

Principles and Guidelines for Implementing LBBW's Sustainability Policy and Goals

1. Exclusion Criteria

LBBW does not enter into any business relationships with companies that produce cluster munitions and/or anti-personnel mines, which are prohibited by international conventions.

LBBW does not finance the delivery of weapons of war to other countries.

LBBW does not sell any investment products associated with agricultural commodities.

2. Guidelines

2.1 General Principles

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.

Human Rights

As part of the international community, we are committed to the United Nations' Universal Declaration of Human Rights. We therefore endeavor not to work with any company or institution known to disregard basic human rights. This applies to all types of business, transactions, projects, products, operating decisions, strategies, and plans of the LBBW Group.

LBBW Climate Strategy

LBBW contributes actively to the transition from a greenhouse-gas-intensive to a low-emissions way of doing business. We built expertise at an early stage in the future markets relevant to us, such as renewable energies – especially wind power – and energy efficiency, and offer related products and services to our customers.

In addition, we are committed to operating our business in a manner that is climate friendly, and we therefore set ambitious climate protection goals. LBBW aims to reduce absolute CO2 emissions by 25% by 2020 based on 2009 figures. We have been meeting our electricity needs with power from renewable energies since 2009.

Biodiversity

All companies directly or indirectly use services that affect biological diversity (“biodiversity”). As a rule, LBBW does not support 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 status (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)).

2.2 Business Area-Specific Guidelines

2.2.1 Guidelines for Investment

We integrate ESG*-related topics into analytical and decision-making processes in investment banking. By doing so, we act in the best and long-term interests of our clients and stakeholders. When implementing our sustainability targets, we apply benchmarks such as the United Nations' Principles for Responsible Investment (PRI). We therefore commit to the following - as far as this is compatible with our responsibility to the customer:

- We actively promote sustainable investments. In our business with customers we offer sustainable investment products for all customer groups and in all asset classes, provided that investment opportunities are available that meet the criteria for other products and services offered to customers. The goal is to increase the share of sustainable investments in all business areas – including in our own investment portfolio.
- We support businesses and corporations in which we invest as active shareholders. We urge them to provide transparent information about ESG factors. If we identify any violation of our basic values, we will enter into an intensive dialog with the companies concerned.
- We work toward greater acceptance and implementation of the PRI (Principles for Responsible Investment) in the finance industry.

* ESG = Environmental, Social, Government

2.2.2 Guidelines for Financing

- When making lending decisions, we consider the key sustainability factors associated with projects to be financed, such as 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 balance sheet.

2.2.3 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 effectively express our appreciation for our employees.
- **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.
- **Leadership**
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**
Our human resources planning is aimed at retaining employees for the long term. Avoiding business-related layoffs is a primary objective.
- **Demographic Developments**
Our organizational structure is tailored to 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 equal-opportunity working environment free of bias. All employees are valued regardless of their sex, nationality, ethnic origin, religion or worldview, disability, age, sexual orientation, or identity.

2.2.4 Guidelines for Business Operations

As part of our climate strategy, LBBW has pledged to further reduce carbon dioxide emissions. We therefore 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.
- The high percentage of recycled paper used for copies will be maintained.
- 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 a right to extraordinary termination in the event of non-compliance with our social standards, which all suppliers are required to accept.

3. Concluding Remarks

The Guidelines were first approved on 3 March 2009. The most recent update was on 20 December 2016.