for the external data centers.

# CO<sub>2</sub> emissions



Carbon dioxide (CO<sub>2</sub>) is the only greenhouse gas produced at LBBW in relevant quantities. All of LBBW (Bank)'s office buildings have been supplied with hydroelectricity since 2009.

Although we have already leveraged a great deal of potential for optimization in many areas, we are continuing to work on systematically reducing our carbon footprint and also on raising awareness among our employees, for example through our sustainability app.

During the KlimaWochen 2023 event, which was held for the second time in LBBW's staff restaurants in Stuttgart in October 2023, we showed our employees their personal carbon footprint - both at work and at home. The two-week campaign was accompanied by a climate quiz with a prize-giving ceremony → see page 224.

LBBW's goal for 2023 was for own CO<sub>2</sub> emissions at LBBW ((Bank), excluding subsidiaries) not to exceed 10,500 metric tons. This goal was achieved thanks to organizational and technological optimization. LBBW (Bank) emitted roughly 9,630 metric tons of CO<sub>2</sub>.

We calculated the emissions generated by working from home in 2023, which came to 177 metric tons of CO<sub>2</sub>.

# CO<sub>2</sub> equivalents for LBBW (including subsidiaries)

LBBW (Bank) including BW-Bank, Gastro Event GmbH, LBBW Immobilien Management GmbH, LBBW Corporate Real Estate Management GmbH, LBBW Asset Management Investmentgesellschaft mbH, MMV, Berlin Hyp AG and SüdLeasing, SüdFactoring, ALVG.

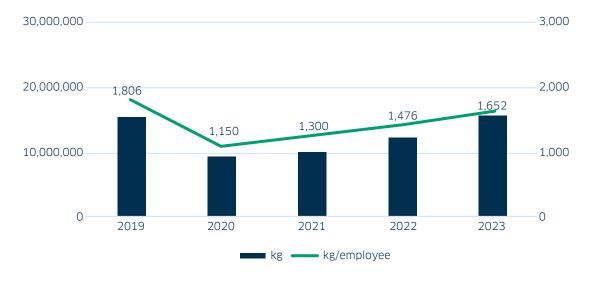
	Absolute figures (in kg) <sup>2</sup>	Absolute figures (in kg)² Excluding MMV, Berlin Hyp, SüdLeasing/Süd- Factoring/ALVG	Relative figures (per employee) <sup>1</sup>	Relative figures (per employee) Excluding MMV, Berlin Hyp, SüdLeasing/Süd- Factoring/ALVG
2009	18,347,711	18,347,711	1,798	1,798
<u></u>				
2019	15,372,000¹	15,372,000¹	1,806	1,806
2020	9,909,698	9,909,698	1,150	1,150
2021	10,964,307	10,964,307	1,300	1,300
2022	13,660,062³	10,162,646	1,476	1,098
2023	15,702,117³	10,861,974	1,652	1,143

<sup>2019</sup> saw a sharp rise in CO<sub>2</sub> emissions because the heat pump at the LBBW headquarters "Am Hauptbahnhof" was decommissioned between March and December 2019, and so more district heating was temporarily required.

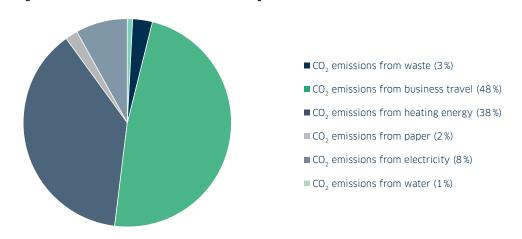
Excluding working from home.

The subsidiaries MMV, Berlin Hyp AG and SüdLeasing, SüdFactoring, ALVG will be included from 2022 onwards.

# CO<sub>2</sub> emissions in absolute figures and relative figures per employee



# CO<sub>2</sub> emissions in 2023 – breakdown by source of emissions<sup>1</sup>



<sup>1</sup> All of LBBW and BW-Bank's office buildings have been supplied with hydroelectricity since 2009. The share of  $CO_2$  emissions accounted for by electricity at LBBW is therefore relatively low.

# Categorization of emission sources in 2023

Source of emissions <sup>1</sup>	Scope
	Scope 1
Own vehicles (fleet, department, company and Service vehicles): 5,548,937 kg CO <sub>2</sub>	All emissions that are directly caused or can be controlled by the company, e.g. through the combustion of fossil fuels or the operation of its own fleet.
	Scope 2
Electricity: 1,299,988 kg $\mathrm{CO}_2$ Heating: 6,026,023 kg $\mathrm{CO}_2$	All emissions arising from the provision of energy for a company, e.g. the delivery of electricity or district heating. The emissions are generated by the external utility.
	Scope 3
Car (rental cars, taxis and LBBW employees' private cars): 896,763 kg CO <sub>2</sub>	All emissions induced by the activities of the company but arising elsewhere. This includes emissions arising along the supply chain or through the use of products, for example. Other examples: employees' travel to work; business trips by rail, taxi, airplane, or rental vehicle; paper consumption; water consumption.
Rail: 435,707 kg CO <sub>2</sub>	
Air: 732,104 kg CO <sub>2</sub>	
Water: 119,979 kg CO <sub>2</sub>	
Paper (total): 241,617 kg CO₂	
Waste: 400,999 kg CO <sub>2</sub>	
	Own vehicles (fleet, department, company and Service vehicles): 5,548,937 kg CO <sub>2</sub> Electricity: 1,299,988 kg CO <sub>2</sub> Heating: 6,026,023 kg CO <sub>2</sub> Car (rental cars, taxis and LBBW employees' private cars): 896,763 kg CO <sub>2</sub> Rail: 435,707 kg CO <sub>2</sub> Air: 732,104 kg CO <sub>2</sub> Water: 119,979 kg CO <sub>2</sub> Paper (total): 241,617 kg CO <sub>2</sub>

1 Conversion factors according to VfU indicators.



## Air pollutants<sup>1</sup>

2022	km	SO <sub>2</sub> (kg)	NO <sub>x</sub> (kg)	Dust (in kg)
Business travel by car (gasoline)	7,373,503	1,233	4,264	141
Business travel by car (diesel)	4,069,986	919	1,861	296
Business travel by train	5,125,040	599	684	53
Business travel by plane (short-distances)	314,480	321	489	6
Business travel by plane (long-distances)	3,922,776	2,671	3,438	52
	kWh	SO <sub>2</sub> (kg)	NO <sub>x</sub> (kg)	Dust (in kg)
Electricity	47,159,852	391	825	127
Heating energy	30,761,506	4,430	11,228	646
Total air pollutants (kg)		10,567	22,789	1,321
Air pollutants (in kg/employee)		1.14	2.46	0.14
2023	km	SO <sub>2</sub> (kg)	NO <sub>x</sub> (kg)	Dust (in kg)
Business travel by car (gasoline)	753,759	126	436	14
Business travel by car (diesel)	12,290,848	2,777	5,621	895
Business travel by train	7,808,369	914	1,043	80
Business travel by plane (short-distances)	395,665	405	617	8
Business travel by plane (long-distances)	6,005,093	4,094	5,262	80
	kWh	SO <sub>2</sub> (kg)	NO <sub>x</sub> (kg)	Dust (in kg)
Electricity	45,043,575	419	973	133
Heating energy	27,751,706	3,996	10,129	583
Total air pollutants (kg)		12,731	24,081	1,794
Air pollutants (in kg/employee)		1.34	2.53	0.19

 $<sup>1\,</sup>$  Conversion factors according to GEMIS 2004 and 2017.

LBBW's cooling systems are checked regularly for leaks and so no significant greenhouse gas emissions were reported here in 2023.

At the EMAS-certified sites, 11 kg of R449A refrigerant was lost from the central buildings on the Stuttgart campus in 2023 due to leaks from small refrigeration units. A total of 34 kg of R134A refrigerant was added to both heat pumps to increase efficiency. This happened during an inspection but is not a loss of refrigerant.

At Kleiner Schlossplatz 11, a faulty valve and the associated repair and maintenance resulted in a loss of 10 kg of R744 refrigerant.

# Energy used in facility management



Our central buildings are responsible for the majority of LBBW's total energy usage. We primarily focus on these buildings when it comes to identifying potential savings and introducing energy optimization measures.

When refurbishing or replacing systems, we take care to use efficient processes and equipment or components.

In general terms, heating and electricity consumption was once again lower than in the previous year. There has been virtually no change in water consumption.

The temperature trend for 2023 at the Stuttgart location was similar to that of the previous year. Nevertheless, total heating and electricity consumption has continued to fall, due in part to efforts to use less space and in part to energy-saving measures taken during the energy crisis. The sale and partial leaseback of the Augustanalage property in Mannheim also contributed to the decline in consumption.

The following measures were taken in the first quarter of 2023 in response to the energy crisis and contributed to lower heating energy consumption:

- Raising awareness among employees
- Reducing the time for which heating was on (turning it on later and reducing the room temperature earlier)
- Approx. 3 °C general reduction in room temperature to 19 °C
- Not heating drinking water in sanitary facilities in some cases
- Reduced lighting and restricted use of illuminated advertising

By utilizing waste heat, the heat pumps at the Am Hauptbahnhof building provided 2.5 GWh of heating energy, reducing the need for district heating.

Electricity use in absolute figures (kWh per building)	2023	2022	2021	2020	2019
Karlsruhe	728,863	787,179	728,295	776,430	948,486
Leipzig	365,759	346,105	297,192	331,911	453,982
Mainz	328,900	323,818	716,366	2,601,509	2,613,417
Mannheim	864,342	1,426,666	1,455,887	1,523,450	1,543,285
Stuttgart					
Am Hauptbahnhof	12,684,069	12,907,066	18,848,355	17,167,935	22,469,281
of which building operations	12,684,069	12,907,066	11,546,590	11,776,307	16,281,669
of which data center <sup>1</sup>			7,301,765	5,391,628	6,187,612
Pariser Platz	5,230,980	5,553,629	5,734,411	6,216,019	6,792,779
Königstraße	2,373,610	2,868,642	2,841,597	2,953,076	4,016,980
Bollwerk	Building sold; no more LBBW employees in the building	1,248,043	7,236,055	6,753,870	11,555,950
of which building operations		1,248,043	3,726,493	3,404,876	5,111,145
of which data center <sup>1</sup>			3,509,562	3,348,994	6,444,805
Kleiner Schlossplatz	3,174,172	3,283,020	2,951,823	3,073,007	3,381,586
Branches and other administrative buildings <sup>2</sup>	7,691,099	9,258,213	7,050,019	7,987,424	9,201,750
Data centers FI-TS¹ and data centers of subsidiaries	11,601,781	9,157,471			
Total	45,043,575	47,159,852	47,860,000	49,384,631	62,977,496

- 1 No data centers have been operated at LBBW buildings since 2022. Electricity consumption for the external data centers will thus be reported separately from 2022 onwards. 2 From 2022 onwards, figures for branches and other administrative buildings include consumption of additional subsidiaries (MMV, Berlin Hyp AG, SüdLeasing, SüdFactoring, ALVG).



	20	2023		2022		2021		2020		2019	
Electricity usage in relative figures (kWh² per building)	Includ- ing data centers <sup>1</sup>	Exclud- ing data centers	Includ- ing data centers <sup>1</sup>	Exclud- ing data centers	Includ- ing data centers	Exclud- ing data centers	Includ- ing data centers	Exclud- ing data centers	Includ- ing data centers	Exclud- ing data centers	
Karlsruhe	-	40	=	43	-	39	-	42	-	55	
Leipzig	-	35	=	33	=	28	=	32	-	92	
Mainz	-	32	-	35	-	77		83		84	
Mannheim	-	64	-	40	-	40	-	42	-	91	
Stuttgart											
Am Hauptbahnhof	-	96	=	98	142	87	130	90	262	192	
Pariser Platz	-	63	-	66	-	68	-	74	-	129	
Königstraße	-	203	=	245	=	243	=	252	=	333	
Bollwerk	-	-	=	226	302	155	282	155	482	233	
Kleiner Schlossplatz	-	163	=	168	=	151	=	157	=	214	
Branches and other ad- ministrative buildings	-	61	-	82	-	67	-	72	-	80	
Weighted average	_	79		86	106	82	103	86	168	134	

#### 1 No data centers have been operated on LBBW premises since 2022.

# Electricity usage in absolute and relative figures (per employee)

2019 2020 2021 2022 2023

kWh



1 Excluding data centers as of 2022.

Electricity usage in absolute and

2019 2020 2021 2022 2023

---- kWh/m<sup>2</sup>

relative figures (per m<sup>2</sup>)<sup>1</sup>

kWh

	2023		2022		20	2021		20	2019	
Heating energy usage in absolute figures (kWh per building) <sup>1</sup>	Usage	Adjusted for weather								
Karlsruhe	448,010	636,175	466,991	635,108	630,907	750,778	501,206	696,675	583,190	758,147
Leipzig	394,513	473,416	458,268	540,756	551,761	590,383	422,925	511,739	446,857	527,291
Mainz <sup>2</sup>	616,689	857,197	818,663	1,105,195	2,953,556	3,514,732	3,550,493	4,864,175	3,918,960	5,094,648
Mannheim	1,202,335	1,707,316	1,498,574	2,038,060	2,161,199	2,593,439	1,786,920	2,483,818	1,288,188	1,687,526
Stuttgart										
Am Hauptbahnhof	6,650,238	8,844,816	6,360,779	8,205,404	10,035,557	11,239,824	8,139,622	10,744,302	11,493,476	14,251,910
Pariser Platz	4,396,179	5,846,918	4,943,596	6,377,239	6,109,911	6,843,100	4,508,830	5,951,656	5,113,380	6,340,591
Königstraße	1,464,031	1,947,161	1,663,237	2,145,576	1,547,683	1,733,405	1,549,908	2,045,877	2,108,737	2,614,833
Bollwerk <sup>4</sup>			961,057	1,239,764	3,440,211	3,853,035	2,645,497	3,465,601	2,648,436	3,257,575
Kleiner Schlossplatz	2,152,233	2,862,470	2,573,934	3,320,374	3,003,010	3,363,371	2,475,985	3,268,300	2,395,267	2,970,131
Branches and other administrative buildings <sup>3</sup>	10,427,478	10,724,434	11,016,407	11,900,987	9,950,253	10,845,776	10,900,217	13,457,178	11,149,297	13,243,686
Total	27,751,706	33,899,903	30,761,506	37,508,463	40,384,048	45,327,843	36,481,603	47,489,321	41,145,791	50,746,341

- LBBW's central buildings are supplied with district heating.
   In Mainz, LBBW moved from an old building to a new one.
   From 2022 onwards, figures for branches and other administrative buildings include consumption of additional subsidiaries (MMV, Berlin Hyp AG, SúdLeasing, SúdFactoring, ALVG).
   All LBBW employees from Bollwerk moved to another building in 2022.

	2023		2022		2021		2020		2019	
Relative heating consumption (kWh/m² per building)¹	Usage	Adjusted for weather	Usage	Adjusted for weather						
Karlsruhe	24	34	25	34	34	41	27	38	34	44
Leipzig	38	45	44	52	53	56	40	49	90	106
Mainz <sup>1</sup>	60	84	88	119	317	377	114	156	126	163
Mannheim <sup>2</sup>	89	127	42	57	60	72	50	69	76	99
Stuttgart										
Am Hauptbahnhof	50	67	48	62	76	85	62	81	134	166
Pariser Platz	52	70	59	76	73	82	54	71	97	120
Königstraße	125	166	142	183	132	148	132	175	175	217
Bollwerk			174	225	143	161	110	144	110	136
Kleiner Schlossplatz	110	147	132	170	154	172	127	167	151	188
Branches and other administrative buildings	83	85	97	105	94	102	99	122	97	115
Weighted average	65	80	70	85	89	100	76	99	109	135

The Große Bleiche building in Mainz was occupied until the end of the first quarter in 2021, before the move to the Zollhafen building. Accordingly, the Große Bleiche area is no longer taken into consideration from 2021 onwards, although usage is still included in 2021. This results in one-off, artificially high usage per m² for 2021

The building was sold and partially leased back in 2023. As a result, a lower value was credited for this space as of 31 December 2023 even though the actual space was higher until the building was sold. This explains the increase in the consumption per m² compared to the previous year.

# Heating energy usage in absolute and relative figures per m<sup>2</sup>





# IT energy usage



In 2023, the following projects to reduce energy usage were among those continued or started in the areas listed:

#### **Assets and services**

- Sustainability and energy efficiency criteria are considered when purchasing new hardware
- Software settings are designed to reduce energy usage
- Key service providers are selected based in part on whether their sustainability considerations are substantively equivalent to those of LBBW

# Virtualization, digitalization and paper reduction

- Further expansion of virtual infrastructure and preparatory work as part of the LBBW cloud strategy
- Establishing digital solutions and processes (such as the customer portal) and consolidating and removing printers
- Switching to Digipost to reduce physical mail delivery
- Deleting files that are no longer required throughout the company

## **Application environment**

 Checking systems that can no longer be used or whose functions are no longer required as well as checking whether systems can be migrated to another system. Shutting down unused, unneeded and successfully migrated systems.

#### **Data centers**

• Improving communication with FI-TS and ensuring the quality of supplied consumption data

### Helping people grow

- The software developer pool sessions (focusing on Java, Microsoft, SAP, host, data and transformation, among others) included a keynote speech on green coding. This is an approach to software development that can reduce the energy consumption of IT applications by optimizing resource access, program execution and memory allocation.
- Training during program transitions and projects to reduce computing power and optimize resourcehungry processes and programs.

# Energy audit in accordance with the German Act on Energy Services

Every four years, all companies not classified as SME (SME = micro, small and medium-sized enterprises) are required to conduct an energy audit as per DIN EN 16247-1. The initial audit in accordance with the German Act On Energy Services and Other Energy Efficiency Measures (EDL-G) was conducted at LBBW in 2015/16. The follow-up audit took place in 2019 and is reported on accordingly in the 2020 Sustainability Report. The results of the latest energy audit are expected at the end of the first quarter of 2024.

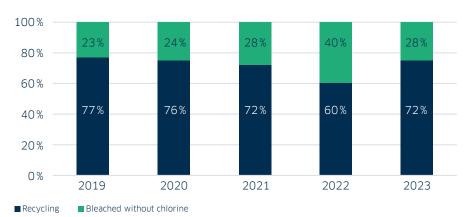
# Paper usage

We take care to economize and be efficient when using paper and ensure that the paper we use is sustainable. As a rule, we do not use any paper containing pulp from tropical wood. All paper and printed matter must contain the greatest possible percentage of recycled material. If recycled paper cannot be used, we prefer FSC-certified paper from sustainable forests.

Since 2017, LBBW has taken part in the "CEOs bekennen Farbe" (CEOs Show Their Colors) resource protection campaign run by Initiative Pro Recyclingpapier. The public statement by the Chairman of LBBW's Board of Managing Directors is also intended to encourage other companies to switch to Blue Angel-certified recycled paper. The cooperation partners of the initiative are the German Federal Ministry for the Environment, the German Association for the Club of Rome, and the conservation association Naturschutzbund Deutschland.

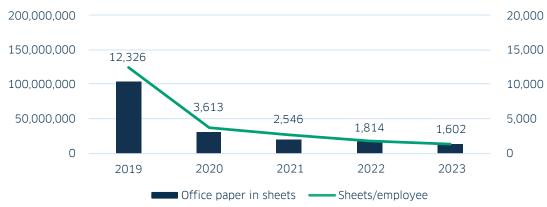
The recycled content of copy paper increased to 72% again in 2023, the same level as in 2021.

# Recycled content of copy paper



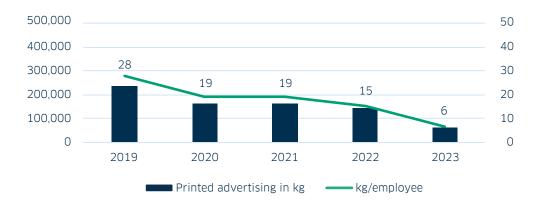
We are also working continuously to reduce our paper consumption. The document management system Doxis4, which is already used in multiple areas of the Bank, is central to this. Electronic workflows and archiving options mean that customer orders can be handled on a paperless basis from any location with a high degree of process security while also reducing the processing time and increasing customer satisfaction. In connection with this, we consult with our customers and partners to give them every opportunity to switch from written correspondence and contracts to electronic communication.

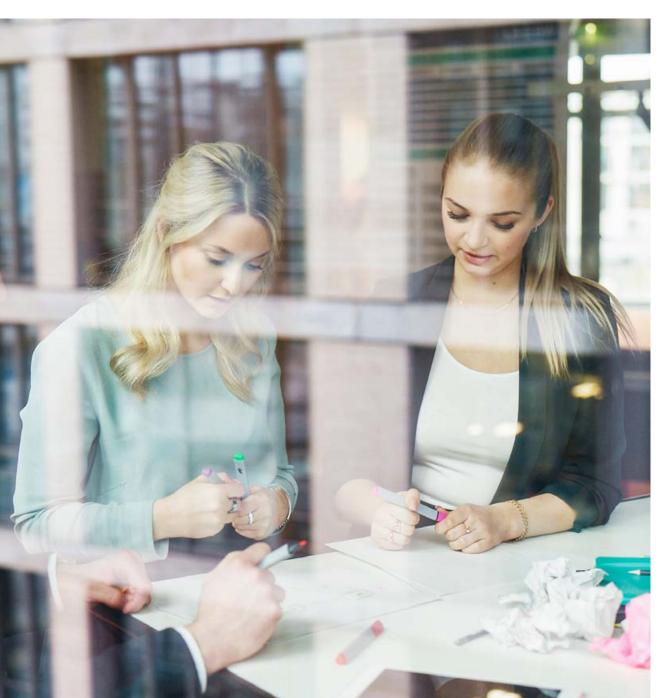
# Office paper in absolute figures and relative figures (per employee)1



1 Since 2020, only copy paper has still been shown in sheets.

# Printed advertising matter in absolute figures and relative figures (per employee)





# **Transportation**



Our employees travel mainly to talk to customers in the region and develop optimal and sustainable products and banking solutions together as well as to collaborate with colleagues from other locations or to take part in training. Trips to client meetings, seminars and conferences as well as between LBBW's various buildings are therefore considered business travel.

Safety, sustainability and cost-efficiency play a key role in planning and taking trips. Mobile infrastructure and virtual collaboration (e.g. phone, audio and video conferences) are the preferred means of communication, and business travel is to be kept to a minimum by making use of increased technical alternatives wherever feasible. In addition, environmental issues must be considered when selecting a mode of transport. LBBW's travel rules state that public transportation (Deutsche Bahn, local public transportation) should be given precedence over travel by air, car or taxi. LBBW also aims to limit long-haul flights, i.e. not to fly when the travel time by rail is less than four and a half hours from train station to train station.

LBBW uses a sustainability app providing information on  $CO_2$  emissions and general tips on resource efficiency to increase employees' awareness of climate and environmental aspects and to encourage them to choose the most environmentally friendly form of transport. This allows all employees to view their own carbon footprint, that of their division, their business unit and LBBW's. The sustainability app shows the  $CO_2$  emissions generated by travel (in some cases, broken down by mode of transport), heating, paper, electricity and water.

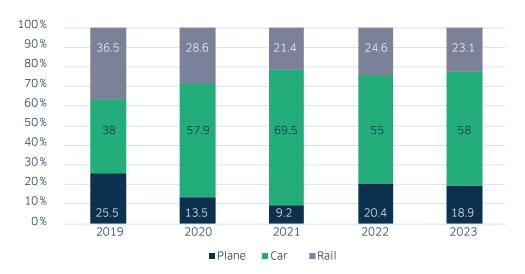
#### Business travel in absolute figures and relative figures (per employee)



Compared to the two previous years, when business travel slumped on account of the pandemic, the number of trips picked up again in 2022. In 2023, the number of kilometers driven increased significantly again, although it should be noted that the figures from 2022 onwards include additional subsidiaries in the environmental performance statement.

33,830,876 kilometers were traveled for business purpose in 2023 (previous year: 20,804,785 kilometers). Each employee traveled an average of 3,560 kilometers in 2023 (previous year: 2,247 kilometers).

### Kilometers traveled by mode of transportation



Flights were taken in 18.9% of cases in 2023. Train travel was slightly higher at 23.1%, with cars the most popular option for business trips at 58% (previous year: 55%).

There were 501 vehicles in our car fleet at the end of 2023 (previous year: 466). Since the second quarter of 2019, priority has been given to plug-in hybrid or electric vehicles wherever possible for replacement pool and departmental vehicles (including branch pools). In 2023, half of the vehicles in the Stuttgart central pool were replaced by electric vehicles. The trend towards environmentally friendly drivetrains continued in 2023.

We introduced an incentive system (bonuses/penalties) in 2015 to encourage the switch to lower-emission company cars. Since the thresholds were introduced, the average emissions of company cars and pool vehicles have fallen to 52 g/km  $CO_2$  (as of November 2023; previous year: 73 g/km). Average  $CO_2$  emissions in LBBW's vehicle pool (42 vehicles) were reduced by an additional 15% year on year to 63 g/km (as of November 2023).

The annual transportation data collected also includes trips taken with privately owned cars and rental cars.

We are also able to report for LBBW (Bank) the amount of fuel actually used for the kilometers driven for company and service vehicle categories:

	Diesel		Gasoline	
Usage (liters)¹	2023	2022	2023	2022
Company vehicles	90,769	106,813	88,771	40,822
Service vehicles	195,766	215,702	364,287	214,121
Total	286,535	322,515	453,058	254,943

<sup>&</sup>lt;sup>1</sup>The figures in liters include usage from business travel and personal trips.

LBBW (Bank) excluding subsidiaries accounts for 179,540 liters for service vehicles and 560,053 liters for company cars.

#### Deutschland-JobTicket and DB Jobticket

LBBW has been covering the costs of the Deutschland-JobTicket since August 2023, effectively encouraging people to switch to local public transportation and thus driving sustainable mobility. By the end of 2023, nearly two-thirds of LBBW employees were using the Deutschland-JobTicket. We also inform employees about options for making their commutes more environmentally friendly. This includes not only the Deutschland-JobTicket but also the DB Jobticket annual pass and the use of weekly and monthly passes for business travel with Deutsche Bahn. The BahnBonus points collected from business travel and the frequent-flier miles accumulated on flights can be used for free business travel or donated to sustainable causes.

# **Sharing concepts**

As well as numerous offers for its employees for local and long-distance travel with public transport, LBBW also has programs in place to help them use car and scooter sharing models as part of its travel rules.

LBBW also offers its employees and all BW-Bank customers a reduced rate for Stadtwerke Stuttgart's "stella" scooter sharing. These electric scooters are powered entirely by green electricity and so represent a sustainable alternative for moving around the city.

The aim is to get employees, customers and other road users interested in making a conscious effort to avoid CO<sub>2</sub> by opting for sustainable transport options and thus to promote transportation.

#### Charging infrastructure



Since July 2018, employees who come to work on an e-bike have been able to charge their bicycles at one of the 12 charging sockets at LBBW's bicycle parking bay at Stuttgart central station, which can be accessed only with an employee ID card. There are plans to expand this network further where possible.

In addition, LBBW has been installing internal LBBW charging infrastructure for electric vehicles at various LBBW sites since 2019 and continued to expand this in 2023. This charging infrastructure is available to both customers and employees free of charge. The number of charging points across all locations now totals 170. More charging points are planned for 2024 and beyond. We rely primarily on the infrastructure solution provided by chargeBIG, which, like LBBW, is a partner in the Stuttgart Clean Air Alliance.

By establishing an internal charging infrastructure, we are making it easier for our employees to switch to e-bikes and electric vehicles, thereby contributing to climate change mitigation.

Since April 2022, employees and those with a BW extend value-added checking account have also benefited from a new offer. Together with its new partner EnBW, BW-Bank offers a reduced charging rate.



### Initiatives to promote cycling

We run a wide range of campaigns and offers to encourage our employees to switch to cycling as a more environmentally friendly means of transport.

**Certification:** In 2022, LBBW started having its locations certified as a "bike-friendly employer" by the General German Cyclists Club (ADFC). As part of certification, the ADFC looks at cycling infrastructure at the location, benefits for cyclists offered by the company such as the JobRad or discounts at bike retailers, participation in initiative such as the "Stadtradeln" (city cycling) and internal communication on cycling. After the Stuttgart central station location received bronze certification in March 2022, the Mannheim location was also awarded bronze certification in January 2023. In order to meet the ADFC's criteria at other locations, LBBW is currently expanding cycling infrastructure there: At the Leipzig location, a service station was built so that cyclists can carry out minor repairs on their bikes.

**StadtradeIn:** After cooperating with the RadKULTUR initiative in 2020, LBBW has taken part in the "StadtradeIn" (city cycling) campaign with great success every year since. It calls on participants to get on their bikes for as many rides as possible over a three-week period. As in previous years, the LBBW team came third in 2023 (out of a total of 280 teams in Stuttgart). Cyclists covered 68,130 kilometers during the campaign period, lowering CO₂ emissions by over 10 metric tons.

**JobRad:** All LBBW employees have been able to lease a bike or e-bike at attractive conditions since July 2020. By the end of 2023, we had ordered nearly 900 bikes from the provider JobRad, around 660 of which as active leases. LBBW was recognized as a Top JobRad Employer in 2023.

**Rad Community cycle network:** LBBW's social intranet has featured a cycling group since the start of 2021. Its aim is to network cyclists at the bank, swap tips and tricks, share information and inform them about events. LBBW group rides are organized in the summer months and anyone who is interested can take part.

# Waste

As a financial institution, we have a particular obligation to handle with care and protect customer data. The same applies to disposing of paper. Our waste disposal plan therefore guarantees strict compliance with the German Data Protection Act ("Datenschutzgesetz"). Employees are responsible for throwing away paper subject to data protection in centrally located data security containers. The documents collected will be destroyed in accordance with the German Data Protection Act.

We also ensure that valuable resources are recycled. All employees are required to consistently separate their garbage. Step trash cans are located centrally for scrap paper, organic waste, packaging, and unrecyclable waste.

66% of waste at LBBW (Bank) was recycled in 2023.

Waste volume	2023 (kg)	2022 (kg)	2021 (kg)
Non-hazardous			
Regular paper (15 01 01N)	127,547	163,005	221,572
Security paper (15 01 01S)	484,191	522,720	423,434
Paper, total	611,738	685,725	645,006
Glass (15 01 07)	4,073		
Glass (20 01 02)	23,970	28,503	7,715
Metal (17 04 07)	212		
Metal (15 01 04)	174,460	113,986	45,382
Plastic (15 01 02)	-	18,439	15,840
Wood (17 02 01)	280,250	427,423	165,728
Compostable waste (20 02 01)	13,440	39,020	48,060
Organic kitchen waste (20 01 08)	158,180	123,390	85,755
Edible oils/fats (20 01 25)	1,207	700	1,080
Electronic scrap (16 02 14)	9,274	12,505	8,051
Mixed materials (15 01 06) <sup>1</sup>	554,405	356,583	476,754
Non-recyclable waste (20 03 01) <sup>2</sup>	163,452	162,575	81,044
Security plastics (15 01 02S)	-	-	=
Sludges/grease separators (02 02 04)	327,500	254,000	263,100
Sub-total non-hazardous materials	2,322,161	2,222,849	1,843,515
Hazardous waste <sup>2</sup>			
Other hazardous waste	-	=	299
Lead batteries (16 06 01)	50	-	-
Insulation materials (17 06 03)	-	400	=
Fluorescent tubes (20 01 21)	-	=	=
From oil/water separators (13 05 01)	-	-	=
Monitors, battery-operated devices (16 02 13)	6.5	23	-
Electronic scrap (20 01 35) <sup>3</sup>	65	7,304	168
Gear and lubricating oils	13.7	-	59
Sub-total hazardous waste	135.2	7,727	526
Total	2,322,297	2,230,576	1,844,041
Waste recycled	1,621,105	1,361,142	1,014,566

Mixed materials mainly comprise packaging material.

Hazardous and unrecyclable waste is processed or disposed of at German facilities. This waste is not transported outside Germany. Some electronic waste is classified as hazardous waste because it could contain lithium batteries.

Organic waste from the restaurants is transported to biogas facilities and recycled to produce energy.

# Waste volume (including recyclables) of the validated locations

Waste volume by location (in kg)	2023	2022	2021	2020	2019
Stuttgart					
Am Hauptbahnhof	605,000	1,091,311	612,107	489,597	469,343
Hazardous waste	90				
Pariser Platz	349,000	502,076	244,626	273,165	239,373
Hazardous waste	10				
Kleiner Schlossplatz including Kronprinzstraße	70,000	116,059	43,449	93,759	85,384
Hazardous waste	40				

# Waste volume in absolute figures and relative figures (per employee)





# Water

# Water consumption in absolute figures and relative figures (per employee and day)<sup>1</sup>



<sup>1</sup> The figures shown represent drinking water from the public supply: Rainwater is additionally used to flush toilets in the Pariser Platz building.

LBBW's water consumption has remained relatively constant over the past three years.

# Water consumption at the validated locations

Water consumption (m³)	2023	2022	2021	2020	2019
Stuttgart					
Am Hauptbahnhof	82,391	74,223	71,733	78,724	86,718
Pariser Platz	33,183	30,114	19,942	23,503	35,970
Kleiner Schlossplatz	14,189	19,328	11,377	11,884	12,616

# Biodiversity





Species are going extinct more rapidly than ever before. The International Union for Conservation of Nature (IUCN) published its updated red list of endangered animal and plant species in December 2023. Overall, this currently covers over 157,000 species, more than 44,000 of which are considered endangered.

The World Biodiversity Council reiterated its call for urgent action in its 2022 values assessment. The unprecedented loss of biodiversity and climate change are disrupting the functioning of ecosystems and negatively impacting the quality of human life.

At the UN Biodiversity Conference held in Montréal, Canada, in December 2022, the nearly 200 signatories adopted the Global Biodiversity Framework. Under this, the nations commit to preserve and protect biodiversity.

At least 30% of the planet's land and water are to be made protected areas by 2030.



# "The preservation of biological diversity is part of our aim to contribute to sustainable and balanced economic, environmental, and social development."

- At least 30% of the planet's land and water are to be made protected areas by 2030.
- The countries promised to invest more in protecting species diversity, with richer countries to pay poorer countries around USD 20 billion a year until 2025.
- The risk pesticides and fertilizers pose to nature is to be halved.

The increasing destruction of ecosystems and irreversible loss of species and habitats have economic consequences as well as environmental effects. More than ever, therefore, companies too are called to take notice of the effects of their business activities on local and global biodiversity and to contribute to their preservation.

The preservation of biological diversity is part of our aim to contribute to sustainable and balanced economic, environmental, and social development.



#### We promote biodiversity through the following activities:

- We apply biodiversity criteria in our investing and lending business. Biodiversity issues are included
  in the analysis when we select the investment universe for our sustainable investment products. In
  the financing review process, the questions regarding reputation and sustainability criteria for use in
  dialog with customers also include biodiversity issues such as whether virgin forest will be cleared
  or endangered species threatened.
- We have had a lending guideline for sectors that are particularly affected such as agriculture, forestry, fishing, aquaculture and cattle farming (South America) since 2022 → see page 162 et seqq.
- The LBBW Foundation participates in projects aimed at protecting nature and preserving domestic flora and fauna. It also funds small-scale research projects relating to protection of the environment and nature, biology and medicine, including alternative medicines → see page 234.
- In 2022, LBBW took part in a consulting project run by the land agency in cooperation with the German Society for Nature Conservation (NABU) to design natural outdoor areas at Hauptbahnhof 2, the LBBW headquarters. The viability of this project has to be assessed with a view to ongoing renovation work.
- LBBW has been actively involved in the "Unternehmen Biologische Vielfalt" (corporate biodiversity) project since 2023. This multi-year collaboration project between the Association for Environmental Management and Sustainability in Financial Institutions (VfU) and the Global Nature Fund (GNF), an international foundation for the environment and nature, aims to make a significant contribution to corporate biodiversity strategies.
- In 2023, LBBW developed an internal training module with basic knowledge on biodiversity and made it part of the mandatory sustainability training package for all employees. All employees who regularly complete this mandatory web-based program gain new insights into biodiversity. The training module was developed on the initiative of LBBW's biodiversity workgroup.
- LBBW's interdisciplinary biodiversity workgroup, which was initiated in 2022, is made up primarily of employees from Advisory Institutionals, Asset Management, Sustainability Advisory, Treasury/ Investor Relations and Risk Strategy as well as interested employees from various other departments. This kind of cross-divisional interaction drives information and knowledge transfer and ensures participation in information and workshop forums that have different focuses. In addition, the participants are actively involved in projects (including "Unternehmen Biologische Vielfalt" (corporate biodiversity)). The workgroup meets once per month.

• Food is responsible for almost one third of the average carbon footprint per capita. In view of this, the LBBW carbon footprint team launched a pilot project with the slogan "We're bringing the field into the company" together with Ackerhelden GmbH in 2022. Ackerhelden GmbH is the first provider of certified organic urban gardening concepts in Germany. The project focuses on sustainable, healthy food for employees. LBBW provides raised beds on the company's campus in Stuttgart for its employees to cultivate. Planting and cultivation are supervised by experienced gardeners according to organic Demeter criteria. Food planted includes eggplant, lettuce and chives. After a successful first garden season, the project was continued in 2023, and the team has grown from 12 to 16 committed gardeners. This project will continue in 2024.

# Activities of the LBBW Immobilien Group



The LBBW Immobilien Group is the real estate competence center at the Landesbank Baden-Württemberg Group. A large number of sustainable real estate and community development projects are carried out under the auspices of the LBBW Immobilien Group – from constructing pioneering, environmentally friendly residential communities to developing concepts to improve the energy efficiency of entire cities.

#### LBBW Immobilien Development GmbH

LBBW Immobilien Group's project development company specializes in designing and building sustainable residential and commercial space. As a service provider, the company provides its expertise in sustainability, revitalization project management, efficiency improvements and other areas. LBBW Immobilien Development GmbH is a member of the German Sustainable Building Council (DGNB). Its projects in many locations are DGNB certified. In this connection, DGNB evaluates the overall sustainability of the property over the entire building lifecycle according to around 29 different criteria measuring environmental, economic, socio-cultural, functional, technical, and process quality.

LBBW Immobilien Development is currently involved in the following projects, among others:

Esslingen: QBUS. A podium building, four rising cubic structures, green roof gardens, a parking garage and a bicycle station with charging points: Situated between the historic downtown and the climate-neutral Neue Weststadt district, the sustainably designed, multi-functional QBUS property was built on the long-abandoned site of Esslingen's old bus station. The complex's low primary energy requirements place it in the top 15 percent of national and regional building standards. A combined heat and power unit and LED lighting provide high energy efficiency. The partial preservation of the existing building resulted in considerable savings in  $CO_2$  emissions during construction. The German Sustainable Building Council has confirmed alignment with the EU Taxonomy. Among other things, the audit verified compliance with all the criteria for climate change mitigation and adaptation, labor and social standards and good corporate governance.

Stuttgart: Schlossgartenquartier, Königstraße 1c. LBBW Immobilien is planning to sustainably regenerate Königstraße 1c. The main aim is to convert the upper floors from retail to office space. A large courtyard brings light and air into the 50 by 70 meter building that was originally designed as a department store. Extensive exterior renovation of the building is also part of this. For example, it is planned to open the facade to the Schlossgarten park and establish hospitality businesses with outdoor areas. Adding in as much vegetation as possible, especially to the roof from upper floors 2 to 5 to the Upper Schlossgarten park, will help improve the urban climate and biodiversity. These measures also boost the location quality of the bottom end of Königstraße and the adjacent Schlossgarten park. The planned demolition of the Theaterpassage superstructure will transform the large complex into an ensemble with three independent buildings, high-quality outdoor facilities and inviting, safe paths, offering space for a wide range of retail, hospitality and services. Together with the new central station, this creates a homogeneous urban appearance. The Schlossgartenquartier revitalization is to become part of the IBA network of the International Building Exhibition managed by IBA 2027 StadtRegion Stuttgart GmbH (IBA'27).

This revitalization focuses on integrating sustainability aspects. One of the key aspects here is reusing critical parts of buildings. The gray energy stored in the original construction and, in particular, in the concrete, is not lost. To keep energy consumption and  $CO_2$  emissions to a minimum, an innovative low-tech concept is to be used in the building technology. The aim is to achieve gold certification by the German Sustainable Building Council (DGNB). The ESG criteria in the EU Taxonomy will also be verified at the same time.

# LBBW Immobilien Kommunalentwicklung GmbH

As a company of LBBW Immobilien Management GmbH, the German Association of Cities, and the savings bank organization, this Stuttgart-based company is the point of contact for municipalities and the state of Baden-Württemberg for all issues concerning urban planning, urban renewal, land repurposing, and construction site and land development. This municipal center of excellence provides planning and consulting services, spearheads renovation and development projects, and invests in projects.

LBBW Immobilien Kommunalentwicklung GmbH operates in more than 440 cities and municipalities and is currently completing projects such as the following:

Kernen im Remstal: Hangweise project The focus of the IBA'27 project is the development of an innovative, pioneering residential location for the population of the Rems-Murr district. The project partners are the Municipality of Kernen im Remstal, Kreisbaugesellschaft Waiblingen and LBBW Immobilien Kommunalentwicklung GmbH. The completion of the demolition work in the spring of 2023 marked an important milestone on the approximately eight-hectare site. The resulting waste was highly pure: 85% of the approximately 38,000 metric tons of demolition waste is recyclable. Of this total, approximately 12,000 metric tons of demolition concrete was retained for the construction of access roads and the backfilling of pipeline trenches and processed into superior quality-controlled gravel. This eliminated the need not only to truck in natural materials but also to extract the materials in the first place. To backfill the excavation pits of demolished buildings, some 5,800 cubic meters of natural soil were taken from another construction site in Kernen and installed on the hillside pasture. This holistic approach resulted in a high recycling rate, conserving CO<sub>2</sub> and natural resources.

# LBBW Immobilien Asset Management GmbH

The LBBW Immobilien Group's asset management company covers the entire value chain from acquisition to asset, property and sustainability management all the way to disposal. It is chiefly responsible for managing and optimizing large, diverse, primarily commercial property portfolios. As well as costefficiency, its key objective is to transform managed portfolios in terms of ESG compliance and adherence to the climate course. QUANTREFY ESG software, featuring detailed property and consumption data, is used to map ESG performance at the property and portfolio levels using ESG performance indicators. Portfolio-wide feasibility studies are conducted on e-mobility, photovoltaics and waste management and executed accordingly. In addition, an ESG assessment was conducted for various portfolio properties. This includes evaluating the energy consumption and  $\rm CO_2$  emissions of the properties, checking Taxonomy alignment and preparing a climate change mitigation and refurbishment roadmap including concrete (modernization) measures. The detailed analyses and assessments form the basis for the development and execution of property-specific and cross-portfolio sustainable optimization measures.



# Environmental verifier's declaration

# Environmental verifier's declaration on verification and validation activities at Landesbank Baden-Württemberg (pursuant to annex VII of EMAS III)

The undersigned, Dr. Ralf Utermöhlen, EMAS environmental verifier with registration number DE-V-0080, and Mr. Fabian Schrader, EMAS environmental verifier with registration number DE-V-0421, approved for banking (NACE Code WZ 2008: 64.19), declare they have verified whether the locations of Landesbank Baden-Württemberg (LBBW) in Stuttgart, comprising the buildings:

#### Stuttgart location, comprising the buildings:

- Am Hauptbahnhof 2 (Building 1), 70173 Stuttgart
- Am Hauptbahnhof 7+9 (Building 2), 70173 Stuttgart
- Am Hauptbahnhof 11 (Building 3), 70173 Stuttgart
- Am Hauptbahnhof 8 (Building 4), 70173 Stuttgart
- Pariser Platz 1 (Building 5), 70173 Stuttgart
- Pariser Platz 1 (Building 6), 70173 Stuttgart
- Kleiner Schlossplatz 11, 70173 Stuttgart

meet all the requirements of Regulation (EC) 1221/2009 of the European Parliament and of the Council of 25 November 2009 as amended by Regulation (EU) 2018/2026 on the voluntary participation by organizations in a Community eco-management and audit scheme (EMAS), as stated in the 2023 Sustainability Report featuring an updated environmental statement.

By signing this declaration, it is confirmed that:

- the verification and validation have been carried out in full compliance with the requirements of Regulation (EC) 1221/2009 as amended by Regulation (EU) 2018/2026,
- the outcome of the verification and validation confirms that there is no evidence of non-compliance with applicable legal requirements relating to the environment,
- the data and information of the environmental statement of the locations provide a reliable, credible, and correct view of all the location's activities within the scope mentioned in the environmental statement.

As required by the regulations, the Sustainability Report makes a clear distinction between the validated information contained in the Environmental Statement and other non-validated information on sustainability. Accordingly, this declaration of validity relates to the content of the Environmental Statement indicated with the 💷 symbol. All the remaining content of the Sustainability Report has been acknowledged and checked to ensure it is plausible but not audited by us in full.

This document is not equivalent to EMAS registration.

EMAS registration can be granted only by a Competent Body under Regulation (EC) No 1221/2009.

This document shall not be used as a stand-alone piece of public communication.

Braunschweig, 2 April 2024

Dr. Ralf Utermöhlen

Environmental verifier DE-V-0080

Fabian Schrader

Environmental verifier

# GRI Standards (Global Reporting Initiative)

GRI Standard	Contents	Pages in the LBBW Sustain- ability Report	Additional informa- tion/ comments
GRI 1	Foundation 2021		
	Requirement 7: Publish a GRI content index	271 et segg.	
	Requirement 8: Provide a statement of use	<u>4</u>	_
GRI 2	General Disclosures 2021		
1.	The organization and its reporting practices		
2-1	Organizational details	9 et segg.	
2-2	Entities included in the organization's sustainability reporting	<u>4</u>	
2-3	Reporting period, frequency and contact point	4, 277	
2-4	Restatements of information	4	_
2-5	External assurance	269 et seq.	
2.	Activities and workers		
2-6	Activities, value chain and other business relationships	9 et segg., 112	
2-7	Employees	<u>187 et segg.</u>	
2-8	Workers who are not employees	187 et seq.	
3.	Governance		
2-9	Governance structure and composition	27 et segg.	2023 annual report, p. 13 et segg.
2-10	Nomination and selection of the highest governance body		2023 annual report, p. 15 et segg.
2-11	Chair of the highest governance body		2023 annual report, p. 11
2-12	Role of the highest governance body in overseeing the management of impacts	<u>51</u> 	_
2-13	Delegation of responsibility for managing impacts	27 et segg.	_
2-14	Role of the highest governance body in sustainability reporting	<u>51</u>	
2-15	Conflicts of interest		2023 annual report, p. 17 et seq.
2-16	Communication of critical concerns	27 et seq.	_
2-17	Collective knowledge of the highest governance body		2023 annual report, p. 17
2-18	Evaluation of the performance of the highest governance body		2023 annual report, p. 17
2-19	Remuneration policies		2022 remuneration report
2-20	Process to determine remuneration		2022 remuneration report
2-21	Annual total compensation ratio		Individual employee salaries are confidential information. Information on the remuneration of the members of the Board of Managing Directors and the Supervisory Board can be found in the 2022 remuneration report.
4.	Strategy, policies and practices		
2-22	Statement on sustainable development strategy	<u>6 et seq.</u>	_
2-23	Policy commitments	16 et segg.	_
	Embedding policy commitments	<u>16 et segg.</u>	_

GRI Standard	Contents	Pages in the LBBW Sustain- ability Report	Additional informa- tion/ comments
2-25	Processes to remediate negative impacts	121 et segg.	
2-26	Mechanisms for seeking advice and raising concerns	207	
2-27	Compliance with laws and regulations	<u>69, 70, 100</u>	
2-28	Membership associations	74 et segg.	
5.	Stakeholder engagement		
2-29	Approach to stakeholder engagement	30 et segg., 54 et segg.	_
2-30	Collective bargaining agreements	210, 218, 219	
GRI 3	Material Topics 2021		
3-1	Process to determine material topics	30 et segg.	
3-2	List of material topics	<u>31</u>	
	Topic disclosures		
201	Economic Performance 2016		
3.3	Management of material topics	30 et segg.	_
201-1	Direct economic value generated and distributed	11	2023 annual report, p. 131 et segg.
201-2	Financial implications and other risks and opportunities due to climate change	24, 169 et segg.	
201-3	Defined benefit plan obligations and other retirement plans	214	2022 remuneration report
201-4	Financial assistance received from government		In granting export credit, we work in conjunction with export credit agencies.
202	Market Presence 2016		
3.3	Management of material topics	30 et segg.	2022 remuneration report
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	191	
202-2	Proportion of senior management hired from the local community		No corresponding regulation in place.
203	Indirect Economic Impacts 2016		
3.3	Management of material topics	30 et segg., 226 et segg.	
203-1	Infrastructure investments and services supported	227 et segg.	
203-2	Significant indirect economic impacts	226 et segg.	
204	Procurement Practices 2016		_
3.3	Management of material topics	30 et segg., 71 et segg.	_
204-1	Proportion of spending on local suppliers	<u>72</u>	
205	Anti-corruption 2016		_
3.3	Management of material topics	30 et segg., 99 et seg.	_

GRI Standard	Contents	Pages in the LBBW Sustain- ability Report	Additional informa- tion/ comments
205-1	Operations assessed for risks related to corruption	99 et seg.	
205-2	Communication and training about anti-corruption policies and procedures	94 et segg., 99	
205-3	Confirmed incidents of corruption and actions taken	100	
206	Anticompetitive Behavior 2016		
3.3	Management of material topics	30 et segg., 70	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	<u>70</u>	
207	Tax 2019		
3.3	Management of material topics	30 et segg., 107 et seg.	
207-1	Approach to tax	107 et seq.	
207-2	Tax governance, control, and risk management	107 et seq.	
207-3	Stakeholder engagement and management of concerns related to tax	107 et seq.	
207-4	Country-by-country reporting		www.LBBW.de -> Investor RelationI
301	Materials 2016		
3.3	Management of material topics	30 et segg.	
301-1	Materials used by weight or volume	241, 243, 253	
301-2	Recycled input materials used	<u>254</u>	
301-3	Reclaimed products and their packaging materials		Not relevant
302	Energy 2016		
3.3	Management of material topics	30 et segg., 241 et segg.	
302-1	Energy consumption within the organization	241-243	
302-2	Energy consumption outside of the organization	241-243	
302-3	Energy intensity	243	
302-4	Reduction of energy consumption	248, 252 et seq.	
302-5	Reductions in energy requirements of products and services		Cannot be presented for LBBW as a financial institution.
303	Water and Effluents 2018		
3.3	Management of material topics	30 et segg., 262	
303-1	Interactions with water as a shared resource	262	
303-2	Management of water discharge-related impacts	262	
303-3	Water withdrawal	<u>262</u>	
303-4	Water discharge	<u>262</u>	
303-5	- Water consumption	262	<del>_</del>
304	Biodiversity 2016		
3.3	Management of material topics	30 et segg., 263 et segg.	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Not relevant
304-2	Significant impacts of activities, products and services on biodiversity	263 et segg.	<del>-</del>
304-3	Habitats protected or restored		Not relevant
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	<u>158</u>	

GRI Standard	Contents	Pages in the LBBW Sustain- ability Report	Additional information/ comments
305	Emissions 2016	_	_
3.3	Management of material topics	24, <u>30 et segg.,</u> 244 segg.	_
305-1	Direct (Scope 1) GHG emissions	246	
305-2	Energy indirect (Scope 2) GHG emissions	246	
305-3	Other indirect (Scope 3) GHG emissions	169 et segg., 246	
305-4	GHG emissions intensity	244 et seq.	
305-5	Reduction of GHG emissions	169 et segg., 248, 252 et seg.	
305-6	Emissions of ozone-depleting substances (ODS)		No emissions of ozone-depleting substances
305-7	Nitrogen oxides (NO $_{\rm x}$ ), sulfur oxides (SO $_{\rm x}$ ), and other significant air emissions	<u>247</u>	
306	Waste 2020		
3.3	Management of material topics	30 et segg., 260 et seg.	
306-1	Waste generation and significant waste-related impacts	260 et seq.	
306-2	Management of significant waste-related impacts	260 et seq.	_
306-3	Waste generated	260 et seq.	_
306-4	Waste diverted from disposal	260 et seq.	
306-5	Waste directed to disposal	260 et seg.	
308	Supplier Environmental Assessment 2016		
3.3	Management of material topics	30 et segg., 71 et segg.	
308-1	New suppliers that were screened using environmental criteria	<u>71</u>	
308-2	Negative environmental impacts in the supply chain and actions taken	71 et segg.	
401	Employment 2016		
3.3	Management of material topics	30 et segg., 186 et segg.	_
401-1	New employee hires and employee turnover	<u>189, 192</u>	_
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		All additional benefits are naturally also provided to part-time employees. There are next to no temporary employees at LBBW.
401-3	Parental leave	189	
402	Labor/Management Relations 2016		
3.3	Management of material topics	30 et segg., 186	_
402-1	Minimum notice periods regarding operational changes	218	
403	Occupational Health and Safety 2018		
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403-1	Occupational health and safety management system	201-204	<del>-</del> -
403-2	Hazard identification, risk assessment, and incident investigation	204	
403-3	Occupational health services	202 et seq.	
403-4	Worker participation, consultation, and communication on occupational health and safety	204, 205	
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GRI Standard	Contents	Pages in the LBBW Sustain- ability Report	Additional information/ comments
403-6	Promotion of worker health	201 et segg.	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		Not relevant
403-8	Workers covered by an occupational health and safety management system	<u>202, 204</u>	
403-9	Work-related injuries	204	
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404	Training and Education 2016		
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405	Diversity and Equal Opportunity 2016		
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406	Non-discrimination 2016		
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407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<u>70, 218</u>	
408	Child Labor 2016		
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408-1	Operations and suppliers at significant risk for incidents of child labor	23, 70-72	-
409	Forced or Compulsory Labor 2016		-
3.3	Management of material topics	30 et segg., 70, 71	
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410	Security Practices 2016		
3.3	Management of material topics	30 et segg., 106	
410-1	Security personnel trained in human rights policies or procedures		Not relevant
411	Rights of Indigenous Peoples 2016		
3.3	Management of material topics	30 et segg., 158	
411-1	Incidents of violations involving rights of indigenous peoples		No incidents are known for 2023.
413	Local Communities 2016		
3.3	Management of material topics	30 et segg., 54 et segg., 204, 226 et segg.	
413-1	Operations with local community engagement, impact assessments, and development programs	226 et segg.	
413-2	Operations with significant actual and potential negative impacts on local communities		Not relevant

GRI Standard	Contents	Pages in the LBBW Sustain- ability Report	Additional informa- tion/ comments
414	Supplier Social Assessment 2016		
3.3	Management of material topics	30 et segg., 71 et segg.	
414-1	New suppliers that were screened using social criteria	71	_
414-2	Negative social impacts in the supply chain and actions taken	71	
415	Public Policy 2016		
3.3	Management of material topics	30 et segg., 230	_
415-1	Political contributions	230	
416	Customer Health and Safety 2016		
3.3	Management of material topics	_	Not relevant
416-1	Assessment of the health and safety impacts of product and service categories		Not relevant
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		Not relevant
417	Marketing and Labeling 2016		
3.3	Management of material topics	30 et segg.	
417-1	Requirements for product and service information and labeling	70, 113 et segg.	
417-2	Incidents of non-compliance concerning product and service information and labeling	70, 113 et segg.	
417-3	Incidents of non-compliance concerning marketing communications	<u>70</u>	
418	Customer Privacy 2016	_	_
3.3	Management of material topics	30 et segg., 101 et segg.	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	101 et segg.	

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