

# Sustainable action

## 2019 Sustainability Report of Landesbank Baden-Württemberg



With  
Updated  
Environmental  
Statement

# Sustainability Report 2019

## Shaping the future

We live in a world full of upheaval. The advance of digitalization, ecological challenges, and political turbulence require agility and foresight at the same time. As a mid-sized universal bank, we want to make an active contribution to positively shaping the future for people and companies in our region. Thinking and acting sustainably is a prerequisite and is firmly enshrined in our values.

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# About this report

## Reporting period

LBBW's 2019 Sustainability Report covers the period from 1 January to 31 December 2019. The time series for environmental data generally refer to the calendar years from 2015 to 2019. LBBW's previous sustainability report was published on 22 August 2019. The report is published annually.

## Report content

This report has been prepared in accordance with the GRI Standards: core option.



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. It 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 applies 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 Invest-mentgesellschaft mbH. The sustainability report therefore covers this part of the LBBW Group.

## Editorial notes

For the purposes of equal treatment, where this report refers to people in the female and/or male form, the terms used apply to all genders.

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

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### Accompanying change

We are breaking new ground. We are actively and sustainably driving the transformation process within the Bank, in business, and in society. Our aim is to always be a step ahead and to open up new opportunities in the interests of our customers – with trustworthy products for sustainable investments and as a reliable partner for companies when it comes to developing and implementing business models that are fit for the future.

**“Transformation,  
innovation, and  
cooperation are the  
central catalysts of  
our sustainability  
strategy.”**

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



# Foreword by the Chairman of the Board of Managing Directors

Dear Readers,

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

The key elements of this process:

- Transformation demands the will to change.
- Transformation demands innovation to create change.
- Transformation demands cooperation, because these changes can only be achieved by working together.

This is why transformation, innovation, and cooperation are the central catalysts of our sustainability strategy.

As the relationship bank for our customers, we have a key role to play. The transition to renewable energies alone requires vast investments around the world. This involves generating money in the form of loans or via capital market instruments. Green finance is the keyword – or sustainable finance, when social issues and good corporate governance are included alongside environmental aspects. This will become significantly more important as a result of the COVID-19 pandemic. We believe that green, socially oriented financing will become the norm in the not too distant future, and our aim is to play a leading role in this process. This is why we have long supported companies with sustainability linked loans, green Schultscheins, and green bond issues. In 2019, we also established a special advisory team to assist our customers with their transformation processes and the associated financing.

In addition, we are increasingly using ESG bonds in our own refinancing. In 2018, we developed the LBBW Social Bond Program, which finances social and community projects in areas such as education, health, drinking water supply, public infrastructure, and transportation. The eligible assets have a volume of EUR 2.7 billion. We issued our first social bond (EUR 500 million) in September 2019.

We have also further increased the issue base of our green bond program from EUR 5.9 billion to EUR 6.4 billion as of 31 December 2019. Of this figure, EUR 2 billion relates to renewable energies. We systematically manage the objectives of our sustainability strategy using a balanced scorecard, including clear target figures and quarterly reports to the Board of Managing Directors. One aim is to expand the volume of sustainable assets under management. The assets we manage for our customers in sustainable investments amounted to around EUR 23 billion at the end of 2019 (previous year: around EUR 21 billion).

Our employees are a key element of our sustainability strategy. This includes encouraging talented employees. Our goal is to attract and retain the brightest minds for our Bank. The right combination of young talents and experienced professionals will allow us to remain a stable and dynamic partner for our customers in the long term. To help achieve this, we are creating the working conditions to allow our employees to work productively and consistently while ensuring an appropriate balance between their private life, health, and efficient work results.

Although the coronavirus pandemic has occupied us extensively and its consequences remain unclear, it is important for companies to continue to pursue the transformation processes they have already initiated in many areas, as otherwise our society will not succeed in getting global warming under control. At LBBW, sustainability remains one of our key strategic objectives, and we intend to systematically press ahead with the positive developments we have made in recent years. We expressly support the targets and principles of the UN Global Compact, which are also an important benchmark for us.

Our latest Sustainability Report describes what we have achieved to date – and what lies ahead. I hope you find it to be an inspiring read.

Sincerely yours,



Rainer Neske

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

# The Company

## Profile

With total assets of approximately EUR 257 billion (as of 31 December 2019) and around 10,000 employees, Landesbank Baden-Württemberg is one of Germany's largest credit institutions. Its head offices are located in Stuttgart, Karlsruhe, Mannheim, and Mainz.

LBBW's capital is held by Sparkassenverband Baden-Württemberg (Savings Banks Association of Baden-Württemberg), which has an interest of 40.534%; the City of Stuttgart, which has an interest of 18.932%; and the State of Baden-Württemberg with a 40.534% interest. The State of Baden-Württemberg holds its interest directly and indirectly via Landesbeteiligungen Baden-Württemberg GmbH.

LBBW is a mid-sized universal bank with a broad range of products and services. The business model focuses on serving corporate customers, providing real estate/project finance and capital market services, and assisting retail customers and savings banks. 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 North Rhine-Westphalia, Bavaria, and the greater Hamburg area. All in all, the Group looks after its customers at more than 150 locations throughout Germany – and has been the relationship bank of many of its customers for decades.

LBBW is also the central bank for the savings banks in the core markets of Baden-Württemberg, Saxony, and Rhineland-Palatinate. As part of a contractual service partnership with the savings banks, it provides a wide range of products and services for their proprietary trading as well as their market partner business.

Since 2018, the LBBW Group has operated its retail customer business, private asset management, and business with small and medium-sized companies in Baden-Württemberg under the BW-Bank brand. BW-Bank also functions as a savings bank in the region of the state capital Stuttgart. The Bank's corporate customer business outside Baden-Württemberg is operated under the LBBW brand.

LBBW supports its business clients and the savings banks' corporate customers in doing business abroad. A global network of branches and representative offices – including in London, New York, Singapore, Toronto, São Paulo, and Moscow – is in place to assist customers with country expertise, market knowledge, and financial solutions. In selected locations LBBW also operates German Centers that provide local offices and networks to German corporate customers and advise them on entering market entrance.

Group companies for special products (leasing, factoring, asset management, real estate, and equity finance) supplement LBBW's portfolio of services.

An extensive overview of the company can be found at [www.LBBW.de](http://www.LBBW.de). This site also contains additional information including our ownership structure and legal form as well as our activities, business areas, and the states in which we do business.

## Developments in 2019

In 2019, LBBW enjoyed further profitable growth on the basis of its solid business model as a mid-sized universal bank and significantly improved its profitability once again. The Group's pre-tax profit increased by 11.4% to EUR 612 million (2018: EUR 549 million). The main earnings driver was its successful customer business, which was reflected in improved net interest income and net fee and commission income. LBBW maintained its conservative risk policy. With a common equity Tier 1 (CET 1) capital ratio of 14.6% as of 31 December 2019, LBBW's capital resources remained significantly in excess of the regulatory requirements.

Three years ago, LBBW adopted a new strategy on the basis of its four key strategic objectives (business focus, digitalization, agility, and sustainability), which it has since systematically implemented. It again made considerable progress in this respect in fiscal 2019.

For example, the focus on customer business led to growth in the credit volume with corporate and retail customers as well as real estate and project finance in 2019. LBBW was also a sought-after partner for hedging transactions and accompanying capital market transactions, particularly in the corporate Schultschein segment. In the past year, LBBW reinforced its leading position in this area with a market share of 20% and a Schultschein transaction volume of more than EUR 12 billion.

LBBW further enhanced its profile in the area of sustainability in the past year. This is illustrated by many of the facts, figures and examples on the following pages.

In the past year, LBBW also systematically pressed ahead with the digitalization of customer interfaces and processes with the aim of making banking simpler, more efficient, and more customer-oriented. For example, the new Corporates portal gives corporate customers easy, web-based access to the Bank's service range. For retail customers, BW-Bank has offered an additional, modern payment procedure since late 2019 in the shape of Apple Pay. As a member of the international trade finance network Marco Polo, LBBW is also intensively addressing the digitalization of foreign trade transactions. Furthermore, LBBW conducted its first blockchain-based transaction in commercial paper together with the customer MEAG.

Last but not least, LBBW integrated more and more aspects of agility and agile working methods in its corporate culture - such as the use of agile organization and project methods, and the deployment of agility managers and corresponding personnel development measures for employees.

LBBW believes it is well positioned on the market with its solid business model as a mid-sized universal bank. However, the German economy as a whole, and hence also the banking sector, will be hit hard by the impact of the coronavirus pandemic in 2020. At difficult times like these in particular, LBBW is doing everything it can to be a reliable partner to its customers.

## Key figures of the LBBW Group

<b>Income statement (EUR million)</b>	<b>01.01.-31.12.2019</b>	<b>01.01.-31.12.2018</b>
Net interest income	<b>1,676</b>	1,558
Net fee and commission income	<b>558</b>	513
Net gains/losses on remeasurement and disposal	<b>169</b>	213
of which allowances for losses on loans and securities	<b>- 151</b>	- 141
Other operating income/expenses	<b>148</b>	140
Total operating income	<b>2,551</b>	2,424
Administrative expenses	<b>- 1,806</b>	- 1,773
Expenses for bank levy and deposit guarantee system	<b>- 102</b>	- 89
Net income/expenses from restructuring	<b>- 31</b>	- 12
Consolidated profit/loss before tax	<b>612</b>	549
Income taxes	<b>- 167</b>	- 136
Net consolidated profit/loss	<b>444</b>	413
<b>Key figures in %</b>	<b>01.01.-31.12.2019</b>	<b>01.01.-31.12.2018</b>
Return on equity (RoE)	<b>4.6</b>	4.3
Cost/income ratio (CIR)	<b>71.8</b>	73.1
<b>Balance sheet figures (EUR billion)</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Total assets	<b>256.6</b>	241.2
Equity	<b>13.9</b>	13.2
<b>Ratios in accordance with CRR/CRD IV (after full implementation)</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Risk weighted assets (EUR billion)	<b>80.5</b>	80.3
Common equity Tier 1 (CET 1) capital ratio (in %)	<b>14.6</b>	15.1
Total capital ratio (in %)	<b>22.9</b>	21.9
<b>Employees</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Group	<b>10,005</b>	10,017

# Sustainability strategy and management

**As a public-sector bank (“Landesbank”), we are responsible for the people and companies in our region. Sustainability is an integral part of our business policy and corporate culture. Our goal is to shape a sustainable future by consistently promoting sustainable and economically, environmentally, and socially responsible development as part of our banking business.**

The four key strategic objectives of Landesbank Baden-Württemberg (LBBW) have been clearly defined since 2017: We are strengthening customer business in a targeted manner, driving the digitalization process, increasing agility and, above all, firmly enshrining sustainability in our thoughts and actions. To this end, we have established regulations and standards that are binding for all LBBW employees. They guide our day-to-day actions and ensure that we act responsibly with regard to other people, our environment, and the natural world.

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

The sustainability policy sets out guidelines that constitute a framework for all sustainability activities at the LBBW Group, thus forming the basis for integrating economic, environmental, and social issues into all our business activities as a whole. It encompasses LBBW's guiding principles for sustainable development in the following areas: strategy and management, customers, employees, business operations, social commitment, and communication.

For the purposes of implementing the sustainability policy, LBBW has defined overarching goals which are broken down into individual targets and specific measures and put into operation in the annual sustainability program.



The “Principles and Guidelines for Implementing LBBW’s Sustainability Policy and Goals” provide concrete guidance on implementation in our day-to-day business. They comprise specific exclusion criteria for certain business ventures; overarching principles governing compliance, human rights, climate protection, and biodiversity; and business-area specific guidelines, referred to as the guidelines for sustainable investment, lending, human resources management, and business operations.

## LBBW sustainability policy

### 1. Strategy and management

- Landesbank Baden-Württemberg acts in the long-term best interests of its customers and other key stakeholders. Fair, responsible action is the bedrock of our business policy. Our goal is to consistently promote sustainable and economically, environmentally, and socially responsible development as part of our banking business.
- We endeavor to use our sustainability management system to put into practice sustainable thought and action throughout the Bank, in all specialized divisions, 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.
- It goes without saying that we comply with all applicable legal regulations.

### 2. Customers

- We want LBBW to be a skilled, effective, and reliable partner to our customers and aim to establish long-term customer relationships.
- Sustainability issues are considered when we make lending and investment decisions.
- We offer sustainable products and services to all customer groups whenever possible.
- We support our customers in strengthening their commitment to climate protection, sustainable development, and reducing environmental pollution.

### 3. Employees

- LBBW is committed on an ongoing basis to being an attractive employer of and reliable partner to its employees.
- We sustainably promote and develop our employees so that we can shape a successful future with a team of healthy, motivated, and qualified employees.

#### 4. Business operations

- We continually work to further reduce our use of natural resources and set ambitious climate protection targets.
- 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.

#### 5. Social commitment

- We add value to society with our sustainable products and services and promote nature/environmental, education, and social projects and initiatives.

#### 6. Communications

- LBBW reports to the public regularly on the progress made in fulfilling its commitment to sustainability.
- We keep our employees informed about sustainability and provide sustainability training.

## LBBW's sustainability goals

1. We want to successively implement sustainability as an integral component of our business policy. For this reason, we strive for an active focus on projects, products, and services with a positive impact on sustainability.
2. We offer sustainable investment products to all customer groups and in all asset classes to the greatest extent possible. 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 want to actively contribute to adding value to society. LBBW is therefore active as a donor and sponsor. In the regions in which we do business, we support education initiatives and various other social projects.
6. We inform our stakeholders about our commitment to sustainability and engage in a constructive dialog with them.

## 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 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. One important element of this is unconditional respect for the rights of children. This applies to our customers, employees, suppliers, and other partners with whom we work.

##### *LBBW's 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 that are 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 its absolute CO<sub>2</sub> 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"). 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 (environmental, social, and corporate governance) topics into analytical and decision-making processes in investment banking. By doing so, we act in the best and long-term interest 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 to the extent that 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.

### **2.2.2 Guidelines for lending**

- 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 performance.

## 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.

### *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*

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 unprejudiced 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 its climate strategy, LBBW has pledged to further reduce CO<sub>2</sub> 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.
- 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 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.

## Sustainable corporate governance

Sustainability has been on our agenda for many years now. In 2006 we set specific sustainability targets for the Group for the first time and systematically focused our actions on meeting these goals. We initiated change processes, developed sustainable products and established ecological and social standards. Today, sustainability is one of LBBW's four key strategic objectives alongside a focus on customer business, digitalization, and agility. This means we provide even greater support for companies as they move to sustainable business models and reflect the growing interest in sustainable investment opportunities on the part of professional investors, high net-worth retail customers, and savers.

### Sustainability-related regulatory and supervisory requirements for banks



With the Paris Agreement in 2016 and the United Nations' "2030 Agenda for Sustainable Development" in 2015, 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. 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 protection 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 action plan defines three overarching objectives that are broken down into ten measures. In this way, the European Commission is not only placing sustainability on the agenda of finance ministries and financial supervisory authorities, but is also integrating it into the core activities of financial institutions.

The European Commission's action plan for sustainable finance encompasses the following objectives and points:

**Objective 1: Reorient capital flows towards sustainable investment**

1. Establishing a uniform classification system for sustainability activities (taxonomy)
2. Creating standards and labels for sustainable financial products
3. Fostering investment in sustainable infrastructure projects
4. Incorporating sustainability when providing investment advice
5. Developing sustainability benchmarks

**Objective 2: Integrate sustainability into risk management**

6. Incorporating sustainability into ratings and market analyses
7. Sustainability duties of institutional investors and asset managers
8. Supervisory rules for banks and insurance companies

**Objective 3: Foster transparency and long-termism**

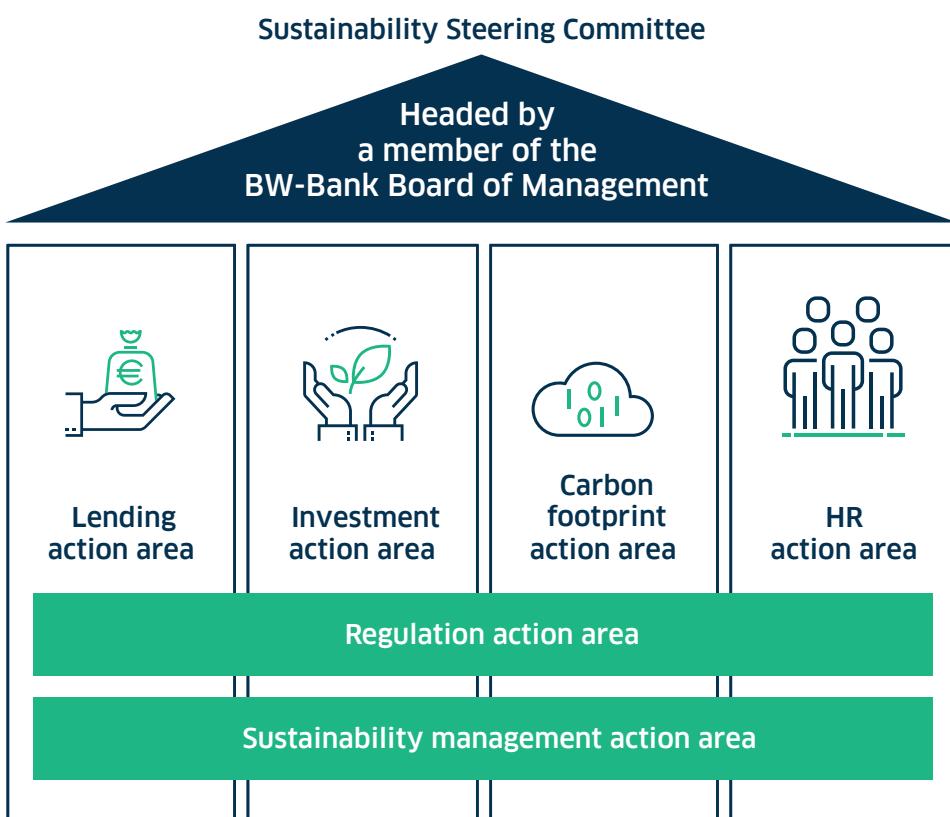
9. Disclosing sustainability information and accounting
10. Fostering sustainable corporate governance and attenuating short-termism in capital markets

One of the key elements of the action plan is the Taxonomy Regulation (point 1), which sets out uniform criteria for determining the ecological sustainability of an economic activity. The classification system serves as a benchmark for further requirements and standards, such as the EU Green Bond Standard and the ecolabel for sustainable financial products (point 2).

The European Commission's action plan is characterized by an action-oriented understanding of sustainability. By contrast, the German Federal Financial Supervisory Authority (BaFin) adopted a risk-oriented understanding of sustainability with the publication of its "Guidance Notice on Dealing with Sustainability Risks" in December 2019, which recommends that the supervised entities explicitly take current and future ESG risks into account in their risk management and strategic controlling. The principles and procedures set out in the guidance notice encompass all of the sustainability-related areas of responsibility: environment, social, and governance (ESG for short).

## Sustainability organization

In early 2019, the central sustainability project was translated into a new organizational structure. Since then, a member of the Board of Managing Directors of BW-Bank has been responsible for sustainability activities in the six action areas (lending, investment, carbon footprint, human resources, regulation, and sustainability management). The action areas defined as part of the project, which was originally time-limited to 2018, continue to apply.



The **Board of Managing Directors** of LBBW is responsible at the highest level for the sustainable corporate governance of the Group and compliance with the sustainability policy.

The **Sustainability Committee** is the communications bridge between the Board of Managing Directors and the specialized divisions. This body consolidates and drives the shaping of opinions within the Bank concerning strategic sustainability issues and prepares information to enable the Board of Managing Directors to make decisions. The head of the Sustainability Committee is a member of the Board of Managing Directors of BW-Bank. The members of the Committee are division heads (second management level) with responsibility for sustainability issues and the managing directors of key subsidiaries. The Sustainability Committee met five times in 2019.

The **Sustainability Management & ESG** (Environment, Social, Governance) Group consolidates the Group's many sustainability activities into a sustainability program that is drawn up annually. It coordinates all sustainability activities at LBBW, collects the relevant data, prepares statements for rating inquiries, prepares sustainability reporting, and initiates the further development of LBBW's sustainability policy.

In 2019, **action area owners** were nominated for the four action areas of lending, investment, carbon footprint, and human resources. In each case, the respective manager is assigned to departmental management level or higher and is responsible for managing and coordinating the operational working groups.



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

In terms of environmental management, a part of sustainability management, LBBW is certified in accordance with ISO 14001 and EMAS (Eco-Management and Audit Scheme). Independent internal and external environmental audits ensure that the requirements for a certified environmental management system are met.

Once a year, environmental/sustainability management at LBBW is evaluated by top-level management (management review in accordance with ISO 14001). Key issues are presented to the Board of Managing Directors for information or decision-making purposes. The Board of Managing Directors in turn provides the Supervisory Board with regular, timely, and comprehensive information about key developments at the Bank and the Group.

## Climate strategy



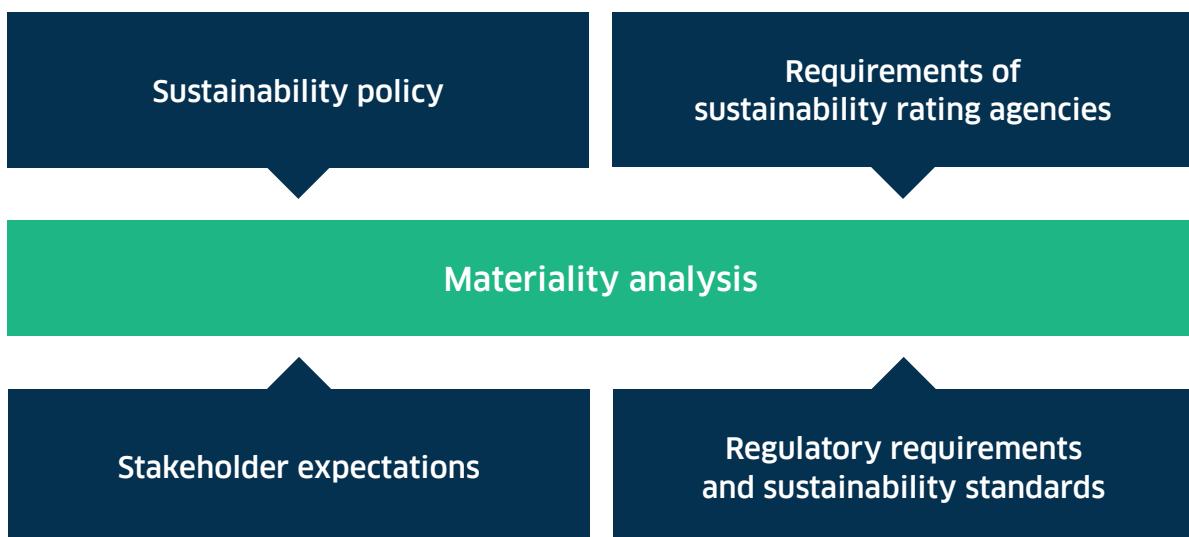
LBBW's climate strategy forms part of the "Principles and Guidelines for Implementing LBBW's Sustainability Policy and Goals" (see page 15 et seq.). We aim to reduce the CO<sub>2</sub> emissions of our business operations and to support low-emission business activity through our banking services. In this way, we are contributing to UN SDG 13 on combating climate change and its impacts.

We currently expect to achieve our CO<sub>2</sub> target for 2020 (minus 25 % in terms of absolute CO<sub>2</sub> emissions compared with 2009) and are continuously working to further reduce CO<sub>2</sub> emissions through technical and organizational optimization.

The bigger challenge is the emissions caused by the investments we finance as a Bank. We intend to start by collecting and controlling the emission figures for new loans and loan extensions. We examined various methods and providers in 2019, and a decision on the collection method to be used in the medium term is set to be taken in 2020. As part of a pilot project, we calculated the "financed emissions" of LBBW's credit portfolio for individual sectors (see page 110). In addition, specific collection will take place for pilot customers in order to allow us to compare the data with the sector averages.

## Materiality analysis

The potential effects of our business activities on our sustainability performance are classified as "minimal", "average", or "significant", depending on the materiality of the individual issues with regard to LBBW's business model and sustainability performance. In addition to the requirements of sustainability rating agencies, the standards and expectations of our stakeholders play a particularly important role. The relevant focus areas are geared toward international sustainability standards and our sustainability policy (see page 13 et seq.). This classification allows us to determine priorities for further sustainability activities. We identify and define appropriate sustainability measures primarily in areas with a substantial effect on our sustainability performance.



## Analysis of sustainability issues in our business activities

LBBW sustainability policy			Effect on our sustainability performance		Influence on our commitment to sustainability		Making our commitment measurable		Allocation to the SDGs
Strategy and management									
LBBW focus areas	LBBW focus issues	GRI indicators	Selected more detailed, internal LBBW parameters, internal standards, and voluntary commitments signed						
Corporate governance	Transparency in business activities, management structure, tax transparency, creation of incentive systems for implementing environmental issues, social responsibility, and responsible corporate governance	102-18 to 102-39	Principles and Guidelines for Implementing LBBW's Sustainability Policy and Goals, LBBW Sustainability Regulations (as of March 2019)	1-17					
Compliance	Internal and external fraud-prevention efforts, embargoes and financial sanctions, anti-corruption measures, data protection, corporate ethics	205-1 to 205-3, 206-1, 418-1	Code of Conduct, money laundering prevention guidelines, fraud and corruption prevention guidelines	8, 10					
Regulation	Compliance with sustainability legislation	307-1	"Regulation" action area within the key strategic objective of "Sustainability" at LBBW	13, 17					
Sustainability standards in financing business (environment, social issues, corporate governance)	Financing taking into account environmental protection, human rights and working conditions, definition of exclusion criteria	412-3, FS 6-8	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	1, 2, 3, 6, 8, 13, 14, 15, 16					
Sustainability standards in investment business (environment, social issues, corporate governance)	Management of reputational risks in business with customers and in proprietary investments, definition of exclusion criteria	FS 6-8, FS 10-12	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	1-17					
Sustainable investment products	Offering sustainable investments (e.g. investment funds, structured products, green bonds, social bonds), sustainable asset management	FS 6-8, FS 10-11	Share of total volume accounted for by sustainable investment products, European SRI Transparency Code for the "LBBW Nachhaltigkeit Aktien", "LBBW Nachhaltigkeit Renten", and "LBBW Global Warming" mutual funds, Principles for Responsible Investment (PRI) and guidelines for sustainability in investment business, Principles for Responsible Banking	1-17					
Financing with a sustainable focus	Promotion of climate-friendly projects and technologies (e.g. renewable energies, building renovation to improve energy efficiency), positive incentive loans	201-2, 412-3, FS 7-8	Percentage of total project finance portfolio accounted for by credit facilities drawn for renewable energy projects, percentage of portfolio accounted for by credit facilities drawn for green buildings, LBBW green bond framework, climate strategy, guidelines for sustainability in lending business, Principles for Responsible Banking	7, 9, 11, 12, 13					
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	418-1, FS 15-16	Voluntary commitments in advertising according to "Deutscher Werberat" (German Advertising Council) guidelines, guidelines for retail customer advice at BW-Bank						
Payments, cards, accounts	Financial inclusion (access to financial services for disadvantaged groups in society), cards or accounts with sustainability themes	418-1, FS 16	Code of Conduct, guidelines on data protection at the LBBW Group						
Real estate	Real estate financing, financing and consulting on building renovation to improve energy efficiency, sustainable construction standards for customer projects, municipal development, clean-ups of existing contamination, and return of sites to their natural state	FS 8	Standards for construction of new sustainable buildings, LBBW green bond framework, share of total commercial real estate financing accounted for by energy-efficient buildings	13					

## Analysis of sustainability issues in our business activities

LBBW sustainability policy	LBBW focus areas	LBBW focus issues	Effect on our sustainability performance	Influence on our commitment to sustainability		Allocation to the SDGs
				Macro sustainability issues and influencing laws	GRI indicators	
Employees	Personnel management, hiring, and development	Training and continuing education, employee management, talent management, women in management, digital and alternative learning and working methods.	Significant	Growing impact of demographic change, social responsibility as an employer, UN SDGs	404-1 to 404-3	Personnel development measures for each employee, employee review rate, guidelines for sustainability in human resources management, women in management
	Work-life balance	Flexible working time models, offer of childcare options	Average	Social responsibility as an employer, provisions of collective agreements, demographic change	102-41	Number of spots in LBBW-internal daycare facilities, guidelines for sustainability in human resources management
	Corporate culture	Equal opportunities and cultural diversity, health management, fair compensation models, occupational safety, inclusion, co-determination by employees, mobile working.	Average	Social responsibility as an employer, demographic change, equal opportunity, discrimination, co-determination rights, provisions of collective agreements, German Pay Structure Transparency Act (EntgTranspG)	403-1, 403-3 to 403-6, 403-8 to 403-10, 405-1 to 405-2, 406-1	Management positions, diversity charter, guidelines for sustainability in human resources management
Business operations	Resource use and CO <sub>2</sub> emissions	Responsible use of resources (paper, water, energy), facility management, hazardous materials, waste, vehicle fleet management, sustainable business travel (including electric mobility), responsible construction of own buildings, carbon offsetting.	Average	Worldwide scarcity of raw materials and natural resources, destruction of nature reserves and forests essential to life, biodiversity and loss of species diversity, climate change, UN SDGs.	301-1 to 301-3, 303-3 to 303-5, 305-1 to 305-5	Climate strategy, guidelines for sustainability in business operations, recording of environmental data using accounting software
	Sustainable procurement	Integrating sustainability criteria in supplier selection/evaluation and product procurement, long-term cooperation with suppliers based on trust	Average	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	308-1, 407-1, 408-1, 409-1, 414-1 to 414-2	Supplier information questionnaire, sustainability declaration for suppliers, product group strategies, guidelines for sustainability in business operations
Social commitment and communication	Corporate citizenship	Promoting foundations, corporate volunteering, promoting nature-related/environmental, education, and social projects	Minimal	Contribution to regional development of LBBW locations	413-1	
	Stakeholder dialog	Exchange of opinions with stakeholder groups in society and employees	Significant	Transparency in business activities, identifying societal expectations of LBBW	102-40, 102-42, 102-43, 102-44	

## Dialog with customers and stakeholder communication

In order to focus our sustainability activities more precisely on the central issues, we conducted a so-called “materiality analysis” in 2014. The main objective of this exercise was finding out how future global changes will affect LBBW and what our stakeholders expect of us in this regard. Subsequently, we launched a dialog series to engage with various customer groups to learn about their particular concerns and what they expect from our Bank and the products we offer.

### Dialog with customers

- 2015/2016 retail customers/private banking customers: In several rounds of discussions, we extensively analyzed the results of the materiality analysis with groups of retail and private banking customers. To better identify the needs of young adults, we invited customers aged between 18 and 29 to their own customer dialog, the BW-Bank Sustainability Summit. Around 20 young customers participated in this event.

The key findings: Although customers are knowledgeable and demonstrate a high degree of affinity for the topic of sustainability, our commitment to sustainability and our sustainable investment products were not well known or customers were unaware of their full extent. Young customers in particular are very keen to use their own money to make a difference in society. Above all, they expect the Bank to actively take responsibility for the environment and society. Transparency and credibility in communication with customers are highly prioritized.

- 2017 corporate customers: “Sustainability: Changing Business Models” was the title of the discussion we held with seven selected company representatives to find out what sustainability issues they are currently focusing on and the effect this is having on their business models. At the same time, we asked our business partners what they expect of us.

The key findings: Sustainability as an overarching concept should always be incorporated into business policies and activities. Transparency, continuity, and trust are the qualities at the heart of a sustainable relationship between customers and the Bank.

- 2017 institutional clients: We sent our institutional clients a written survey inquiring about the importance of sustainability issues at their institutions, the key aspects, and their opinion of future developments. In addition, we wanted to know how they perceive our commitment to sustainability. Around 40 institutional clients responded to the survey.

The key findings: The importance of sustainability issues will increase further from the perspective of investors for reasons including growing market demand and stakeholder expectations. LBBW was generally viewed as a reliable business partner with good customer service. However, institutional clients did not have a clear picture of the Bank's commitment to sustainability.

- Start of the “future dialogs” for all customer groups in 2019: We are continuing the existing customer dialog series together with political representatives. The aim of the “future dialogs” series is to jointly develop potential solutions to the challenges in the region in line with the global sustainability goals.

The first future dialog on 17 May 2019 addressed climate change and the associated tasks and challenges at state and municipal level. Political representatives, officers from public utility companies and experts from the Bank discussed the societal challenges involved in successfully

shaping the transition to renewable energies in Baden-Württemberg and jointly pursuing future-oriented solutions. A particular focus was placed on specific measures that can be implemented promptly with a direct positive influence.

The key findings: Energy-efficient construction and renovation were identified as especially important for climate protection in the local environment in particular. Following on from the future dialog, the concept of a regional or municipal loan with low barriers that rewards energy-efficient construction measures with an attractive interest rate was pursued and subsequently launched on the market in the form of the "Stuttgart climate loan" (see page 104).

In summary, the previous dialog series indicates the following:

- All our customer groups are very interested in sustainability and are addressing this topic intensively.
- LBBW and BW-Bank are held in high regard, but customers know little about our sustainability activities to date.
- Transparency, authenticity, and trust are the keys to a sustainable relationship with customers.

We use the insights gleaned from past customer dialogs to further reinforce our commitment to sustainability and improve communication with stakeholders. The following issues are the main priority:

- Expanding our range of sustainable products
- Stepping up communication with customers about sustainable products and services
- Intensifying sustainability as a key strategic objective for LBBW
- Improving LBBW's sustainability profile

## Dialog with NGOs

We met members of the climate protection group Fossil Free Stuttgart for an initial dialog in November 2018. The aim was to better understand each other's positions and motivations. The topics discussed by LBBW and the NGO (non-governmental organization) included divestment, capital redirection, and the transformation of the financial sector and the economy. The talks ended with an agreement to continue the dialog in 2019.

The second dialog with the climate activists from Fossil Free Stuttgart took place in July 2019. The discussion mainly focused on the further development of LBBW's sustainability strategy in connection with the transformation of the economy, and the energy sector in particular. The high level of public awareness for the "Fridays for Future" initiative was also discussed. Another topic addressed was how LBBW and BW-Bank can help retail customers in particular to act sustainably. Representatives of LBBW Asset Management Investmentgesellschaft mbH described the investment process and the range of services for institutional customers, such as the savings banks.

## **Dialog with WWF and NKI**

The “Bank Rating 2019” study published by WWF Germany (World Wide Fund For Nature) and Institut für nachhaltige Kapitalanlagen GmbH (NKI) evaluates the biggest German banks. LBBW participated in this study and was surveyed about specific sustainability-related measures in the areas of corporate governance, saving and investment, and lending and financing. In a subsequent bilateral dialog in November 2019, representatives of the Bank from various divisions reported on their sustainable activities.

## **Customer and investor communication**

We regularly share information with our retail and corporate customers and institutional investors at trade fairs and conferences as well as our own events (more information can be found on page 44 et seq.)

## **Employee survey**

We regularly survey our employees, who constitute another important stakeholder group. The results of the most recent employee survey can be found on page 129.

## Relevant LBBW stakeholder groups

The diagram below shows an overview of LBBW's relevant stakeholder groups.



## Implementation of the sustainability program 2019



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 specialized divisions at LBBW and its subsidiaries define specific projects for the sustainability program. The sustainability team acts in an advisory capacity. At the end of each year, we document whether the projects have been successfully realized. The Board of Managing Directors is informed about the status once a year as part of the management review.

In 2019, the program comprised a total of 33 projects. 31 projects were completed, while two projects were partially completed. The following tables provide an overview of the 2019 program broken down by sustainability policy action areas (see page 13 et seq.) along with each project's status.

## Customers

Project	Responsible	Status	Implementation
Construction of the "urban element" and "urban view" sustainable residential complex in the "Bahnstadt" area of Heidelberg (passive house standard) <b>SDG 7, 11, 13</b>	LBBW Immobilien Management GmbH	✓	Both construction projects were completed and the apartments sold.
Organization of customer events in the "Forum für eine nachhaltige Zukunft" (Forum for a Sustainable Future) series.	Retail Customers/Private Banking Stuttgart	✓	On 23 September 2020, climate expert Prof. Hans Joachim Schellnhuber spoke to 335 retail and business customers at an exclusive discussion evening.
Introduction of a uniform review process for corporate customer business for the sustainability review of borrowers by front office. The review criteria are based on the ten principles of the UN Global Compact as a framework for socially and ecologically responsible corporate governance.	Key Account Corporate Customers II	✓	Since its introduction in April 2019, the traffic light review has been performed for more than 650 corporate customers.
Re-signing of the European SRI Transparency Code for the "LBBW Nachhaltigkeit Aktien" and "LBBW Nachhaltigkeit Renten" sustainable mutual funds and the "LBBW Global Warming" sustainable climate change fund <b>SDG 1 - 17</b>	LBBW Asset Management Investmentgesellschaft mbH	✓	The European Transparency Code for Sustainability Funds has been confirmed again and is valid from 06/2019 until 05/2020.
Supporting green bond transactions <b>SDG 7, 11, 13</b>	Financial Institutions & Markets	✓	In 2019, LBBW supported seven green bond issues.
Reapplication for certification of the "LBBW Nachhaltigkeit Aktien" and "LBBW Nachhaltigkeit Renten" sustainable mutual funds and the "LBBW Global Warming" mutual fund to carry the FNG transparency logo for retail SRI funds. <b>SDG 1 - 17</b>	LBBW Asset Management Investmentgesellschaft mbH	✓	The "LBBW Nachhaltigkeit Aktien" and "LBBW Nachhaltigkeit Renten" funds were awarded the FNG transparency logo with two stars for the third year in succession. As in the previous year, "LBBW Global Warming" also obtained the FNG transparency logo with two stars.
Training of back office CRE risk managers (CRE = commercial real estate) on green bond-eligible property financing. <b>SDG 7, 11, 13</b>	Risk Management Real Estate, Project & Transportation Finance	✓	Training has taken place (see also page 100).
Low-interest loans for retail customers for energy-efficient building renovation in cooperation with the Stuttgart Energy Advisory Center (EBZ) and LBS ("Stuttgart climate loan"). <b>SDG 11, 13</b>	Product Management and Key Account	✓	BW-Bank has marketed the "Stuttgart climate loan" since August 2019 (see also page 104).
Publication of various "In Focus" spotlight studies on sustainability covering individual corporate sectors, CO <sub>2</sub> , key sustainability terminology, and sustainable finance in general.	Research	✓	Ten "In-Focus" spotlight studies were published, including on the utilities, automotive, telecommunication and finance sectors. All of the studies are available for registered customers to download from the LBBW Markets portal ( <a href="http://www.LBBW-markets.de">www.LBBW-markets.de</a> ).
Development and marketing of a sustainability fund for retail customers that supports the implementation of the UN Sustainable Development Goals ("Wertstrategie 50"). <b>SDG 1 - 17</b>	Asset Management	✓	The "Wertstrategie 50" sustainability fund was marketed to retail customers for the first time in October 2019 (see also page 80).
Start of marketing for the "LBBW Multi Global Plus Nachhaltigkeit" sustainable balanced fund.	LBBW Asset Management Investmentgesellschaft mbH	✓	In June 2019, the "LBBW Multi-Global" fund was expanded to include a sustainability filter and is now called "LBBW Multi Global Plus Nachhaltigkeit".
Development of a social bond program (framework) for LBBW and issue of LBBW's first social bond <b>SDG 3, 4, 6, 11</b>	Treasury	✓	LBBW's first social bond was issued on 30 September 2019 (see also page 84).

✓ completed    ≈ partially completed    ✗ not completed

## Employees

Project	Responsible	Status	Implementation
Continuous improvement as a family-oriented, life stage-friendly company. Implementation of measures from the "berufundfamilie" audit target list published by berufundfamilie Service GmbH <b>SDG 5</b>	HR	✓	The re-audit was successfully passed in 2019.
Continuation of the mentoring program for women with the aim of increasing the proportion of female managers at the upper levels of departmental and divisional management. <b>SDG 5, 10</b>	HR	✓	All divisional managers and women at management level were informed via the program and the application process was communicated. A total of 13 women took part in the program. There are four female mentors and nine male mentors among the divisional managers.
Initiation of two talent groups as part of talent management with a view to promoting top talents. One of these talent groups is focused on promoting female managers. Participants are given an ambitious range of individual and joint development measures with the aim of strengthening high-potential female employees who already work for LBBW and preparing them for internal competition for divisional management roles. <b>SDG 4, 5, 10</b>	HR	✓	The "Female Potential Top Managers" talent group for women within the mentoring program for top managers was launched in January 2019 with nine participants.
Employees who are studying on the job are given five days of paid leave per calendar year to prepare for their examinations. This entitlement is in addition to the leave already provided for classroom training and examination days. In addition, 50% of the total tuition fees are paid prior to the start of the respective studies. <b>SDG 4</b>	HR	✓	In total, more than 80 students took advantage of the additional leave days to prepare for their examinations and LBBW paid 50% of the tuition fees.
Conceptual development of an information platform for sustainability topics within LBBW Asset Management Investmentgesellschaft mbH (LBBW AM) and implementation of the first "AM ESG Academy" (ESG = Environment, Social, Governance).	LBBW Asset Management Investmentgesellschaft mbH	✓	An internal information platform on ESG was established within LBBW AM in 2019. This was accompanied by the new "AM ESG-Academy" format with a total of around 80 participants, as well as additional events and training.

✓ completed    ≈ partially completed    ✗ not completed

## Business operations

Project	Responsible	Status	Implementation
<p>Various measures aimed at reducing energy consumption in the area of IT:</p> <ul style="list-style-type: none"> <li>• System deactivation (e.g. determining whether systems can be migrated to another system)</li> <li>• New provisioning concepts for temporary systems (a rapid provisioning process allowing test systems to be returned more quickly than before following the completion of the test)</li> <li>• Review of system capacity usage to identify optimization potential</li> <li>• Printer consolidation</li> </ul> <p><b>SDG 13</b></p>	Information Technology	≈	<p>The project has been largely completed. The following aspects have been implemented:</p> <ul style="list-style-type: none"> <li>• Server reduction/virtualization</li> <li>• Data center consolidation</li> <li>• Reduction in the number of printers</li> </ul>
<p>Conversion of the cups used for food retention samples at the company restaurants to reusable cups.</p> <p><b>SDG 12</b></p>	LBBW Gastro Event GmbH	✓	The conversion to reusable cups is complete.
<p>Continued transition to LED technology (to the extent available and appropriate) for lighting inside and outside buildings, primarily in the case of replacement investments</p> <p><b>SDG 13</b></p>	LBBW Corporate Real Estate Management GmbH	✓	In 2019, fluorescent tubes were again exchanged for LED lighting in various areas of the building.
<p>LBBW to join the Clean Air Alliance, an initiative run by the federal state and the city and consisting of major employers in Stuttgart who are aware of their shared responsibility for clean air and who are committed to working together to address the challenge of continuously improving air quality</p> <p><b>SDG 11</b></p>	Sustainability & ESG	✓	<p>On 14 February 2019, LBBW's membership of the Clean Air Alliance was signed by Rainer Neske, Chairman of the Board of Managing Directors.</p>
<p>Introduction of energy management software to help control the continuous improvement process with regard to energy efficiency while also meeting the requirements of the German Act on Energy Services (EDL-G).</p> <p>Step 1: Clarification of the conditions for the introduction of an energy management system (Bank strategy, budget, human resources) with definition of clear responsibilities and processes.</p> <p><b>SDG 13</b></p>	LBBW Corporate Real Estate Management GmbH	≈	<p>Some of the measures performed in 2019, particularly with the involvement of an external engineering firm, included:</p> <ul style="list-style-type: none"> <li>• Summary of the internal and general (technical and organizational) requirements</li> <li>• Creation of a system and implementation concept</li> <li>• Performance of a market survey among certified providers.</li> </ul> <p>In addition, all tasks relating to energy billing, forecasting and reporting were assigned to facilities engineering for organizational purposes, and an external employee was appointed.</p>
<p>Expansion of the mobility mix within the LBBW Group using sharing concepts like Share Now (formerly car2go), Flinkster, teilAuto, stadtmobil (conceivably also stella sharing, CleverShuttle, etc.).</p> <p><b>SDG 7, 9</b></p>	Group Purchasing	✓	<p>Since the start of 2019, LBBW employees have had an additional mobility option at their disposal and can now also use vehicles from the car-sharing provider Share Now (formerly car2go) for business trips. The trips can then be settled via the respective travel expenses claim.</p>

Project	Responsible	Status	Implementation
Active participation in the "PendlerRatD" project of Heilbronn University of Applied Sciences, a research- and technology-based information and communication campaign to improve traffic conditions and ensure sustainable mobility (sponsored by the German Federal Ministry of Transport and Digital Infrastructure). <b>SDG 7, 9</b>	Group Purchasing	✓	With around 1,000 LBBW employees and 400 potential test cyclists taking part, LBBW took first place in the study conducted by Heilbronn University of Applied Sciences. 80 participants from LBBW each rode to work on e-bikes for four weeks.
Purchase of 100% green electricity for the LBBW and BW-Bank buildings for 2020 and 2021 <b>SDG 13</b>	Group Purchasing	✓	100% green electricity was purchased for the LBBW and BW-Bank buildings for 2020 and 2021.
Saving paper by digitalizing the following existing processes: <ul style="list-style-type: none"> <li>• Account changing service (Saving: approx. 110,000 sheets of paper per year)</li> <li>• Coordination and accompanying document process for credit card accounts (Saving: approx. 44,000 sheets of paper per year)</li> <li>• Processing of accompanying documents from the posting service provider (Saving: approx. 72,000 sheets per year)</li> <li>• Complaint process (Saving: approx. 60,000 sheets of paper per year)</li> </ul> <b>SDG 12, 13</b>	Bank Services	✓	The digitalization of the internal processes listed is complete.
Switching from paper-based processing of official requests for information to a digital process. Further processing in banking operations will be paperless, with transmission to the authorities via secure data transfer. Saving: 80 sheets per case, approx. 1,400 cases per year. <b>SDG 12, 13</b>	Bank Services	✓	The processing of official requests for information was switched over to a digital process.
Switching the provision of organic yogurt to 500 g returnable jars. This results in a theoretical saving of 7,500 plastic cups per year (applying a conversion factor of 4:1) <b>SDG 12, 13</b>	LBBW Gastro Event GmbH	✓	The conversion to returnable jars is complete.
Conversion of the vehicle pool at the Stuttgart location to e-mobility (electric/plug-in hybrid vehicles): Newly acquired pool vehicles will now be solely electric. <b>SDG 13</b>	Group Purchasing	✓	As of 31 December 2019, the Stuttgart vehicle pool (LBBW pool) was fully converted to e-mobility (electric/plug-in hybrid vehicles).

✓ completed ≈ partially completed ✗ not completed

## Social commitment and communication

Project	Responsible	Status	Implementation
Organization of the 4th Stuttgart Sustainability Slam ("Nachhaltigkeits-Slam") <b>SDG 4, 9, 12</b>	PK/PVM Stuttgart	✓	BW-Bank held the 4th Stuttgart Sustainability Slam on 23 May 2019.
Organization and performance of future dialogs on topics such as energy with customers and representatives of politics, business, and NGOs <b>SDG 17</b>	Sustainability & ESG	✓	The future dialog entitled "Climate Change and the Transition to Renewable Energies in Germany" took place on 17 May 2019.
Cooperation with stella sharing (Stadtwerke Stuttgart electric scooter rental system): <ul style="list-style-type: none"> <li>• Scooters to be branded with BW-Bank logo</li> <li>• Discounted rates for LBBW employees</li> </ul>	Product Management and Key Account	✓	Since April 2019, LBBW has cooperated with stella sharing, Stadtwerke Stuttgart's electric scooter rental system.
Organization and implementation of "LBBW ZukunftsInitiative", an internal sustainability fair	Sustainability & ESG	✓	"Shaping the Future. Acting Sustainably" was the motto of one of LBBW's first climate-neutral events, held on 23 September 2019 and attended by around 250 colleagues from throughout the Group.

✓ completed    ≈ partially completed    ✘ not completed

## Sustainability program for 2019 and beyond



The specialized divisions of LBBW and its subsidiaries had included the projects detailed below in the sustainability program for 2020 and beyond by the editorial deadline for this report. Other projects will be added during the year.

## Customers

Project	LBBW Sustainability goal <sup>1</sup>	Target date	Responsible specialized division(s)
Construction of a sustainable office building ("Rheinkontor") in the "Zollhafen" area of Mainz, with the goal of certification by the German Sustainable Building Council ("Deutsche Gesellschaft für Nachhaltiges Bauen e.V." (DGNB)) <b>SDG 11</b>	Goal 2: Customers	12/2020	LBBW Immobilien Development GmbH
Construction of the sustainable office building "LEO Business Campus" in Stuttgart, with the goal of certification by the DGNB <b>SDG 11</b>	Goal 2: Customers	12/2020	LBBW Immobilien Development GmbH
Offering an index certificate that evaluates companies on the basis of various equal opportunity criteria (incl. diversity, integration, personnel development). <b>SDG 5</b>	Goal 2: Customers	12/2020	Product Management and Key Account
Re-signing the European SRI Transparency Code for the "LBBW Nachhaltigkeit Aktien" and "LBBW Nachhaltigkeit Renten" sustainable mutual funds and the "LBBW Global Warming" sustainable climate change fund <b>SDG 1 - 17</b>	Goal 2: Customers	Ongoing project	LBBW Asset Management Investmentgesellschaft mbH
Supporting green bond transactions <b>SDG 7, 11, 13</b>	Goal 2: Customers	Ongoing project	Financial Institutions & Markets
Re-application for certification of the "LBBW Nachhaltigkeit Aktien" and "LBBW Nachhaltigkeit Renten" sustainable mutual funds and the "LBBW Global Warming" mutual fund to carry the FNG transparency logo for retail SRI funds <b>SDG 7, 13</b>	Goal 2: Customers	Ongoing project	LBBW Asset Management Investmentgesellschaft mbH
Early recognition of sustainability risks in LBBW's commercial real estate (CRE) business: Analysis of sustainability risks based on the example of the real estate portfolio in North America with the aim of increasing awareness of sustainability risks among real estate investors. <b>SDG 11, 13</b>	Goal 2: Customers	12/2020	Risk Management Real Estate
Pilot project to support corporate customers in dealing with the EU taxonomy ("BW Green") <b>SDG 13</b>	Goal 2: Customers	12/2020	Strategy and Equity Investments
Expansion of the cooperation between BW-Bank and Stadtwerke Stuttgart: <ul style="list-style-type: none"><li>• Special green electricity and green gas tariffs from Stadtwerke Stuttgart for employees and customers</li><li>• Continuation of the cooperation with stella sharing (Stadtwerke Stuttgart electric scooter rental system)</li><li>• Active advertising of BW-Bank's "Stuttgart climate loan" and installation of photovoltaic system by Stadtwerke Stuttgart</li></ul> <b>SDG 7</b>	Goal 2: Customers	12/2020	Sustainability & ESG

<b>Project</b>	<b>Sustainability goal<sup>1</sup></b>	<b>Target date</b>	<b>Responsible specialized division(s)</b>
Expansion of training on the "Stuttgart climate loan" to support product marketing. <b>SDG 13</b>	Goal 2: Customers	12/2020	Sustainability & ESG
Development of a standard process for measuring the CO <sub>2</sub> emissions of the properties financed across all sectors ("green real estate financing"). <b>SDG 13</b>	Goal 2: Customers	12/2020	Sustainability & ESG
Publication of various "In Focus" spotlight studies on sustainability: • on individual corporate sectors (e.g. automotive) and financial institutions (banks, sovereigns, SSAs, insurance companies). • on key sustainability terminology <b>SDG 1 – 17</b>	Goal 2: Customers	12/2020	Research
Launch of a regular publication type, "Green Bond Compass", covering new issues of ESG bonds from the four asset classes of corporates, financials, sovereigns, and SSAs. <b>SDG 3, 4, 6, 7, 9, 13</b>	Goal 2: Customers	12/2020	Research

<sup>1</sup> The sustainability goals are listed on page 14.

## Business operations

Project	Sustainability goal <sup>1</sup>	Target date	Responsible specialized division(s)
Reduction in absolute CO <sub>2</sub> emissions by 20% by the end of 2020 (compared with emissions in 2018) <b>SDG 7, 13</b>	Goal 4: Business operations	12/2020	Group Purchasing
Continued transition to LED technology (to the extent available and appropriate) for lighting inside and outside buildings, primarily in the case of replacement investments <b>SDG 13</b>	Goal 4: Business operations	Ongoing project	LBBW Corporate Real Estate Management GmbH
Conversion of PLA cups for fruit and vegetables in the cafeterias to reusable glasses with lid and deposit. Saving: approx. 15,000 disposable cups per year. <b>SDG 12</b>	Goal 4: Business operations	12/2020	LBBW Gastro Event GmbH
Promotion of e-mobility in the LBBW vehicle fleet: Expansion of charging infrastructure for guests and employees to improve the carbon footprint of the LBBW vehicle fleet at the head offices in Karlsruhe, Mannheim and Mainz (running on 100 % green electricity). <b>SDG 7, 13</b>	Goal 4: Business operations	12/2020	Group Purchasing
Expansion of the cooperation with stella sharing, Stadtwerke Stuttgart's sharing provider: Expansion of the cooperation and establishment of a company pool of electric scooters (non-floating) to be used by employees in Stuttgart for business purposes ("stella+" for companies) <b>SDG 9</b>	Goal 4: Business operations	12/2020	Group Purchasing
Cooperation with the car-sharing provider stadtmobil (replacing Sixt) for rural branches with no vehicle pool. <b>SDG 9, 13</b>	Goal 4: Business operations	12/2020	Group Purchasing
Purchase of low-CO <sub>2</sub> vehicles throughout LBBW's vehicle pool: New/replacement pool vehicles (LBBW/departments/branches) to be fully converted to e-mobility (electric/plug-in hybrid). Target: 100% electric/hybrid vehicles in the pool. <b>SDG 13</b>	Goal 4: Business operations	12/2022	Group Purchasing
Introduction of energy management software to help control the continuous improvement process with regard to energy efficiency while also meeting the requirements of the German Act on Energy Services (EDL-G).  Continuation of step 1 (see sustainability program 2019)  Step 2: Automated measurement recording including the corresponding systems and evaluation options as a pilot scheme for at least one central building.  Step 3: Full implementation of automated measurement recording including the corresponding systems and evaluation options for all central buildings. <b>SDG 13</b>	Goal 4: Business operations	12/2019  extended until 12/2020  extended until 12/2020  extended until 12/2021	LBBW Corporate Real Estate Management GmbH

<sup>1</sup> The sustainability goals are listed on page 14.

## Employees

Project	Sustainability goal <sup>1</sup>	Target date	Responsible specialized division(s)
Introduction of e-bike leasing for all employees via the provider JobRad. <b>SDG 13</b>	Goal 3: Employees	12/2020	Group Purchasing
Performance of classroom-based training for senior management and compliance coordinators so that employees can be made aware of topics such as the Code of Conduct, risk culture, compliance risks, etc.	Goal 3: Employees	12/2020	Group Compliance
Continuous improvement as a family-oriented, life stage-friendly company: Continuation of the berufund-familie audit conducted by berufundfamilie Service GmbH and implementation of the program of action (from the 2019 re-audit). <b>SDG 5</b>	Goal 3: Employees	12/2020	Personnel development

<sup>1</sup> The sustainability goals are listed on page 14.

"Ongoing" projects that are not yet integrated into a regular process are included in the sustainability program only if further activity is required.

Projects carried out in the past and now running permanently are no longer included in the current sustainability program. These include:

- Waste plan with color-coded routing system, incl. collection of organic waste
- Switching off lights automatically at the main offices
- Automatically turning off workstation computers and laptops at night (Wake-on-LAN)
- Utilization of waste heat at the data center
- Video conference rooms in the main offices to reduce business travel
- Bicycle parking, showers, and lockers at the main offices
- Incentive system for service vehicles to promote models that produce low CO<sub>2</sub> emissions
- Recycled paper as standard copy paper
- "Gesund führen" (Healthy Leadership) module as an integral part of management training
- Sustainability initiatives in the company restaurants, such as fair trade and organic coffee at the main offices, organic certification at two restaurants
- Extensive green roofing
- Nesting aid for falcons

# Communications



**Sustainability is not an empty phrase as far as we are concerned. We seek to make an active contribution to strengthening ecological and social awareness within our own four walls and in the public sphere. We ensure that responsibility is taken on a day-to-day basis by providing regular internal and external information on current topics, raising awareness among our employees and generating impetus at numerous events.**

## Sustainability reporting

We provide information about our sustainability activities on our sustainability website and in our comprehensive sustainability report. This is published online and supplemented by current news on the LBBW sustainability portal. The sustainability report is based on the established reporting standards of the Global Reporting Initiative (GRI, see [www.globalreporting.org](http://www.globalreporting.org)).

LBBW's 2017 Sustainability Report took fourth place in the "large corporations" category in the "2018 sustainability report ranking" published by the Institute for Ecological Economy Research (IÖW) and the business association future. This makes LBBW the best bank among the 69 large corporations included in the evaluation. The IÖW has compared and evaluated the sustainability reports of companies in Germany since 2005 based on an extensive range of social, ecological, management, and communication criteria. LBBW has been included in the ranking since it began in 1994, improving its position from 33<sup>rd</sup> in 2005 to fourth in 2018. No ranking was published in 2019.

"Understanding and Action: Sustainability at Landesbank Baden-Württemberg" provides a 16-page overview of our commitment to sustainability.

A compact overview of sustainable products at LBBW, entitled "At a Glance: Sustainable Products at LBBW" is also available.

The publications can be downloaded from [www.LBBW.de/sustainability](http://www.LBBW.de/sustainability).

LBBW's management report has included a non-financial report since fiscal 2017. Large, capital market-oriented companies and large credit institutions and insurance companies are required to issue a non-financial report in accordance with the German CSR Directive Implementation Act ("CSR-Richtlinie-Umsetzungsgesetz") of 19 April 2017. The CSR Directive on the Disclosure of Non-Financial and Diversity Information regulates reporting on environmental, employer, and social concerns, respect for human rights, and efforts to combat corruption. LBBW's non-financial report is audited by a statutory auditor and brought to the attention of the Board of Managing Directors and the Supervisory Board.

## Internal communication

We inform our employees solely via online channels.

Our intranet – known as *Blue.net* – provides technical information and latest news from the Bank. *Blue.net* is accessed around 110,000 times a day by some 10,000 employees. We also provide information about the Bank's sustainability activities in around 250 articles, videos, and market reports. The topics covered in 2019 included:

- The cooperation between LBBW and Heilbronn University of Applied Sciences on the Pendler-RatD mobility project to make it more attractive to travel to work by bicycle
- The electric scooter sharing project *stella sharing*: BW-Bank is cooperating with Stadtwerke Stuttgart to boost the scooter scheme
- LBBW's first social bond
- The BW-Bank Sustainability Slam, providing scientific entertainment on the topic of sustainability
- A video about LBBW's sustainability commitment

Exchange and cooperation via the intranet are also proving popular: The “Wiki” collaboration tool is accessed around 4,500 times every day. The internal community for cross-divisional networking gets around 1,000 hits every day.

LBBW's first *sustainability fair* in September 2019 was attended by around 250 colleagues. At trade fair stands, presentations and workshops, they had the opportunity to inform themselves about sustainability and LBBW's activities and get involved themselves. The questions answered included: What are we doing to improve our carbon footprint? What future-oriented approaches form part of LBBW's sustainability policy and what does this mean for the investments and loans we offer? What is the impact of regulatory developments on our business? The event ended with a lecture by climate researcher Prof. Hans Joachim Schellnhuber.

The “*Einblicke*” (*Insights*) e-mail newsletter compiles the most interesting intranet posts four times a year. The newsletter also allows us to update our employees who are on long-term leave – such as parental leave – and our retired employees.

Employees can address important suggestions and requests to the Chairman of the Board of Managing Directors directly using a dedicated e-mail address. More than 100 messages are received every year. The event format “X-Change – Dialog with ...” allows our employees to enter into a face-to-face discussion with members of the Bank's Board of Managing Directors. Employees took up the opportunity for mutual exchange at more than 20 dialog events in 2019.

## Customer and investor communication

We regularly share information with our retail and corporate customers and our institutional investors at trade fairs and conferences as well as an entire series of LBBW's own events.

- Dialog on PRI: LBBW regularly participates in the dialog on the Principles for Responsible Investment (PRI) to discuss current issues relating to the implementation of this voluntary commitment.
- Trade fairs: LBBW Asset Management Investmentgesellschaft mbH (LBBW AM) again exhibited at the "Grünes Geld" (Green Money) and "Fair handeln" (Trading Fairly) trade shows in Stuttgart in 2019, showcasing its sustainable product range and presenting on sustainable investments.
- Conferences and webinars: In 2019, LBBW AM was again represented with presentations at conferences and events for a wide range of customer groups (private investors, savings banks, and other institutional investors/companies). As in the previous year, LBBW AM also arranged several webinars for investors covering the development of the sustainable investment market, sustainable investment strategies, and sustainability-oriented portfolio analysis.
- Information sessions for savings banks: In 2019, six information sessions were held for some 300 sales experts of savings banks in Baden-Württemberg, Rhineland-Palatinate, and Saxony, at which LBBW presented new grant programs in the fields of innovation and digitalization financing, e-mobility and new business models, energy transition, and resource efficiency.
- On 24 September 2019, LBBW Advisory for institutional customers played host to the "DAV vor Ort" insurance forum (DAV = German Association of Actuaries) for the second time, welcoming more than 100 representatives of insurance companies and discussing the topics of sustainability and digitalization at BW-Bank. It presented on the current status of regulatory requirements with regard to the integration of sustainability into investment and risk management. In addition to the European Commission action plan, there was a particular focus on the strict criteria defining green investments that will be introduced by the EU taxonomy. The intensive discussion at the end of the presentation made it clear that this topic has now fully reached insurance companies and is increasingly finding its way into all their business processes.
- Sustainability discussion evening: Around 350 retail customers attended a presentation by Prof. Hans Joachim Schellnhuber at BW-Bank on 23 September 2019. The renowned climate expert captivated the audience with his lecture entitled "Climate Crisis: The History of Disruption", which delivered information and warnings and provided impetus for the lively discussion that followed.
- German Sustainability Award: LBBW/BW-Bank was a partner of the German Sustainability Award 2019 and had an information stand at the congress. With a view to transformation, the member of the Board of Management of BW-Bank responsible for sustainability presented the "Stuttgart climate loan". BW-Bank and the Stuttgart Energy Advisory Center (EBZ) are working together with the aim of promoting energy-efficient building renovation in Stuttgart.
- 4<sup>th</sup> Stuttgart Sustainability Slam in the customer foyer of BW-Bank at Kleinen Schlossplatz: On 23 May 2019, it was again time to ask the question: Who is the best at presenting scientific entertainment on the topic of sustainability? Five "slammers" delighted an audience of around 350 mostly young people with fascinating short presentations on their sustainable ideas and research results. At the end of the evening, the audience voted on the best contribution.

- Future Forum: The “Future Forum: Energy-efficient Renovation and Living” event represents the evolution of the former Forum for Communities of Residential Owners. It gives the target group – property managers and owners – the opportunity to see and experience suggestions, specific tips and products at close quarters. The event was developed together with the Stuttgart Energy Advisory Center (EBZ). The EBZ brought partners from the skilled trades together to present themselves and their product solutions for sustainable building renovation and sustainable energy supply as part of workshops. The “Stuttgart climate loan”, jointly developed by BW-Bank, the City of Stuttgart, the EBZ and LBS (Landesbausparkasse), was also presented. The event ended with a panel discussion and questions such as “Renovation – how should I proceed?” Whom should I turn to? How do I find qualified and reputable tradesmen? What measures really make sense from a technical point of view?

## LBBW research studies on sustainability issues

LBBW Research analysts regularly publish studies on issues that are of particular interest to our customers. The studies published in 2019 included “Sustainability and Credit Ratings – An Analysis” and “Agreement Reached on the EU Taxonomy”.

In 2019, LBBW Research also launched the new monthly format “Green Bond Compass”. The publication provides insights into the latest developments on the green bond market and forecasts concerning expected new issues.

Additional sustainability-related studies and information were published on the banking and corporate sector (e.g. automotive, energy), the topic of CO<sub>2</sub>, key sustainability terminology, and sustainable finance:

- LBBW In-Focus Financials: UK Green Finance Strategy and TCFD
- LBBW In-Focus Corporates Automotive: The CO<sub>2</sub> Cost of Transport – Why Mobility Will Get Expensive
- LBBW In-Focus Corporates: Digitalization and Sustainability in Telecommunications
- LBBW In-Focus Corporates Transport and Logistics: IMO 2020 – New Regulations for Marine Fuels
- LBBW In-Focus: Sustainable Perspectives for Real Estate
- LBBW In-Focus Utilities: CO<sub>2</sub> Prize Widely Criticized
- LBBW In-Focus: ABC of Sustainability
- Agency Outlook (H2 2019): Issue Volume On Target – Strong Growth In Sustainable Bonds

# Sustainability ratings, awards, and memberships



**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. Therefore, we participate in initiatives in Germany and internationally to ensure that sustainability becomes increasingly important in the financial services industry. 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

Just as we evaluate the sustainability performance of companies, partners, and suppliers, our commitment to sustainability is reviewed by neutral rating agencies. Sustainability ratings, unlike ratings measuring financial strength, are not 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. These include not only charitable organizations, but increasingly also conventional institutional investors.

The most recent results that LBBW has achieved in the various ratings and that were known to us by the editorial deadline for this sustainability report (30 April 2019) are described below. If we know our ranking, this is listed as well.

- ISS ESG (formerly ISS-oekom), a globally renowned research and rating agency in the sustainable investment segment, gave LBBW an overall grade of C+ on a scale of A+ to D-. This result meant LBBW took fourth place out of the 209 banks analyzed internationally in the "Financials/Public & Regional Banks" segment and second place among German banks (as of November 2019). LBBW meets the stringent standards for sustainability performance defined by ISS ESG and is classified as "Prime".
- In the imug 2020 Sustainability Rating of Bank Bonds, LBBW received an overall assessment of "positive" (BB). This places it first among the ten institutions evaluated in the German Landesbank and savings bank sector. LBBW was ranked second in a Europe-wide comparison within the Landesbank sector. In addition, LBBW received an assessment of "extremely positive" (A) as an issuer of public-sector Pfandbriefe and "positive" (BBB) as an issuer of mortgage Pfandbriefe (as of March 2020). imug is one of the leading German sustainability rating agencies and a specialist for tailored sustainability research.
- LBBW regularly receives top rankings in MSCI ESG Research's ratings. In 2019, it obtained a rating of AA on a scale from AAA to CCC. MSCI ESG Research is the world's largest provider of sustainability analyses and ratings in the area of environmental, social and governance (ESG), with research expertise dating back 40 years.

- LBBW received 83 out of 100 possible points in the Sustainalytics sustainability rating, meaning it ranked second among German financial institutions and 12th out of the 338 international financial institutions evaluated (as of May 2019). Sustainalytics is an independent provider of responsible investment services specializing in the analysis and evaluation of companies' sustainability performance.

## Rankings

- LBBW's 2017 Sustainability Report took fourth place in the "large corporations" category in the 2018 ranking of the Institute for Ecological Economy Research (IÖW) and the business association future. This makes LBBW the best bank among the 69 large corporations included in the evaluation. No ranking was published in 2019.
- LBBW made significant progress in the fourth update of the Fair Finance Guide Germany ([www.fairfinanceguide.de](http://www.fairfinanceguide.de)) in May 2019: with a score of 48%, LBBW is the best commercial bank of the 14 evaluated and is ranked sixth overall, after five specialist sustainability and church banks. The ratings are based solely on the policies of the banks as published in official documents. A score of 100% indicates that all of the current evaluation criteria of the Fair Finance Guide are met. At between 60% to 79%, LBBW's policies on corruption, human rights and workers' rights achieved a relatively good score. The Fair Finance Guide sees particular room for improvement in the areas of climate protection, taxes, remuneration and bonuses, transparency and accountability (which scored between 20% and 39%). 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 Nachhaltigkeit Renten" (see page 79)



"LBBW Global Warming" (see page 80)



## Human resources policy (see page 114 et seq.)



## Environment (see page 150 et seq.)



## Ratings (see page 46 et seq.)



# Memberships and initiatives

## 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 over 200 companies worldwide. The goal of this partnership is to support financial institutions in integrating sustainability issues into their companies at all levels. In 2019, LBBW also became the first German universal bank to sign up to the "Principles for Responsible Banking" (PRB), a new 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 with social objectives like the Paris Agreement and the United Nations Sustainable Development Goals.

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. The theme of the round table in December 2019 was "Sustainable Finance – Regulation, Innovation, Transformation". LBBW participated in the annual conference with presentations on "Changes in the Energy Industry" and "Sustainable Lending in Practice".

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

As a member of the VfU ([www.vfu.de](http://www.vfu.de)), we play an active role in workshops and forums. In 2019, for example, we shared information on credit check processes (including the further development of internal credit standards and taking climate risks into account in the lending portfolio) at the VfU forum "ESG im Kreditgeschäft" (ESG in Lending).

Since 2019, VfU has offered a range of new dialog formats in which LBBW also participates:

- Monthly "VfU Aktuell" (VfU Latest) teleconference: Members can obtain information and discuss current developments, events, publications and projects in the context of sustainable finance.
- Quarterly "Regulatory Public Affairs" teleconference: This conference provides an overview of current developments in legislation and regulation in the context of sustainable finance in Germany and the EU. A factsheet is circulated in advance.
- "ESG Risk Monitor Industry Focus" teleconferences at irregular intervals: Additional calls are offered on topics that could attract criticism for the financing banks. For example, 2019 saw an Industry Focus teleconference on the topic of "coal".



## German Sustainable Investment Forum

LBBW Asset Management Investmentgesellschaft mbH is a member of the German Sustainable Investment Forum (FNG). The FNG has been the professional association for sustainable investment in Germany, Austria, Liechtenstein, and Switzerland since 2001. Its more than 170 members include banks, investment companies, insurance companies, rating agencies, asset managers, financial advisors and NGOs, as well as 30 interested individuals.



## Principles for Responsible Investment

LBBW is a signatory of the United Nations Principles for Responsible Investment (UN PRI). Under these principles, we voluntarily undertake to address environmental, social, and corporate governance (ESG) issues in our investment activities. LBBW Asset Management Investmentgesellschaft mbH has also signed the PRI for the Investment Manager category. As a subsidiary of LBBW, Baden-Württembergische Equity GmbH (BWEquity) has also signed up to the UN PRI.

*Signatory of:*



50

## German Sustainable Building Council

LBBW Immobilien Development GmbH is a member of the German Sustainable Building Council (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.

Mitglied der



## 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, including for the use of the issue proceeds.

## 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 offer a platform for sharing ideas ([globalcompact.de](http://globalcompact.de), [unglobalcompact.org](http://unglobalcompact.org)).

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 and
- 02** make sure that they are not complicit in human rights abuses.

### Labour

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

### Environment

- 07** Businesses should support a precautionary approach to environmental challenges,
- 08** undertake initiatives to promote greater environmental responsibility, and
- 09** 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.

## 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 Organisation 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.

## 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. The members share the aim of taking individual and joint measures to help ensure compliance with the thresholds for nitrogen dioxide and particulate matter with a view to improving the quality of life and preventing a ban on Euro 5 diesel vehicles. 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.

## Alliance for Development and Climate

In fall 2018, the German Federal Ministry for Economic Cooperation and Development launched the Alliance for Development and Climate, which is tasked with promoting climate protection and development policy 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.

# Binding standards

As part of our sustainability management activities, we have specified binding standards for many of the Bank's units and activities. Our suppliers and service providers are also required to observe sustainable criteria. Our compliance management team ensures that all internal and external regulations and laws are observed.

## 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 (formerly BW-Immobilien GmbH), and LBBW Asset Management Investmentgesellschaft mbH. Environmental performance statement

### 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 we lease to tenants and LBBW's offices outside Germany whose data is not collected are not included. As of 31 December 2019, a total of 277 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 which 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.

### 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. The implementation of the Scheme and ISO standard is verified once a year by means of an internal and external audit. The following are validated according to EMAS and certified according to ISO 14001:

- four buildings at "Am Hauptbahnhof" and two buildings at "Pariser Platz" in Stuttgart,
- the Fritz-Elsas-Strasse 31 building (known as the "Bollwerk" building) in Stuttgart,
- the Königstrasse 3 building in Stuttgart,
- the Kleiner Schlossplatz 11 building in Stuttgart, and
- the Augustaanlage 33 building in Mannheim

with a total of 7,074 employees (6,342.41 full-time equivalents (FTEs) = number of full-time employees and part-time employees expressed as full-time employees).

## 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

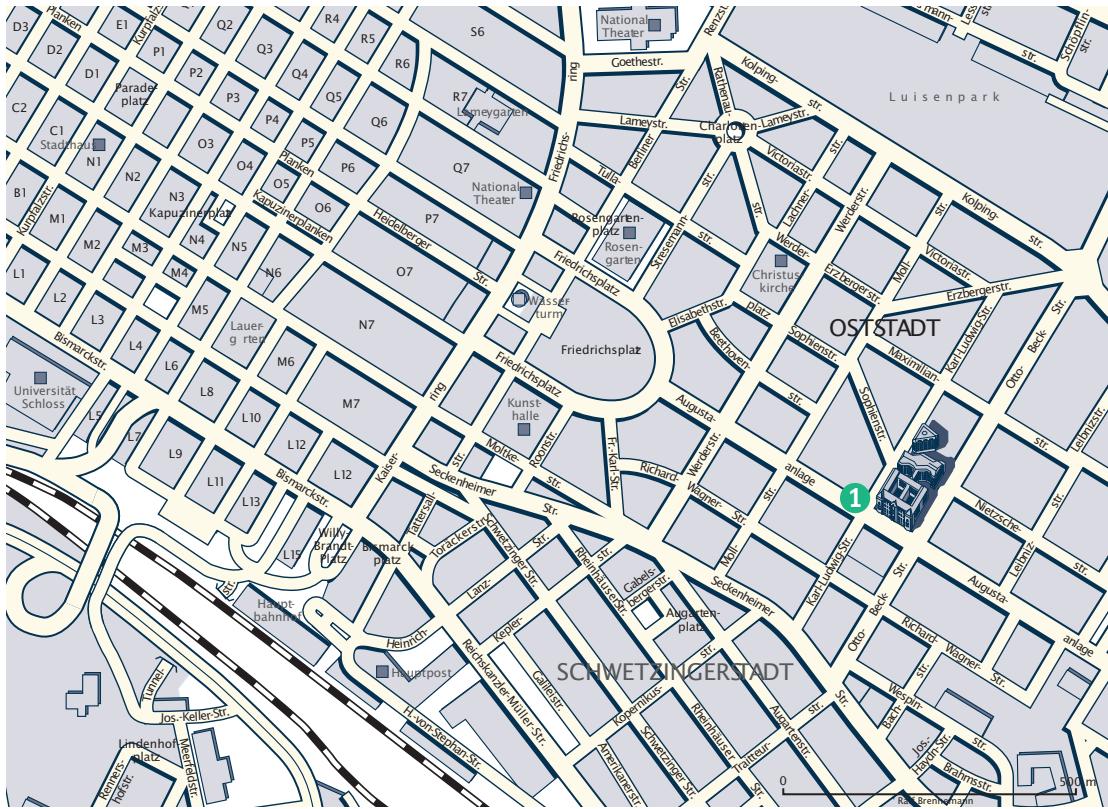
**Building ⑦**  
Pariser Platz 7, 70173 Stuttgart  
(SüdLeasing building)

**2 Bollwerk service center**  
Fritz-Elsas-Strasse 31, 70174 Stuttgart

**3 Educational center**  
Königstrasse 3-5, 70173 Stuttgart

**4 Kleiner Schlossplatz, BW-Bank**  
Kleiner Schlossplatz 11, 70173 Stuttgart

## Mannheim



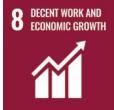
**1 Landesbank Baden-Württemberg**  
Augustaanlage 33, 68165 Mannheim

## German Sustainability Code

Landesbank Baden-Württemberg signed the German Sustainability Code (GSC) on 20 March 2013 and updated its declaration of conformity in 2015. The code was initiated by the German Council for Sustainable Development, which supports the German federal government on all sustainable development issues and aims to make sustainability efforts visible, transparent, and more readily comparable. To comply with the GSC, users create a declaration of conformity with twenty GSC criteria and the supplementary non-financial performance indicators selected from the Global Reporting Initiative (GRI) and the European Federation of Financial Analysts Societies (EFFAS) in the GSC database. Additional information: [www.deutscher-nachhaltigkeitskodex.de](http://www.deutscher-nachhaltigkeitskodex.de)



# Supplier management



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 2019, 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 627.2 million (previous year: around EUR 618 million).

## Supplier assessment

Activities with our suppliers are based on supplier registration. Suppliers are accepted by LBBW only if they answer questions concerning sustainability matters on the LBBW 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 registering with LBBW is additionally required to acknowledge and sign the Sustainability Agreement for LBBW Suppliers when a contract is agreed. 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 ensure fair 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. In 2019, 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 to the same degree as LBBW. The sustainability rules and ethical responsibility documented in our Code of Conduct are the guiding principles for all of our business relationships and transactions.

## 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 criteria specified in the "Sustainable Procurement and Award of Work" work instruction is applicable to purchases of non-IT products. 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.

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 outsourcing

As of 1 September 2013, LBBW outsourced most of its IT activities to Finanz Informatik GmbH & Co. KG (FI), the IT service provider to the German Savings Banks Finance Group ("Sparkassen-Finanzgruppe") and one of the largest European providers of IT services to banks. The Provider and Production 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. In the course of negotiations with FI, key sustainability issues that were already applicable at LBBW were incorporated into the contract. For instance, a sustainability clause for suppliers was agreed. Software ergonomics are still reviewed by LBBW before an application is approved for use. Banking-specific software and standard software (e.g. office products) continue to be procured by Group Purchasing at LBBW.

### Service provider and supplier selection at LBBW subsidiaries

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**LBBW Corporate Real Estate Management GmbH:**

We have developed a special sustainability clause for LBBW Corporate Real Estate Management GmbH (formerly BW Immobilien GmbH) service contracts that requires service providers to comply with all applicable environmentally relevant regulations and ensure that their employees receive sufficient training in sustainability issues, 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 submit the safety data sheets of the detergents used and shall be subject to checks.

**Gastro Event GmbH:**

In selecting suppliers, our subsidiary Gastro Event GmbH, which runs our six company restaurants, gives preferred status to smaller, regional suppliers.

### 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, for example, 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.

Tenders issued by LBBW Corporate Real Estate Management GmbH for real estate used by the Bank contain an extensive list of guidelines with regard to the construction materials and their health and ecological safety.

# 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.

LBBW's Group Compliance division takes a proactive approach. In particular, it provides advice on matters relating to capital market and real estate compliance, the prevention of money laundering, fraud and other punishable acts, as well as financial sanctions and embargoes. The decentralized compliance structure includes compliance officers who are responsible for compliance at the branches and subsidiaries, as well as LBBW compliance coordinators who serve as a link between the specialized divisions and the central Group Compliance division. The aforementioned coordinators provide a point of contact for employees in the operating units and in the branches for all compliance-relevant issues. The Outsourcing Evidence Center is responsible for planned outsourcing activities. It informs the specialized divisions and departments in good time about internal rules and requirements and supports their implementation.

## Compliance training

All employees are required to complete the fraud prevention and sustainability training program every three years. The training programs on anti-money laundering and financial sanctions/embargoes have been binding for all employees in an annual cycle since August 2019. The training program on capital markets must be completed depending on the employees' area of responsibility. The percentage of completion of the respective web-based training programs currently averages around 98% (as of December 2019). The small number of employees who did not complete the training were either out of work due to long-term illness or were changing jobs between divisions.

## Code of Conduct

Sustainable business success is based on trust. In the long term, LBBW will only be competitive 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 ([www.LBBW.de/code-of-conduct](http://www.LBBW.de/code-of-conduct)) has been adopted as an overarching guideline. This behavior and ethics code applies to LBBW and 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. The Group Compliance division updated the Code of Conduct in May 2020. In recent years, digitalization, sustainability and stricter regulatory requirements have become a factor in the everyday business of the Bank and have changed the internal Code of Conduct accordingly. Among other things, the new code 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.

## Compliance function according to MaRisk (Minimum Requirements for Risk Management)

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") in Circular 9/2017. LBBW has a compliance function that meets MaRisk requirements and is directly involved in material processes and workflows. The legal regulations and standards applicable to the Bank are identified on an ongoing basis, and their compliance is monitored using appropriate and effective risk-based procedures.

## 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. The aim is to conceal 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 appropriate 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.

## 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 inhouse.

A country and product matrix on the LBBW intranet is part of the internal sustainability standards relevant for cross-border business (sanction and embargo regulations and critical industry-country combinations due to sustainability and reputation risks).

## Fraud prevention (and other punishable acts)

At LBBW the purpose of fraud prevention is to prevent criminal acts that could expose the assets of LBBW 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. In an annual threat analysis, all possible internal and external risks in connection with prosecutable offenses relevant to the Bank and the Group are identified and evaluated, and suitable preventive measures are developed on this basis. In addition, LBBW adheres to the overarching OECD Guidelines for Multinational Enterprises (see page 53), which also contain recommendations on corruption prevention.

The rules and regulations for the Bank and the Group for combating criminal activity include all major preventive measures and general organizational requirements (e.g. options for reporting suspicious activity). These standards are implemented in the framework instruction for giving and receiving perks (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).

In 2019, no corruption proceedings were conducted against LBBW (Bank) or the subsidiaries integrated into the sustainability management process and no fines were levied (with the exception of fines for traffic offenses involving vehicles registered in the Bank's name).

A flyer entitled "Typisch BW-Bank Kunden: Lassen sich das Geld nicht aus der Tasche ziehen" (How BW-Bank Customers Can Keep Their Money Firmly in Their Pockets), which is issued by the branches, informs customers about current crime patterns (e.g. fraud, scams) and provides tips on how to effectively protect against financial losses. With the help of LBBW, the Baden-Württemberg State Office of Criminal Investigations has also published the "Attention: Rip-offs" brochure containing tips on protection against telephone scammers. In 2019, 63 cases of attempted fraud (people falsely posing as grandchildren/police officers) were prevented thanks to the attentiveness of branch staff.

## 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. To this end, it issues internal guidelines and work instructions that serve as guiding principles.

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). It closely monitors observance of the rules for employee trading and for avoiding insider trading and market manipulation.

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 way of compliance with the applicable rules and regulations. LBBW's data protection officer reports to the LBBW Board of Managing Directors and 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.

Compliance with statutory data protection requirements is monitored during audits by the data protection officer during the year.

The laws generally reinforce the rights of consumers, 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.

The rights granted to data subjects continued to be widely used. In 2019 (as of 31 December 2019), there were 20 customer complaints (previous year: 46), 121 requests for information (previous year: 66), and 368 requests for deletion (previous year: 46).

## Violations of environmental law

In 2019, LBBW did not incur any fines or penalties resulting from non-compliance with statutory environmental regulations. During internal and external audits, no substantive violations of environmental law were uncovered.

## 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.

In accordance with Section 26a subsection 1 sentence 2 et seq. of the German Banking Act ("Kreditwesengesetz"), 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:

- 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

(see "Country by country reports" at [www.LBBW.de](http://www.LBBW.de)).

As a matter of principle, LBBW does not advise customers to establish international structures with the primary purpose of tax avoidance and does not participate in transactions involving international structures whose primary purpose is evidently to avoid tax.

## Corporate governance

LBBW adheres to key aspects of the German Corporate Governance Code ("Deutscher Corporate Governance Kodex" (DCGK)). 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 DCGK 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 DCGK. 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 DCGK. 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 2019 annual report (see page 14 et seq.).

Information on the remuneration of the members of the Board of Managing Directors and the Supervisory Board can be found in the 2019 remuneration report.

## Principles for Responsible Investment

Since signing the United Nations Principles for Responsible Investment (UN PRI) in 2009, we have agreed to increasingly incorporate aspects relating to our responsibility for the environment and society as well as the principles of corporate governance (ESG) into the analysis and decision-making processes for our investment activities.

In addition to LBBW, more than 2,600 signatories from over 50 countries have voluntarily signed up to these guidelines. Taken together, they currently have assets under management of around USD 90 trillion. In 2017, LBBW Asset Management Investmentgesellschaft mbH (LBBW AM) also signed the UN PRI for the Investment Manager category. Another LBBW subsidiary, BWEquity, did the same in 2018.

We have implemented the following measures to date:

- Sustainability criteria for LBBW's investments were defined in 2011 and have been continuously revised ever since. In 2019, the exclusion criteria at the level of corporate investments encompassed disputed human rights and workers' rights<sup>1</sup>, controversial environmental practices, and restrictions on coal producers. At the level of government investments, we refrain from doing business in countries with authoritarian regimes. Our investments are audited annually by the sustainability rating agency ISS-ESG (formerly ISS oekom). The last audit took place as of 31 December 2019 and covered an investment volume of EUR 30.5 billion. A TCFD-compliant (TCFD = Task Force on Climate-related Financial Disclosures) Climate Impact Report is also prepared by ISS-ESG for LBBW Depository Account A (LBBW's banking book).
- LBBW AM excludes investments in producers of anti-personnel mines and cluster munitions from its investment funds. This criterion is based on the two relevant UN conventions.
- 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 the sustainability rating agency ISS ESG; the funds are managed by LBBW AM.
- With its active management, LBBW AM exerts influence on the companies in which it invests on behalf of its customers. This is done through the transparent exercise of voting rights at the annual general meeting and via direct contact with the management. LBBW AM 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 e.V." (BVI)) as well as the German Corporate Governance Code. Direct contact with management takes the form of individual conversations, meetings, and participation in conferences. More than 300 company contacts were made in 2019.

<sup>1</sup> **Child labor:** At country level, it is considered a violation if the employment of children is widespread in the respective country. At company level: see the exclusion criterion for workers' rights (where child labor forms part of the exclusion criterion).

**Violation of workers' rights:** At country level, it is considered a violation if working conditions in the respective country are especially poor, particularly with regard to minimum wages, working hours, health and safety. At company level, it is considered a violation to flagrantly breach at least one of the four fundamental principles of the core labor standards of the International Labor Organization ("ILO Declaration on Fundamental Principles and Rights at Work") concerning association and collective bargaining, forced or compulsory labor, child labor, and/or discrimination. It is also considered a violation to systematically circumvent minimum labor standards (e.g. in health and safety, pay, working hours) even if they do not relate directly to the four ILO conventions. This exclusion criterion applies to minimum standard violations by the company itself as well as its suppliers/subcontractors.

**Violation of human rights:** At country level, it is considered a violation if human rights in the respective country are severely restricted with regard to political arbitrariness, torture, privacy, freedom of movement, freedom of religion, etc. At a company level, that means it is considered a violation to egregiously breach internationally recognized principles like the UN Universal Declaration of Human Rights, provided they do not exclusively relate to governmental obligations and are not already covered by the ILO Declaration on Fundamental Principles and Rights at Work (see "Violation of workers' rights" above). In particular, this includes actions that deliberately expose the population, customers, etc. to serious threats to their health/life; human trafficking; severe use of force against third parties and the hiring and/or active support of such use of force; actions that seriously violate third parties' rights to self-determination; actions that seriously disregard cultural rights to self-determination or cultural dignity. This exclusion criterion applies to violations by the company itself as well as its suppliers/subcontractors.

- LBBW does not sell any investment products (e.g. certificates and investment funds) associated with agricultural commodities.
- 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.

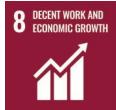
Implementing the UN PRI requires LBBW and LBBW Asset Management Investmentgesellschaft mbH (LBBW AM) to publish an annual transparency report. This report can be inspected at the UN PRI website ([www.unpri.org](http://www.unpri.org)).

## 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 commercial communication guidelines of the German Advertising Council (“Deutscher Werberat” (see [www.werberat.de](http://www.werberat.de))).

LBBW was not issued any sanctions, fines, or warnings due to non-compliance with advertising regulations in 2019.

## Equitable working conditions

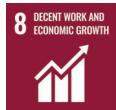


We comply with the eight core labor standards set out in the ILO Declaration (International Labor Organization, [www.ilo.org](http://www.ilo.org)) governing equitable working conditions for all LBBW Group's employees where these have been ratified by the respective country:

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

We also expect our suppliers and their sub-contractors to comply with these human rights and workers' rights (see page 57 et seq.).

## Risk management/reputation risk management



Risk management at LBBW is defined as the use of a comprehensive range of tools to manage risks, including reputation risks, within the scope of LBBW's potential to bear risk and the strategy laid down by the Board of Managing Directors. Unsustainable action on the part of our customers or projects with a negative environmental impact constitutes a risk to LBBW's reputation, among other things.

- Non-transaction-related risk management is the responsibility of the "Group Communication/Marketing/Board of Managing Directors' Office" division, the "Regulatory and Corporate Compliance" department, and the "Sustainability Management" team.

- The transaction-related management of reputation risks, such as evaluating new business, is conducted decentrally by the front office units, especially in the course of the New Products Process (NPP) and loan application process. A product approval process is carried out prior to the NPP for OTC-traded (over-the-counter) derivatives for interest rate, foreign exchange, and commodities management.
- The Group Compliance division and the Sustainability Management team assist the relevant front office units in identifying and assessing transaction-related sustainability and reputation risks in their everyday business.

The risk management guidelines set out the main principles for the consideration of opportunities and risks within the LBBW Group and form the basis of a uniform Group-wide understanding of the Bank's goals in connection with risk management.

#### Wording of guidelines for reputational risk (as of January 2019)

The LBBW Group acts in the best long-term interest of its customers and stakeholders.

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.

Tax and regulatory requirements are considered when concluding transactions in the Bank's own name and in customer relationships. Products that are in breach of such requirements are not offered or traded.

At the LBBW Group, ethical aspects such as human rights, working conditions, environmental protection, and anti-corruption efforts are taken into account when granting loans and making investments. It goes without saying that the Bank does not support any unlawful acts, such as tax evasion or actions in violation of tax compliance and criminal activities.

The financing or hedging of deliveries of arms and defense or dual-use goods to other countries and other critical sustainability issues are subject to restrictions defined in the Bank's internal rules. As a rule, LBBW does not support projects that clearly lead to large-scale destruction of the environment and nature without adding ecological value.

A detailed risk and opportunity report can be found in the 2019 annual report (page 43 et seq., page 94 et seq.).

# 02

## Responsibility and commitment

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### Commitment to sustainability

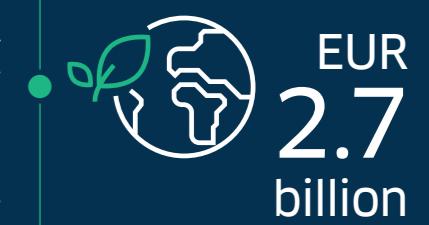
Digitalization has revolutionized our lives – and it will still be some time before we can foresee many of the consequences for business and society. However, one thing is certain: our everyday lives are becoming more flexible and more mobile. And we all need to be more energy-efficient and more environmentally aware in doing business so that we can slow the pace of climate change and maintain our living conditions. As a public-sector bank (“Landesbank”), we are responsible for the people and companies in our region. We combine financial values with ecological and social value added. Our aim is to be a reliable partner for our customers, our employees, and the citizens of our country in order to help drive successful, sustainable change.



## Customers

### Financing social projects

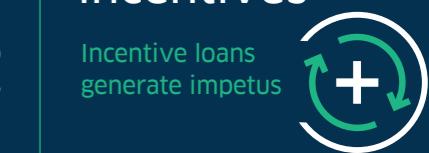
Investing and doing good: LBBW's social bond program makes it possible. It allows our customers to invest in social and community projects in a targeted manner in areas such as education, health, drinking water supply, and public infrastructure. The first bond with a volume of EUR 500 million was successfully issued in 2019. The program has a total volume of EUR 2.7 billion. LBBW's green bond program has been financing environmental and climate protection projects since 2017.



Social bond program

### Positive incentives

We encourage our borrowers to pursue ecological and social sustainability in their business activity. Since 2019, we have offered special loans ("positive incentive loans" or "sustainability-linked loans") whose conditions are linked to the respective company's sustainable business performance.



### Driving digital innovation

We achieved another milestone using blockchain technology: LBBW realized its first legally effective digital securities transaction on the basis of blockchain without a parallel process in paper form. The investor was MEAG, the asset manager of Munich Re and ERGO. In a blockchain, all postings are recorded in a chain of data sets, encrypted, and stored on multiple servers. This technology ensures transparency, prevents manipulation, and enables streamlined and secure transactions in near-real time.

### Blockchain



Quick and secure transactions

# Customers

## Top performing, reliable, based on partnership

**Climate change and the energy transition are among the biggest challenges right now. Digitalization is progressing rapidly. Our aim is to actively shape the change process with sustainable investment products, green finance, and digital innovations, supporting our customers on their way to a sustainable future as a reliable and responsible partner.**

Energy efficiency, environmental awareness, and fairness are the order of the day when it comes to doing business. Companies are under growing pressure to act – from politicians, society, consumers, employees, and shareholders. They need to critically analyze conventional business models and make them sustainable across the board. In conjunction with digital transformation, these change processes often require substantial investments which must be well thought through. At this time in which fundamental decisions are being made, we act as a reliable partner for companies, providing financing solutions and assistance with regard to risk management.

Sustainability, digitalization, agility, and a targeted focus on our customers' needs are our key strategic objectives. 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 for the long term. We deliver targeted incentives with innovative financing instruments that offer attractive conditions as a reward for sustainable business activity.

The successful launch of our green bond program was followed by a social bond program in 2019. We also expanded our range of sustainable investments to include new funds and a stepped coupon bond. Because investing sustainably should not be a privilege, we have opened up a professionally managed securities fund that was previously only available within asset management for retail investors, i.e. for all of our customers. And we provide advice and assistance for those who wish to bring their ideals to life with a foundation or make their dream of an energy-efficient home a reality.

We are also promoting the development of digital innovations. As a financial market pioneer, we successfully realized the first blockchain-based Schultschein, facilitating a legally effective, fully digital securities transaction using this new technology. We have initiated crowdfunding platforms for community projects and associations and are enabling payment methods that provide optimal security for online shopping. We are always there for our customers – 24 hours a day thanks to online and mobile banking. But we also place emphasis on face-to-face discussions and holistic advice. The times may be changing, but the individual needs and desires of our customers will remain our key focus in the future.

## LBBW customer and Product groups

- The **Corporate Customers** segment comprises business with small and medium-sized enterprises, with a focus on the core markets of Baden-Württemberg, Saxony, and Rhineland-Palatinate as well as other attractive economic regions such as North Rhine-Westphalia, Bavaria, and the greater Hamburg area. This segment also includes our business with key corporate accounts and the public sector. On the financing side, the solutions offered range from classic through structured to off-balance-sheet financing. This segment also provides services in the areas of cash management, interest rate, currency and commodities management, and asset and pension management. The results of capital market business products and foreign business products sourced from our corporate customers are also reported in this segment. In line with the business focus for corporate customers, the segment primarily includes the subsidiaries Süd Beteiligungen GmbH, SüdLeasing GmbH, MMV Bank GmbH, and SüdFactoring GmbH.
- The **Real Estate/Project Finance** segment primarily focuses on commercial real estate business, including business with real estate and housing companies in addition to structured project finance. Alongside the core market of Germany, commercial real estate financing focuses on selected metropolitan areas in the US, Canada, and the UK. Property, portfolio, and corporate financing structures are offered to real estate clients as an arranger or syndicate bank, together with a supplementary range of liability products and interest rate and currency management products. In the area of project finance, financing solutions are provided for major projects, infrastructure and transport financing. The subsidiary LBBW Immobilien Management GmbH (LBBW AM) is also allocated to this segment.
- 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. Along with all customer activities with banks, governments, insurance companies, and pension funds, the segment includes the corresponding trading activities. All results from financial market transactions with corporate customers are assigned to the Corporate Customers segment. In addition, all treasury activities are allocated to the Capital Markets Business segment. This primarily comprises the central investment of own funds, lending/deposit-taking operations and balance sheet structure management, liquidity management, the specifics of IFRS in connection with refinancing, FX management and hedge accounting, as well as the management of strategic investments and cover funds. The subsidiary LBBW AM is also allocated to this segment.
- The **Retail Customers/Savings Banks** segment comprises all activities with private customers in retail banking in addition to services for high net-worth private clients with more extensive advisory requirements. Business customers including medical practitioners, freelancers, and tradespeople are also allocated to this segment. As part of a comprehensive customermanagement approach, the segment serves both the business and private requirements of medical practitioners, freelancers, and tradespeople. The product range extends from checking accounts and card business to financing solutions, investment advice, and special services, particularly for high net-worth private clients, such as asset management, securities account management, and foundation management. Selected business activities connected with LBBW's function as the central bank for savings banks are also included in this segment.

- The *Corporate Items* segment comprises all business activities not included in the above segments. In particular, these include the financial investments and management of the Bank's portfolio of buildings. The prior-year figures for the segment also include the final earnings effects from the former Credit Investment portfolio. Reconciliation/Consolidation includes pure consolidation adjustments as well as the reconciliation of internal financial control data to external financial reporting data.

## Advisory approach

The goals and wishes of our customers are our top priority. Integrated advice tailored to the customer's needs is extremely important to us. Our customer relationship managers work together with investors to explore their goals – including those beyond investing – and subsequently prepare a personalized financial plan. Long-term wealth accumulation and portfolio optimization are at the forefront here.

We provide detailed and readily understandable information about various forms of investment and any associated risks. After each consultation, we prepare a "suitability report" in which we set out in writing why the recommendation we have made – e.g. to buy or sell a product – is suitable for the respective investor. This allows our customers to review the recommendation before making their decision. The "Suitability Report" has been required by law since 2018. The previous consultation documentation no longer applies.

Our advisors are not assigned sales targets for individual securities products. There are no point or unit systems at LBBW for assessing sales and revenue targets. We advise and support our customers on all financial matters in every phase of their lives. Why do we do all this? Because we know that reliable personal advice is the best basis for a sustainable and trusting customer relationship.

Our sustainable approach to financial advisory services and the rules for systematic implementation and review are set out in the "Guidelines for Retail Customer Advice at BW-Bank"; see ([www.bw-bank.de](http://www.bw-bank.de)). Specific work instructions and process guidelines provide the framework for the advisory process. Product selection guidelines and review mechanisms ensure that we always put our customers' interests first.

## Future-oriented solutions

The advance of digitalization is changing markets, companies, and society. Our lives are becoming more flexible 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 is being networked more and more, improving efficiency and enabling solutions to be tailored precisely to customer needs. Digital transformation promotes technological innovations in every part of life and business. Smart cars, smart factories, smart homes, smart cities: 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 and sustainability are closely linked and impact each other. As the forces that are shaping our future, they both form part of our key strategic objectives. Accordingly, we have initiated online crowdfunding platforms for community projects and associations and are a digital pioneer when it comes to corporate financing and securities transactions using resource-saving blockchain technology. We offer payment methods that provide optimal security for online shopping. Our customers expect us to be there for them – whether they are banking online or using a mobile device, by video chat, or in person at their local branch. This is why we have developed digital options that make our services available around the clock. Conducting transactions, obtaining information, communicating, and documenting and archiving banking activities electronically does more than just save paper and time – it also reduces CO<sub>2</sub> emissions by allowing people to drive less. We offset the potentially larger carbon 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.

### Blockchain financing

Blockchain technology makes transactions quicker, more secure, and more transparent. In recent years, we have intensively addressed digital innovations for the distributed, tamper-proof recording of business transactions – distributed ledger technology (DLT) – in order to make financing instruments and the associated processes more efficient for the parties involved. In 2017, for example, LBBW became the first provider on the German market to successfully realize a Schulschein using blockchain technology together with the auto manufacturer Daimler and participating investors from the German Savings Banks Finance Group ("Sparkassen-Finanzgruppe"). This was followed by a Schulschein for the telecommunications company "Telefónica Deutschland" in 2018. Another milestone followed in 2019: As the platform operator, LBBW realized its first legally effective digital securities transaction on the basis of blockchain technology without a parallel process in paper form on behalf of the investor, MEAG, the asset manager of Munich Re and ERGO.

A blockchain is a chain of data sets. These chained blocks can contain information on transactions, for example, with the clear chain of blocks serving to record the complete value chain of a financing instrument in a tamper-proof manner. The sequence of all transactions – e.g. from the origination of a financing instrument through interest payments to repayment – is stored decentrally on the computers of the market participants involved and continuously checked. This means the information is distributed in the network and secure. Changes can be made only in accordance with a defined consensus principle. Distributed ledger technologies are therefore particularly suited to the finance industry, which requires a high degree of security and complete documentation. The parties to the transaction can ensure the required and desired level of transparency by selecting a corresponding DLT protocol. In particular, this saves time and transaction costs for the market participants involved.

This is why we want to drive ahead the use of distributed ledger technologies. In the next phase, we intend to expand their use to increasingly include areas such as trade finance in order to simplify and accelerate the processes involved in international transactions while simultaneously reducing risk. More efficient goods, money and credit flows are particularly important to export-oriented German companies. In 2018 LBBW joined the Marco Polo network, the world's largest and fastest-growing trade finance network powered by DLT. We are also working on concepts for international trade and supply chains as part of the blockchain trade finance initiative of the German Savings Banks Finance Group ("Sparkassen-Finanzgruppe").

### Online and mobile banking

BW-Bank's online banking services include electronic account statements, loan statements, and securities and credit card billing. This practice is environmentally sounder than paper printouts and also reduces CO<sub>2</sub> emissions by eliminating the need to deliver mail. The electronic mailbox guarantees a secure exchange of information, with the option of attaching files as required.

The BW mobile banking app allows customers to access core online banking functions such as account balance queries, wire transfers, and account-to-account transfers on their smartphones. Numerous other functions, such as photo-based bank transfers, 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.

### Video advice

Our advisory team at the BW-Bank Service Center is available for customers not only by telephone but also by text or video chat, thereby providing the full range of advisory services of a conventional branch. An additional service offered is video identity authentication for customers wishing to open new online accounts or sign up for products. Communicating by screen is convenient and saves customers a trip to their branch or (to prove their identity) to the post office, thereby eliminating the CO<sub>2</sub> emissions generated by driving.

### 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.

## paydirekt

BW-Bank customers can use paydirekt, an online payment system for banks and savings banks, to easily and securely shop on the internet: once a user is registered for online banking, a user name and password are all that is required to pay with a checking account. The Bank always controls the data, which is processed exclusively in Germany according to German data protection requirements. Extensive buyer protection is offered as well: If a seller cannot provide proof of shipping, customers are refunded their money.

paydirekt continually monitors retailers, thereby ensuring exclusion of the following types of sellers, among others:

- Non-state licensed and non-state monitored gambling establishments, betting or lotteries, online games of chance, online casinos
- Online gaming providers that convert cash into virtual currencies (surrogates)
- Dealers and manufacturers of firearms and/or weapons of war, with the exception of dealers of sporting and hunting firearms and accessories
- Parties that do not fall under the Political Parties Act ("Parteiengesetz") of the Federal Republic of Germany
- Suppliers of goods or services in countries subject to embargo actions in accordance with Sections 69a et seq. of the German Foreign Trade Regulations ("Aussenwirtschaftsverordnung" (AWV))
- Collection agencies not registered with the local court or regional court with local jurisdiction in accordance with the German Act on Out-of-Court Legal Services ("Rechtsdienstleistungsgesetz" (RDG))
- Unregulated financial services providers, payment service providers without the necessary permit, unregulated money exchanges, brokers of illegal hawala cash transfers, and financial services providers established under a special legal form or providers of private investment vehicles
- Politically/religiously/ideologically radical groups or hate groups
- Online providers and/or service providers that are connected with or condone the sex trade (e.g. prostitution)
- Companies or individuals who violate the German Narcotics Act ("Betäubungsmittelgesetz") by producing and distributing mind-altering substances

## bw crowd

Making a difference together is the basic idea behind the crowdfunding platform bw crowd ([www.bw-crowd.de](http://www.bw-crowd.de)). Since 2014 we have supported efforts to raise funds for small-scale community, charitable, and cultural projects via the internet. Almost EUR 800,000 has been raised to date. This has already allowed 220 projects to be realized in Baden-Württemberg, including the purchase of climbing and sporting equipment for the schoolyard of the "Silberwald" Waldorf School and support for an inclusive sporting event organized by the Bulls wheelchair rugby team from Tübingen in which mixed teams play against each other. To motivate people to help, BW-Bank makes a financial contribution to each successful project. Every month, a total of EUR 1,500 is placed into a project fund for this purpose.

## Xavin – crowd investing for clubs/associations and their members

Clubs and associations are an important pillar of our society and a hub for friendships and competition. The crowd investing platform Xavin ([www.xavin.eu](http://www.xavin.eu)) makes it possible to quickly and easily finance infrastructure projects. Fans and supporters can help their club by providing a loan and, in return, receive not just an attractive monetary profit, but also the emotional return of supporting a meaningful project or even benefiting from improved infrastructure as a member themselves. For example, riders in Hegnach now have a new floor surface in their indoor arena, children at the "MTV Stuttgart" sports club love their adventure playground, and young people at the "JFV Rhein-Hunsrück" booster club will get to train in a brand-new open-air sports hall in the future. Xavin, the digital platform for regional and emotional investments, was launched with the assistance of LBBW in 2016 and has traded as a separate company since 2018. The start-up primarily works with sports clubs but is now also financing private schools and other non-profit and social institutions. EUR 880,000 has already been collected for 15 clubs and schools since Xavin GmbH was launched.

## 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. All our investment and lending services are based on our Guidelines for Sustainability (see page 16 et seq.), which help us to reduce risk with respect to sustainability and allow us 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. In our investment and lending business (including project finance), we take care to protect the environment and uphold biodiversity.

The companies in which we invest or which we finance are expected to integrate environmental, social, and governance criteria into their operating policies, including criteria concerning climate protection, combating corruption, human rights, and workers' rights. We also expect them to demand compliance with these criteria in the agreements they conclude with subcontractors and suppliers. The same applies to gender-specific criteria, women's rights and tax criteria, as well as the inclusion of clauses on compliance with tax criteria.

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).

## Sustainable investment products

We offer an extensive portfolio of sustainable investment products for retail and corporate customers and institutional investors (e.g. insurance companies, investment companies, foundations, and church organizations). We align our portfolio with sustainability criteria through voluntary commitments, among other things.

We use special training courses to extensively inform our employees about sustainability in general and our sustainable products in particular. The "Nachhaltigkeit im Beratungsgeschäft" (Sustainability in Advisory Business) seminar is permanently available to our sales employees as part of our training program.

In 2019, we also conducted numerous information events and training initiatives for the sustainability multipliers within the sales units in our retail customer business.

## Sustainable mutual funds/environmental funds

In addition to several sustainable special investment funds and asset management mandates for institutional investors, LBBW Asset Management Investmentgesellschaft mbH (LBBW AM) manages four sustainable mutual funds and one sustainable thematic fund. The investment universes for these funds are selected on the basis of the sustainability ratings published by ISS ESG (formerly ISS oekom), one of the world's leading independent rating agencies in the sustainable investment segment.

In addition, retail customers have been able to invest in the "VV-Strategie Wertstrategie 50" fund since October 2019. Managed by BW-Bank, this sustainable strategy fund was previously only available within asset management (see page 80). It explicitly integrates all the UN sustainability goals as part of an innovative approach.

### LBBW AM's sustainable mutual funds



LBBW AM's four sustainable mutual funds follow an extremely strict sustainability concept in which the best-in-class method is combined with extensive exclusion criteria (negative screening). In this way, they meet the requirements of sustainability-oriented private and institutional investors as well as investors with additional ethical requirements, such as churches and pension funds.

- The "LBBW Nachhaltigkeit Aktien" equity fund invests in companies worldwide that stand out due to their above-average involvement in sustainability issues. The fund has been awarded the FNG transparency logo (FNG: "Forum Nachhaltige Geldanlagen", the industry association promoting sustainable investment in Germany, Austria and Switzerland) with two stars and the European transparency logo for sustainable mutual funds. As in the previous years, "LBBW Nachhaltigkeit-Aktien" has also received the Austrian Ecolabel.
- The "LBBW Nachhaltigkeit Renten" bond fund invests in government bonds, Pfandbriefe, and corporate and sovereign bonds that exhibit above-average performance in terms of sustainability. This fund has also been awarded the FNG transparency logo with two stars, the European transparency logo for sustainable mutual funds and, as in the previous years, 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. Its portfolio includes companies that stand out thanks to their above-average involvement in sustainability issues, as well as bonds from public-sector issuers that exhibit above-average performance in terms of sustainability. The fund has been awarded the FNG transparency logo with two stars and the European transparency logo for sustainable mutual funds.
- The defensive mixed fund “LBBW Multi Asset Defensiv Nachhaltigkeit”, which is aimed at institutional investors, primarily invests worldwide in fixed-income securities, certificates, and money market instruments, as well as up to 30% in equities. The fund focuses on instruments from companies and public issuers that exhibit above-average performance in terms of sustainability and is controlled using a dynamic value preservation strategy. The fund was relaunched in 2019.

#### LBBW AM's thematic funds



- 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 individual securities are put through a “climate change filter” that eliminates investments in companies with weak ratings in terms of climate-relevant issues. This analysis is based on the “Carbon Risk Rating”, which evaluates the climate performance of companies based on 100 mainly industry-specific indicators as well as sector-specific climate risks. The fund meets the minimum exclusion criteria of the UN Global Compact. It has been awarded the FNG transparency logo with two stars and the European transparency logo for sustainable mutual funds.

#### BW-Bank's sustainable mutual funds

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- The “VV-Strategie Wertstrategie 50” invests in a widely diversified portfolio of bonds and up to 50% equities, taking sustainability criteria into account. Firstly, all companies involved in controversial business activities and practices are excluded. The remaining companies are then evaluated in terms of their contribution to the attainment of the UN Sustainable Development Goals (Agenda 2030). All 17 of the SDGs are weighted equally. The innovative sustainability approach was developed in cooperation with data analysts from ESG Screen 17 GmbH. 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. There is no minimum investment requirement.

## Awards

- The FNG transparency logo is a renowned quality seal awarded by "Forum Nachhaltige Geldanlagen" (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 sustainable mutual funds, which is awarded by the FNG, recognizes funds that disclose their investment criteria and research processes as well as their investment policies.
- The Austrian Ecolabel is an independent environmental and quality label. Funds bearing the Austrian Ecolabel may not 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.
- Socially responsible investment (SRI): Having previously added the "LBBW Global Warming" fund, the sustainable investing committee of Swiss Care Group AG already added the "LBBW Nachhaltigkeit Aktien" and "LBBW Nachhaltigkeit Renten" funds to the SRI universe in 2012, meaning it recommends these funds as sustainable investments. The Swiss company analyzes and evaluates sustainable funds worldwide.

## BW ZukunftsSparbrief



Retail customers can help finance community and environmental projects with the BW ZukunftsSparbrief 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 BW ZukunftsSparbrief gives customers a secure annual return over a term of three and three-quarter years. In 2019, our customers invested new funds totaling EUR 0.3 million in the BW ZukunftsSparbrief, meaning that the total volume was EUR 23.5 million as of 31 December 2019. The funds were primarily used to grant loans for energy-efficient construction and renovation.

## Sustainable investment certificate

The LBBW open-end index certificate allows our customers to participate in the performance of sustainable equities. The certificate tracks the performance of the LBBW Research Sustainability Favorites Stock Index. Our analysts typically select ten equities for this index from the ISS ESG investment universe that the independent sustainability rating agency has classified as "Prime" according to environmental, social, and ethical criteria. We review the composition of the LBBW index weekly. Our investments focus on sustainable companies with large market capitalization and high stock market turnover. The LBBW open-end index certificate tracking the LBBW Research Sustainability Favorites Stock Index was issued on 27 December 2017. It has no fixed term and can be sold or transferred to LBBW each trading day.

## Stepped coupon sustainability bond



Since October 2019, the "LBBW Stufenzins-Anleihe Nachhaltigkeit" stepped coupon sustainability bond has given investors access to "green" forms of investment starting from an investment amount of EUR 1,000. It is the first structured bond on the German market to make the sustainable use of funds available for smaller private investment volumes. The proceeds are invested in sustainable projects such as energy-efficient buildings and renewable energies in accordance with LBBW's green bond framework. This provides customers with regular interest income that increases over time while allowing them to support environmental goals. Our "LBBW Stufenzins-Anleihe Nachhaltigkeit" bond contributes indirectly to the achievement of the United Nations' Sustainable Development Goals, particularly Goal 7 "Affordable and Clean Energy" and Goal 13 "Climate Action".

On 28 November 2019, the rating agency Scope Analysis GmbH presented LBBW with the "Special Award" for the issue of the first stepped coupon sustainability bond. This award recognizes accomplishments on behalf of the certificate market, especially the setting of new standards for transparency, quality, or service, as well as sustainability-relevant innovations for the market.

## ESG bonds (ESG = environment, social, governance)

In the financial institution market segment, LBBW is the second-largest issuer of ESG bonds ("sustainability bonds") outside China (as of 2019). The outstanding transaction volume of LBBW's green and social bond programs is EUR 3.7 billion (as of 31 December 2019).

We aim to continuously expand the financing capacity for the United Nations development goals and to support climate policy objectives.

## Green bonds



Green bonds are used to finance specific projects in the area of environmental and climate protection.

In line with our desire to actively drive ahead the development of the green bond market, we launched the "LBBW green bond program" in 2017. LBBW was the first commercial bank in Europe to introduce the portfolio approach which finances green assets in accordance with the criteria of the Climate Bonds Standard and reflects green business goals. This forms the basis for integrating ESG bonds into the market and broadening their implementation.

A cross-divisional "Green Bond Committee" ensures the transfer of expertise within the Bank.

The accompanying second-party opinion (SPO) independently verifying the ecological standing and the actual use of funds was prepared by the sustainability rating agency ISS ESG. Impact reporting and the enhancement of the data collection methods are performed by external consultants.

LBBW issued its first unsecured green bond with a volume of EUR 750 million in December 2017, thus expanding its investor base to include leading international ESG investors. This was the largest green bond issue to date by a European commercial bank. The proceeds were initially used to finance energy-efficient commercial properties. It was followed by further issues. Green bonds were also issued in Pfandbrief format and in US dollars.

As of 31 December 2019, we further increased the issue base of this program from EUR 5.9 billion to EUR 6.4 billion. Renewable energies have been included in the green bond portfolio since 2018. The share attributable to renewable energies increased by EUR 700 million to EUR 2 billion in 2019. The utilization rate of the program is 49.7% with EUR 3.2 billion in outstanding green bonds.

In continuously expanding our green bond activities, we are making an active contribution to the market development and broad implementation of sustainable finance solutions. In this way, LBBW is supporting the political developments with regard to the integration of sustainability in the financial sector as announced in the EU action plan in March 2018 and carried out with the EU taxonomy. The EU taxonomy is intended to define green or ecologically sustainable activities and investments that satisfy at least one of the six environmental objectives: climate protection, climate change adaptation, sustainable use and protection of water and marine resources, circular economy, pollution prevention and control, and healthy ecosystems.

Our green bonds are therefore contributing to the achievement of the United Nations' Sustainable Development Goals (particularly Goal 7 "Affordable and Clean Energy" and Goal 13 "Climate Action").

The impact of our green bonds is published annually in an impact report prepared in accordance with the ICMA Green Bond Principles (ICMA = International Capital Market Association), which are also incorporated into the EU Green Bond Standard. All in all, the annual CO<sub>2</sub> reduction due to the financing of sustainable commercial properties and renewable energies amounts to 1,323,655 tons (as of 2019). The volume of carbon dioxide is reported in accordance with the recognized principles of the ICMA Harmonised Framework for Impact Reporting, 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.

In 2018, LBBW became the first European commercial bank to obtain certification from the Climate Bonds Initiative (CBI) for a green bond transaction for the development of a method of recording and qualifying commercial properties in Germany. This certification enjoys special recognition among sustainably oriented investors. Among other things, it signifies that a green bond conforms to the goals of the Paris Agreement. Future issues will also comply with this standard, as certification signifies the conformity of an investment with the goals of the Paris Agreement.

### Social bonds



As a public-sector bank ("Landesbank") and a public-law institution, we also want to give investors the opportunity to invest in social projects. In 2018, we therefore developed the LBBW social bond program, which finances a wide range of social and community projects in areas such as education, health, drinking water supply, public infrastructure, and transportation. The eligible assets in the portfolio have a volume of EUR 2.7 billion (as of 31 December 2019). In September 2019, we issued our first social bond with a volume of EUR 500 million and a term of eight years. The LBBW social bond program builds on our successful green bond program. The independent rating agency ISS ESG is also responsible for the second-party opinion verifying factors such as the social benefit of the bonds. For the first time, this also involves a sustainability analysis integrating the United Nations' Sustainable Development Goals. Impact reporting is performed by the external service provider Prognos AG.

The social bond program expands our financing spectrum for the achievement of the United Nations' Sustainable Development Goals, particularly Goal 3 "Good Health and Well-being", Goal 4 "Quality Education", Goal 6 "Clean Water and Sanitation", and Goal 11 "Sustainable Cities and Communities".

### Alternative asset investments by BW Equity with a sustainability focus



There is growing demand for sustainable options in the area of asset investments. In 2019, for example, a fund serving foundation purposes with an environmentally certified property was successfully concluded with invested equity amounting to EUR 30 million.

Following an intensive review and placement approval, we offer alternative asset investments through BW-Bank and the savings banks as investment opportunities for high net-worth private investors, corporate customers, and institutional clients.

Asset investments include the following assets:

- Power plants and the infrastructure used by the aforementioned assets (e.g. photovoltaic systems, wind farms, or hydroelectric plants)
- Real estate in Germany and abroad (e.g. office buildings, shopping centers, or apartment buildings)
- Means of transportation (e.g. airplanes, aircraft components or spare parts, trains)
- Private equity (off-market equity investments in companies)

We select the investments according to a certified review process that, in addition to business aspects, explicitly also takes into account environmental, social, civic, and ethical/moral principles. For example, the following dimensions are closely examined for commercial properties: Property-related criteria (e.g. green building), management (e.g. assessment of the tenant using social/ethical and environmental criteria), and the sustainability approach of the manager/advisor (e.g. signature of the United Nations' Principles for Responsible Investment (UN PRI)).

BWEquity itself is a signatory of the UN PRI and, as a subsidiary of LBBW, is required to observe the Group's sustainability principles and guidelines. These internal obligations are supplemented by additional sustainability criteria and exclusions. It does not invest in:

- projects that clearly lead to large-scale destruction of the environment and nature without adding ecological value;
- ethically and morally dubious projects (e.g. investments in tobacco, alcohol, nuclear energy, arms, green genetic engineering, etc.);
- projects with ethically controversial business practices (e.g. violations of human rights or workers' rights).

Product partners of BWEquity are required to develop their own sustainability principles or apply existing guidelines. For example, the partner asset management company derigo GmbH & Co. KG signed the UN PRI in 2019. Derigo performs portfolio management for Concentio, a series of umbrella funds that consolidate multiple asset investments across various asset classes.

For example, "BVT Concentio Energie & Infrastruktur" has allowed our investors to invest in a portfolio of energy and infrastructure assets since the start of 2020. This fully regulated alternative investment fund supports 10 of the 17 United Nations Sustainable Development Goals.

## 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 SA and marketed by the German precious metal trader ESG GmbH & Co. KG. 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 Ltd.

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

### SUSTAINABLE DEVELOPMENT GOALS

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We offer our customers asset management solutions taking into account ethical, social, and environmental criteria. To this end, BW-Bank works with providers and asset management companies that assess and classify financial instruments and/or issuers according to transparent sustainability criteria.

We also offer two sustainable strategy funds. Both of these actively managed funds invest in equities and fixed-income securities (Pfandbriefs, corporate and government bonds) from issuers that contribute to the attainment of the United Nations' Sustainable Development Goals. Firstly, all companies involved in controversial business activities – such as tobacco products, gambling or arms – are excluded. The remaining companies are then sorted on the basis of their contribution to the 17 United Nations Sustainable Development Goals. All of the 17 SDGs are weighted equally. This ensures that, in addition to ecological aspects, social and economic considerations are taken into account in the selection process. The risk of loss is limited.

- The “VV-Strategie Stiftungen Wertstrategie 30 ESG” strategy fund was launched at the start of 2018 specifically for tax-exempt investors, i.e. particularly foundations and non-profit organizations. Equities are limited to a maximum of 30%.
- We fully converted the “VV-Strategie Wertstrategie 50” strategy fund to sustainability at the start of 2018. Equities are limited to a maximum of 50%. Since October 2019, retail customers have also been able to invest in this fund (see page 80).

We are also seeing a general upturn in demand for sustainable investments: Around 20% of all new BW Premium mandates for individual securities management have been concluded as sustainability mandates. As of 31 December 2019, we managed assets of around EUR 1.15 billion based on sustainability criteria. Independent tests have repeatedly found our asset management activities to be exemplary. For example, the business magazine Focus Money rated us as “excellent” (test in issue 48/2019).

## **Sustainability research for savings banks and BW-Bank customers**

LBBW is the first German public-sector bank (“Landesbank”) to offer savings banks and BW-Bank customers a broad range of sustainability research as an aid for making investment decisions in cooperation with the rating agency ISS ESG (formerly ISS oekom). Some 350 issuers of equities and bonds are evaluated not only on the basis of criteria including returns, risk, and liquidity, but also in terms of their social, ecological, and ethical performance.

In addition to a conventional financial analysis, this partnership provides the financial advisory teams at the savings banks and BW-Bank with an extensively researched sustainability analysis. Interested customers receive information about the strengths and weaknesses of companies, violations of exclusion criteria (such as human rights violations), as well as key sustainability issues in the industry and average ratings. The assessment of the social and environmental performance of companies as part of the ISS ESG Corporate Rating process is based on more than 100 specially selected, industry-specific criteria.

## Sustainable investment products at a glance

EUR million	2019	2018
<b>LBBW Asset Management Investmentgesellschaft mbH (LBBW AM)</b>		
Funds		
"LBBW Nachhaltigkeit Aktien"	128.3	109.3
"LBBW Nachhaltigkeit Renten"	34.0	37.5
"LBBW Global Warming"	133.3	54.2
"LBBW Multi Global Plus Nachhaltigkeit"	18.2	-
"LBBW Multi Asset Defensiv Nachhaltigkeit"	17.9	-
SPKED Invest <sup>1</sup>	43.7	-
LBBW AM: "Spezialfonds Nachhaltigkeit"	4,834.2	3,847.2
Sustainable direct investment mandates	16,474.2	15,807.2
<b>Total</b>	<b>21,683.7 <sup>3</sup></b>	<b>19,855.4 <sup>4</sup></b>
"FOS Rendite und Nachhaltigkeit" <sup>2</sup>	47.5	36.5
<b>LBBW Certificates</b>		
LBBW open-end index certificate tracking the LBBW Research Sustainability Favorites Stock Index	2.3	2.8
LBBW stepped coupon sustainability bonds	0.2	-
<b>BWEquity GmbH</b>		
Alternative asset investments in renewable energy funds (including forest funds)		
Capital placed	99.3 <sup>5</sup>	112 <sup>6</sup>
Borrowed capital (assumed initial leverage of approx. 70 %)	231.8 <sup>5</sup>	261.4 <sup>6</sup>
<b>Total investment</b>	<b>331.1 <sup>5</sup></b>	<b>373.4 <sup>6</sup></b>
<b>Asset Management</b>		
Total assets managed under sustainability-oriented criteria according to ISS-ESG (formerly ISS oekom)	1,154.6 <sup>7</sup>	913.8 <sup>8</sup>
"VV-Strategie-Stiftungen Wertstrategie 30 ESG"	41.8	32.7
"VV-Strategie Wertstrategie 50"	182.4	116.5
<b>"BW ZukunftsSparbrief"</b>		
Total funds invested	23.5	23.2

1 SPKED = Sparkasse Erding-Dorfen: exclusively launched for this cooperation partner; a balanced mixed fund managed in line with sustainable aspects.

2 FOS Rendite und Nachhaltigkeit (Deutsche Oppenheim Family Office strategy fund); a defensive mixed fund managed by DWS.

3 Corresponds to approximately 27.3% of the total assets under management (AuM) of LBBW AM as of 31 December 2019.

4 Corresponds to approximately 27.7% of the total AuM of LBBW AM as of 31 December 2018.

5 Period from 2001 to 31 December 2019.

6 Period from 2001 to 31 December 2018.

7 Corresponds to approximately 14.3% of the total AuM of Asset Management as of 31 December 2019.

8 Corresponds to approximately 12.7% of the total AuM of Asset Management as of 31 December 2018.

Demand for sustainable investments has grown significantly in recent years. In addition to major institutional investors, an increasing number of retail customers are becoming interested in sustainable ways of investing their money. We still see enormous potential in the field of sustainable investments and therefore intend to market sustainable products in additional asset classes.

As of 31 December 2019, LBBW Asset Management Investmentgesellschaft mbH (LBBW AM) managed six sustainable mutual funds, several sustainable special investment funds and direct investment mandates in accordance with sustainable criteria with a total volume of EUR 21.68 billion. This corresponds to approximately 27.3% of LBBW AM's total assets under management. The volume of sustainably managed assets in Asset Management amounted to EUR 1.15 billion. This corresponds to approximately 14.3% of the total invested capital in Asset Management.

By way of comparison, the proportion of sustainable investments (investment funds and mandates) in the German market as a whole has increased significantly in recent years and now amounts to 4.5%. (Source: FNG Market Report 2019, as of 31 December 2018).

In the case of real estate funds, for example, certified energy-efficient and sustainable buildings are becoming established as the standard. We offer our retail customers two funds – "WestInvest InterSelect" and "Deka-ImmobilienGlobal" – with portfolios comprising more than 70% certified properties.

Sustainability criteria are also playing an increasingly important role in the assessment of the economic viability of investment projects in many other asset classes. As well as this, we take account of sustainability criteria in our conventional investment products and are attempting to incorporate more and more ESG (environment, social, governance) aspects into our product selection and structuring processes.

In addition, we organize events on sustainability issues and participate in trade shows on the subject to encourage an increasing number of investors to try sustainable products.

In recent years, we have named at least one advisor in every front office unit of BW-Bank as a multiplier for sustainable investments and provided the requisite further education and training. This "Nachhaltigkeit in der Beratung" (Sustainability in Advisory Activities) seminar is integrated into our annual training program. In 2019, this practice-oriented basic seminar on sustainable investment was expanded to include the latest content and sustainability topics and the training concept for the sustainability multipliers was revised.

## Foundation management

When citizens 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. We currently advise around 850 foundations with total assets of approximately EUR 5.0 billion.

In 2019, 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 Prüfinstanz and published in the "Fuchs Report". The jury acknowledged BW-Bank's "strong performance at a fair price", singling out its wide range of services and well-considered investment proposals for particular praise. Thanks to its top position in the annual ranking, BW-Bank also defended its first place in the "all-time list".

Deutscher Stiftungstag 2019, Europe's largest foundation conference, was held in Mannheim under the motto "Unsere Demokratie" (Our Democracy). Meteorologist Insa Thiele-Eich, who is training to become the first female German astronaut to fly to the International Space Station, captivated the audience with her keynote speech on the social relevance of her mission. Costing around EUR 50 million, the project is financed by the "Erste deutsche Astronautin" (First Female German Astronaut) foundation, which aims to get women and girls interested in the STEM subjects (science, technology, engineering, and mathematics) and promote young talents. The founder of the foundation, Claudia Kessler, who has worked in the aerospace industry for more than 30 years and is a campaigner for gender equality, is supported by BW-Bank's foundation management team.

Our publication, which is called "Stiftungsmanagement - Impulse für Stiftungen" (Foundation Management - Inspiration for Foundations), has been published for 17 years now, providing donors and those who wish to become donors with new ideas and projects. It provides targeted support for the actions of numerous foundation executives when it comes to navigating substantial societal challenges and the ever-changing nature of foundation law. It also serves as a valuable source of information on foundation and tax law-related issues and tips for investing foundation assets sustainably and effectively according to ESG criteria (ESG = environment, social, governance).

Our foundation portal (<https://stiftungen.bw-bank.de>) offers foundations a platform for publicizing their work. Almost 400 foundations are currently taking advantage of this opportunity to boost their sustainable fundraising.

# Financing

Our economy is going through a period of upheaval. The transition to renewable energies, digitalization, and globalization are just some of the challenges right now. A change in thinking is required. We 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. It is a key aspect of our sustainability strategy.

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. We support international trade activities by structuring tailored export finance solutions.

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.

## **Increasing regulatory requirements**

The action plan for sustainable finance published by the European Commission in 2018 aims to reorient capital flows towards sustainable investment and integrate sustainability into risk management to a greater extent. Banks are playing a key role in implementing the action plan.

LBBW supports the objective of a fair, environmentally-friendly economy. As such, we are increasingly expanding our range of financing products with sustainable added value and, since 2019, have linked some instruments with incentives to do business sustainably. We have established standardized KPIs to document our sustainability performance in our financing business (see page 106 et seq.).

## **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 financing, 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 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 OECD Guidelines for Multinational Enterprises (OECD = Organisation for Economic Co-operation and Development) 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 the countries of Western and Central Europe and North America, where particularly strict statutory environmental and social standards apply. In non-OECD countries, we provide project finance only with export credit insurance (e.g. from Euler Hermes) that includes an extensive review of environmental standards. Under German law, the approving authority must take the following aspects into account for investments that are subject to 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
- Impact on historically, architecturally, or archaeologically important sites and structures and on cultural landscapes

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. a contractual obligation to dismantle equipment.

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:

#### **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 sustainability team. 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). 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. 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 approving sustainability aspects, the sustainability team refers to databases from renowned sustainability agencies such as "imug | rating" and "ISS ESG", as well as the ESG due diligence information service "RepRisk".

#### **Traffic light review**

In early 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, 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](http://www.protectedplanet.net)) to examine whether the respective project is located in a specially protected area (e.g. UNESCO 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 I a, I b or II protected areas). If one of these protected areas is involved, the sustainability team must be consulted. Since its introduction in April 2019, the traffic light review has been performed for more than 650 corporate customers. In the previous year, a total of 146 companies were reviewed during the pilot phase from September to December 2018.

## 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 endeavor not to work with any company or institution known to disregard basic human rights. This applies to all types of business, transactions, projects, products, operating decisions, strategies, and plans of the LBBW Group. Human rights are an integral part of our values and 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 (see page 95 et seq.).

If companies in which we invest or which we finance 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 make a significant contribution to the implementation of the following Sustainable Development Goals:



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 considers trading in the endangered plant and animal species included on the CITES lists to be critical.

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.

## 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 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 healthcare, political participation, and self-administration. In this respect, LBBW places particular emphasis on the need for the companies it finances or invests in to refrain from establishing or supporting settlements in occupied areas in accordance with international humanitarian law.

## Industry-specific guidelines

### Industry-country risks relating to wood/paper, mining, crude oil/natural gas, and bioenergy

In order to identify, analyze, and assess possible sustainability risks in international financing arrangements, loan applications in industries considered particularly relevant in this regard (wood/paper, mining, crude oil/natural gas, and bioenergy) in certain at-risk countries for these industries are subject to a sustainability review.

Financing projects involving companies outside Germany in an industry-country combination that is considered critical and operating in raw materials extraction, import/export, or primary processing are subject to a careful process to weigh the risks. 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.

The aforementioned industries are reviewed regarding the following issues in particular:

Wood/paper	Mining	Crude oil/natural gas	Bioenergy
<ul style="list-style-type: none"> <li>Illegal logging/deforestation of virgin forests</li> <li>Activities in protected areas<sup>1</sup></li> <li>Endangerment of biodiversity<sup>2</sup></li> <li>Waste management</li> <li>Rehabilitation/recultivation</li> <li>Human rights</li> <li>Existing land use rights</li> <li>Environmentally friendly production processes (e.g. soil conservation, erosion protection)</li> <li>Fair working conditions (ILO core labor standards)</li> </ul>	<ul style="list-style-type: none"> <li>Accident prevention</li> <li>Land consumption (in surface mining)</li> <li>Waste management</li> <li>Decommissioning of production facilities</li> <li>In Canada: extraction of tar sands in the province of Alberta (surface mining)</li> <li>Activities in protected areas<sup>1</sup></li> <li>Mountaintop removal<sup>3</sup></li> <li>Human rights</li> <li>Existing land use rights</li> <li>Fair working conditions (ILO core labor standards)</li> <li>Compliance with ICMM<sup>4</sup> principles</li> </ul>	<ul style="list-style-type: none"> <li>Accident prevention</li> <li>Waste management</li> <li>Decommissioning of production facilities</li> <li>In Canada: extraction of tar sands in the province of Alberta (surface mining)</li> <li>Activities in protected areas<sup>1</sup></li> <li>Human rights</li> <li>Existing land use rights</li> <li>Fair working conditions (ILO core labor standards)</li> </ul>	<ul style="list-style-type: none"> <li>Changes in land use of virgin forests or wetlands, either directly or indirectly (e.g. through the displacement of food production)</li> <li>Activities in protected areas<sup>1</sup></li> <li>Endangerment of biodiversity<sup>2</sup></li> <li>Handling of chemicals</li> <li>Use of genetically modified plants</li> <li>Waste management</li> <li>Human rights</li> <li>Existing land use rights</li> <li>Fair working conditions (ILO core labor standards)</li> </ul>

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

2 E.g. endangered flora and fauna in accordance with the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

3 Coal mining method using explosives to remove mountaintops.

4 International Council on Mining & Metals.

## Coal mining and coal-fired power plants



The immense 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 CO<sub>2</sub> emissions that contribute to global warming. Accordingly, specific guidelines are in place for the financing of coal mining and coal-fired power plants:

LBBW does not finance any projects that are identifiable to us in Germany or abroad by

- utilities 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.
- mining companies in connection with
  - the construction of new or expansion of existing 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>5</sup>.

5 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 surface 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.

Export financing for goods and services to coal mines or coal-fired power plants outside Germany is only possible if

- ECA cover (export insurance from a governmental export credit agency, e.g. Euler Hermes) is provided by an OECD<sup>1</sup> member state or
- certain thresholds with regard to the total investment amount or nominal volume are not exceeded.

Otherwise, financing is only possible if

- the environmental or social conditions of coal mines are demonstrably improved through technical modernization or coal mines are dismantled, or
- the effectiveness/fuel efficiency of coal-fired power plants is increased substantially, or emissions are reduced or coal-fired power plants are dismantled.

Export financing involving particularly destructive mining methods, such as mountaintop removal, is prohibited to the extent that this is identifiable to us.

As part of our general corporate financing, we support energy suppliers with the aim of promoting the transition to renewable energies. We are aware that electricity generated from coal will remain a bridging technology for a certain time in order to maintain the security of supply. We do not provide general corporate financing to companies that clearly perform mountaintop removal activities directly.

## 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.

<sup>1</sup> OECD = Organisation for Economic Co-operation and Development

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

### Mining

The aforementioned rules on critical industry-country combinations apply to the mining industry as a whole.

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.

### 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).

<sup>1</sup> Mountaintop removal mining (MTR) describes a special form of mining in which the mountaintop is removed to provide access to the hard coal seams below. This is cheaper than surface 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.

<sup>2</sup> OECD = Organisation for Economic Co-operation and Development

## Crude oil/natural gas



LBBW does not engage in project finance in connection with the extraction and production of 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 (Arctic drilling), the extraction of oil and tar sands, oil drilling in the Amazon rainforest, or fracking (crude oil/natural gas drilling operations under high pressure, e.g. to extract shale gas). The extraction of tar sands in the province of Alberta (Canada) is also defined as a critical industry-country combination when it comes to foreign companies' financing projects (see table on page 96).

## Arms

- LBBW does not enter into any business relationships with companies involved in the production of cluster munitions and/or anti-personnel mines, which are prohibited by international conventions. We ensure this at the operational level with a company exclusion list that applies throughout the entire Group (= LBBW (Bank) and all subsidiaries majority owned by LBBW) and is also integrated into the automated embargo monitoring system of the Bank. The exclusion list is updated regularly on the basis of ISS ESG's controversial weapons research. Among other things, this screening includes the development, maintenance, production, storage, testing, and transportation of controversial weapon systems.
- LBBW does not finance the export of weapons of war (according to the supplement to the German Weapons of War Control Act (KrWaffKontrG), e.g. warships, tanks, bombs), even if the German Federal Office for Economic Affairs and Export Control (BAFA) has approved their export.
- There are strict standards and limits for the export of other arms (not falling under the KrWaffKontrG according to BAFA export lists, e.g. guns, ammunition). Financing and security for exports of such goods to military facilities outside Germany is possible only in the case of EU or NATO member states.
- Nuclear, biological, and chemical weapons, also known as weapons of mass destruction (WMDs), are banned internationally because they pose a significant threat to the civilian population and the environment. We do not enter into any transactions relating to the production of these weapon systems with companies that we can identify as being involved in the production of WMDs, key components (e.g. plutonium, highly enriched uranium, mustard gas) or enrichment facilities. This means:
  - General corporate financing is not provided to companies generating more than 5 % of their revenue from WMDs.
  - No financing is provided for specific projects connected with the production of WMDs, key components, or enrichment facilities.
  - No financing or security is provided for exports of WMDs (see exclusion of weapons exports).

### Pornography

LBBW does not provide financing in connection with the production and sale of pornographic products, the operation of brothels, the provision of sex tourism and pornographic telephone hotlines, etc.

### Gambling

LBBW does not provide financing for controversial forms of gambling.

### Training and communication

All the sustainability principles and review processes for financing are set out in the Bank's mandatory lending rules. These are available to all financial advisors and back office experts on the LBBW intranet. Information on changes is also provided on the intranet and in newsletters.

In 2019, around 175 corporate customer advisors and managers from the Corporate Customers segment completed webinar-based training on the new traffic light review (see page 93) in our lending business. The monthly market call also focused on sustainable finance, with the latest market and product developments being presented to 120 employees and managers from the Corporate Customers segment in the form of a live webinar.

The “Green Finance” sales campaign was launched in late 2019 with the aim of intensifying the topic of sustainable finance through various communicative measures throughout 2020, accompanied by extensive information material on the intranet. It kicked off with a live webinar on green and sustainable forms of finance with the participation of more than 220 employees, mostly corporate customer advisors.

Between November 2018 and January 2019, a total of 120 customer advisors and risk managers from the Real Estate business area in Stuttgart, Karlsruhe, Mannheim and Mainz were trained on green bond-eligible property financing. During 2019, this was expanded to include customer advisors at the branches outside Germany. The training concept was developed with the support of Drees & Sommer, a consulting firm specializing in the construction and real estate sector.

### Sustainable financing products



We use innovative financing instruments to encourage companies to do business more sustainably. To this end, we have offered special loans (“positive incentive loans” or “sustainability-linked loans”) since 2019 and green Schuldscheins since 2017, the conditions of which are linked to the respective company's sustainable business performance. In this way, we are delivering additional impetus for the development of the sustainable finance market and the targeted implementation of the EU action plan for sustainable finance. We also support retail customers in realizing sustainable projects with products such as the “Stuttgart climate loan”.

Our sustainable financing products contribute to the following UN Sustainable Development Goals in particular: Goal 7: "Affordable and Clean Energy", Goal 8: "Decent Work and Economic Growth", Goal 9: "Industry, Innovation and Infrastructure", Goal 11: "Sustainable Cities and Communities", Goal 12: "Responsible Consumption and Production", and Goal 13: "Climate Action".

### **Financing the energy transition**

The transition to renewable energies is a key lever as we move toward a sustainable future. We have been financing renewable energy projects such as wind turbines and photovoltaic systems for a number of years. Whereas it was mainly the large energy suppliers that invested in renewable energies at first, we are now seeing more and more municipal companies, production facilities and private households switching to sustainable generation technologies. 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.

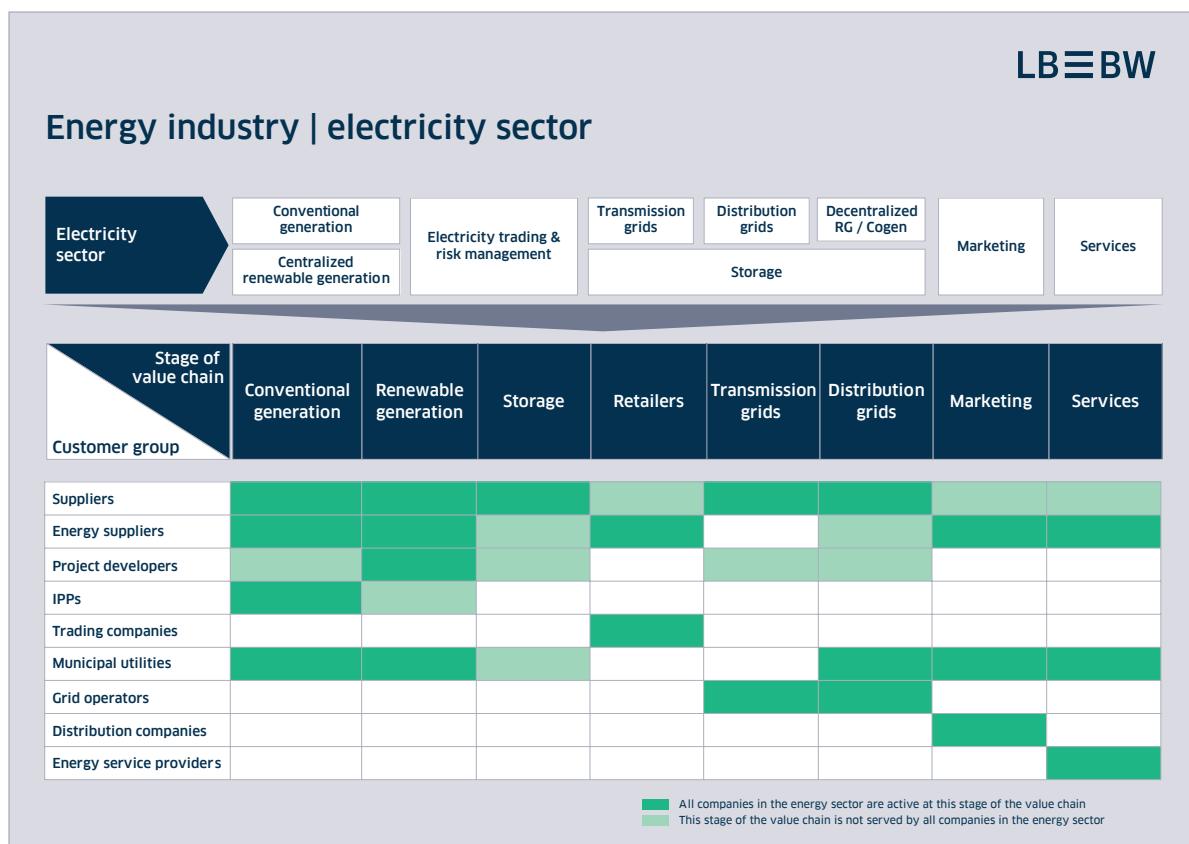
Headed by a sector specialist for energy, utilities, and waste disposal, we have consolidated our expertise on the latest challenges in the transformation process in the energy industry on a Bank-wide basis in order to ensure close integration between sales, risk management, research, and product developers. We ensure that our team is updated on energy-related topics through internal industry workshops and webinars and work together to design new financing solutions.

We refer our corporate customers to energy efficiency service providers on request. In this regard, we work with external partners to calculate the savings potential and determine the available funding options.

We regularly participate in public events with a view to actively driving the transition to renewable energies. In 2019, we were represented at numerous panel discussions, conferences and forums as well as organizing our own events in order to initiate constructive discussions and get effective financing solutions off the ground. Particular highlights in 2019 included:

- Future dialog: Organized by LBBW, the future dialog entitled "Klimawandel und die deutsche Energiewende" (Climate Change and the Transition to Renewable Energies in Germany) on 17 May 2019 discussed the societal challenges involved in the energy transition and highlighted future-oriented solutions with a particular view to the State of Baden-Württemberg.
- Talk im Turm: "Changes in the Energy Industry - The Challenges of the Energy Transition" was the topic of the top-class discussion panel "Talk im Turm" held at LBBW's offices in Leipzig on 1 October 2019. Following a keynote presentation, experts from politics, business, research and society discussed the opportunities and risks of structural change.

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. The diagram below illustrates the large number of players currently active at the various stages of the value chain in the electricity market:



IPP = Independent power producers, i.e. operators of power plants and other power generation facilities without their own power grid  
 Decentralized RG = Decentralized renewable generation  
 Cogen = Cogeneration

## Corporate Customers

### Sustainability Advisory

In order to provide customers with even more targeted advice in the future, the expertise on sustainable financing solutions was consolidated in the “Sustainability Advisory” specialist unit, which was established on 1 March 2020. The unit combines sustainability with LBBW's financing products. This allows us to provide our corporate customers with our expertise in transactions involving sustainable financing instruments, an area in which LBBW already played a leading role in 2019, and work together to create additional sustainable financing solutions.

### Positive incentive loans

Sustainable business activity should be rewarded. This is the principle behind LBBW's loans with a sustainability component, known as “positive incentive loans” or “sustainability-linked loans”. They incentivize sustainable business as a means of bringing the market for sustainable finance to its next level of development. The conditions are linked either to the ratings issued by renowned sustainability rating agencies or to corresponding company-specific targets as part of the borrower's sustainability strategy. The better the performance, the more favorable the financing conditions.

We granted the first positive incentive loans in 2019. In late January, LBBW agreed a bilateral credit facility with the technology group Voith that contains a cash tranche and a surety tranche. The amount of the commission for the surety (guarantee/surety) depends on the sustainability rating issued by the agency ISS ESG (formerly ISS oekom).

In April, Stadtwerke München was granted a credit facility for EUR 500 million whose interest conditions are linked to CO<sub>2</sub> savings: If production of green electricity reaches the defined targets, Stadtwerke München pays a lower interest rate. LBBW is one of four lending banks. By 2025, Stadtwerke München intends to generate enough green electricity from its own plants to supply the whole of Munich. The utility company also intends to make its coverage of demand for district heating carbon-neutral by 2040.

#### **Sustainable/green Schuldscheins**

In addition to bilateral and syndicated loans, sustainable Schuldscheins can be linked to positive incentive mechanisms. The mechanical and plant engineering company Dürr AG is the world's first company to apply this principle to a Schuldschein. In June 2019, LBBW and ING arranged and marketed EUR 200 million in the form of sustainable tranches whose interest rate is tied to the company's sustainability rating. The rating issued by the EcoVadis agency takes account of ecological criteria like carbon dioxide emissions and water consumption, as well as aspects such as fair working conditions.

A Schuldschein plus registered bonds with a total volume of EUR 500 million for the Austrian company Lenzing AG, the leading producer of wood-based cellulose fibers, are also linked to sustainability performance. The annual rating is issued by the agency MSCI. If its rating improves, Lenzing intends to donate the amount of the interest saved as a result. The transaction was arranged in November 2019 by LBBW, BNP Paribas, and UniCredit.

LBBW has already accompanied numerous green Schuldscheins with proceeds to be used in sustainable projects, such as for the filter specialist Mann + Hummel GmbH & Co. KG and VW Immobilien GmbH. We achieved a notable landmark in 2019: LBBW led the largest transaction involving a green Schuldschein to date, encompassing a volume of EUR 1,000 million, for the financing of Dr. Ing. h.c. F. Porsche AG's investment in its all-electric sports car model "Taycan". Together with ING, LBBW also accompanied another green Schuldschein transaction for Volkswagen Immobilien GmbH to finance green buildings and clean transportation.

#### **Sustainable project finance**

We have been financing national and international projects for a number of years, mainly in the area of renewable energies but increasingly also in the field of sustainable infrastructure solutions. In 2019, for example, we financed the construction and operation of Wisokolamson Energy, an 18 MW wind energy project in the Canadian province of New Brunswick. The project was developed by Woodstock First Nation, the descendants of the North American Maliseet people who traditionally lived along the Saint John River, and SWEB Development, a subsidiary of the Austrian public participation company WEB Windenergie, which has already realized several energy projects in Canada together with the local population.

## Retail customers

### Energy-efficient renovation of residential properties

We assist retail customers in the energy-efficient renovation and modernization of buildings and arrange the related energy advisory services in partnership with the German Energy Advisors' Network (DEN).

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 and without unnecessary bureaucracy. The "Stuttgart climate loan" is available for owner-occupied properties in the state capital (see below).

"BW Modernisierungsvorsorge" helps 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.

### Stuttgart climate loan

BW-Bank assists homeowners in Stuttgart who wish to bring their homes in line with the latest energy efficiency standards in order to reduce their CO<sub>2</sub> emissions. The "Stuttgart climate loan" supports measures such as wall and roof insulation, window replacement, more energy-efficient heating technologies, and solar power generation. The climate loan is based on an "Express" tariff home loan savings plan from LBS Südwest that is pre-financed in the amount of the respective contract. Our customers can also apply for a subsidy from the City of Stuttgart and obtain a professional evaluation from the Stuttgart Energy Advisory Center (EBZ).

### Sustainability for savings banks

Long-standing expertise and a strategic business focus on sustainability are opening up new forms of cooperation between LBBW and savings banks. LBBW actively supports the German Savings Banks Association (DSCV) and the regional savings banks associations as a member of their expert committees. At the associations' sustainability conferences, multipliers from the German Savings Banks Finance Group ("Sparkassen-Finanzgruppe") are familiarized with the topic by LBBW experts for sustainable products in the areas of asset management and lending. Workshops on sustainability ratings, sustainable retail products, sustainability in lending business, and sustainability reporting are arranged at the request of individual savings banks.

In this way, LBBW actively helps the member institutions of the Sparkassen-Finanzgruppe to control and strategically integrate sustainability topics into their business and operating processes. New topics, such as a "green cover pool" for the issue of green Pfandbriefs, are addressed in cooperation with savings banks associations. LBBW therefore focuses on savings banks with its sustainability-related products and services. In terms of their own investments, this includes the social bonds, green bonds, and sustainable mutual funds as well as special investment funds issued by LBBW.

LBBW supports savings banks with sustainable portfolio screening and provides customized structures that allow them to realize their own sustainability standards. For the other business areas of the savings banks, such as their retail customer business, LBBW offers the sustainable mutual fund as well as products such as certificates based on a sustainable index, stepped coupon sustainability bonds, and sustainable asset management. In addition to LBBW's financial analysis, savings banks can license a sustainability analysis via LBBW Research. In terms of their business with corporate customers, LBBW provides savings banks with its products and services - such as sustainable finance products - via its meta business after

conducting a sustainability consultation with the respective customer in conjunction with the savings bank. Many investments by savings bank customers are financed through development loans from institutions such as Kreditanstalt für Wiederaufbau (KfW).

## Development loans

Under certain conditions, sustainable private and corporate projects can obtain financing subsidies from government development loan programs, e.g. KfW. We help our customers to explore the available subsidies and apply for development loans. In 2019, the majority of new business was again generated with development loans in the area of energy efficiency.

### 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 2019, LBBW approved a new business volume of EUR 1,370 million comprising around 8,525 separate loan agreements for private energy efficiency measures via its own distribution channels as well as the savings banks, meaning it remains the clear 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 2019 with a new business volume of EUR 1,489 million and some 1,361 individual loan agreements. In LBBW's core markets, the savings banks organization received more than 50% of the total funding volume in 2019.

LBBW is the market leader in Baden-Württemberg when it comes to promoting innovation and digitalization through its own distribution channels and the savings banks, holding a market share of 58%. The newly launched programs for financing new and sustainable business models and digital and innovative investment projects were placed with investors quickly, successfully, and in a targeted manner. A new business volume of EUR 255 million was approved in 2019, comprising around 2,225 individual loan agreements.

<b>New business volume (EUR million)</b>		<b>30.12.2019</b>	<b>30.12.2018</b>	<b>30.12.2017</b>
<b>Arranged by LBBW directly and via savings banks</b>				
Development loans for private energy-efficiency measures		1,370	1,208	1,413
Commercial development loans		1,489	1,288	1,349
of which for promoting innovation and digitalization		255	955	634

## Commercial real estate business

There is a growing focus on the financing of sustainable projects, including in the commercial real estate business. Green bonds are seeing growing demand for funding purposes. LBBW has had its own green bond program for funding energy-efficient commercial real estate since 2017 (see page 83 et seq.).

We also specifically inform the owners of commercial properties about the availability of public-sector grants during consultations. One focal point is the grant programs offered by the German Reconstruction Loan Corporation (KfW), including the Energy-efficient Refurbishment, Energy-efficient Construction, and Solar Power Generation programs. In addition, we offer the corresponding development loan programs from Landeskreditbank Baden-Württemberg (L-Bank) such as the energy and resource efficiency programs for business and corporate customers.

When assessing real estate value, we take into account criteria in four categories (market, location, property, and cash flows) that also incorporate ESG (environment, social, governance) factors. This allows us to determine a sustainability ranking, ranging from "highly sustainable" to "not sustainable".

## Data on sustainable finance

In terms of net exposure by sector (see 2019 Annual Report, page 61 et seq.), LBBW has the highest levels of exposure in the automotive, retail, consumer goods, and industrial sectors. Net exposure provides information on the scope of financing and broadly quantifies the volume of remaining capital after collateral is deducted.

### Project finance

Every second project financed by LBBW is in the area of renewable energies. In 2019, the share attributable to these projects was 52.4%. Public-private partnerships account for more than a quarter of balance sheet assets. The third-largest sector was infrastructure and logistics projects. Around 80% of project finance in the energy sector was issued for renewable energies.

### Project finance by region and industry 2019

Project finance balance sheet assets in EUR (As of 31 Dec. 2019)	Renewable energies <sup>1</sup>	Conven- tional energies	Infra- structure, logistics, grids, and pipelines	Raw matrices industry	Public- private partnerships	Other	Total
Germany	914,637,196	229,245,371	276,349,892	46,765,591	839,821,516	24,431,305	2,331,250,870
Europe excl. Germany	1,444,939,458	1,924,250	63,171,354	0	462,608,066	0	1,972,643,128
USA/Canada	81,338,701	192,283,722	3,102,622	0	0	67,150,197	343,875,242
Other	17,241,616	23,202,272	0	0	0	3,762,506	44,206,394
Total	2,458,156,971	446,655,615	342,623,869	46,765,591	1,302,429,581	95,344,008	4,691,975,634

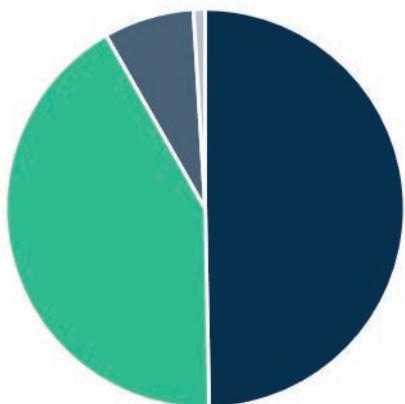
<sup>1</sup> Renewable energies: wind, solar/photovoltaic, biogas, geothermal

In 2019, more renewable energy projects in Europe excluding Germany were financed than in the previous year, whereas the proportion of renewables projects in Germany declined by around 9%. In Sweden, LBBW is involved in financing extremely large-scale wind farms. There are currently no suitable spaces for such major projects in Germany. LBBW is currently the market leader in the Netherlands when it comes to financing photovoltaic projects. In the area of conventional energies, additional gas projects were financed on a selective basis in the past year.

LBBW did not finance any projects in the area of hydroelectricity/dams in 2019.

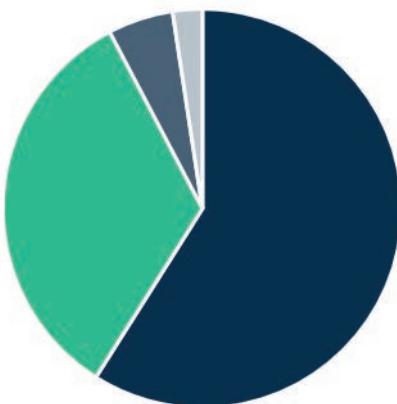
### Project finance balance sheet assets by region

As of 31 December 2019  
Total volume: EUR 4.69 billion



- Germany (50%)
- Europe excl. Germany (42%)
- USA/Canada (7%)
- Other (1%)

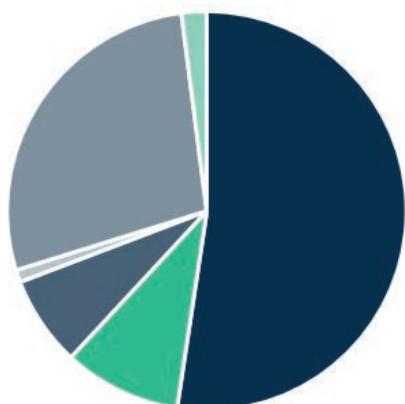
As of 31 December 2018  
Total volume: EUR 4.66 billion



- Germany (59%)
- Europe excl. Germany (33%)
- USA/Canada (5%)
- Other (2%)

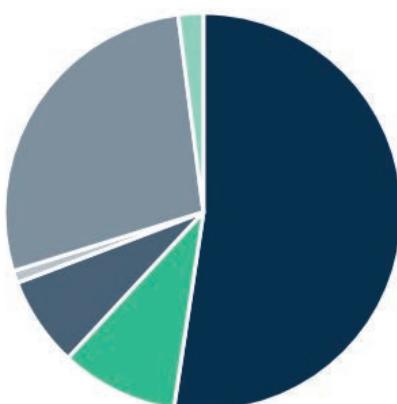
### Project finance balance sheet assets by sector

As of 31 December 2019  
Total volume: EUR 4.69 billion



- Renewable energies (wind, solar/photovoltaic, biogas, geothermal) (52%)
- Conventional energies (10%)
- Infrastructure, logistics, grids, and pipelines (7%)
- Commodities industry (1%)
- Public-private partnerships (28%)
- Other (2%)

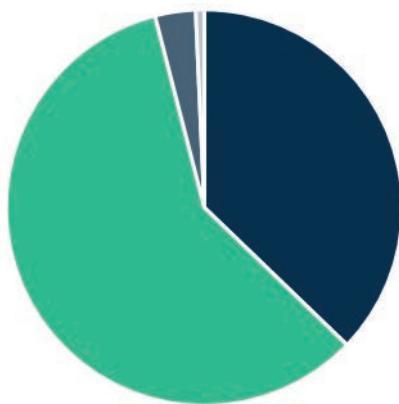
As of 31 December 2018  
Total volume: EUR 4.66 billion



- Renewable energies (wind, solar/photovoltaic, biogas, geothermal) (53%)
- Conventional energies (8%)
- Infrastructure, logistics, grids, and pipelines (8%)
- Commodities industry (1%)
- Public-private partnerships (26%)
- Other (5%)

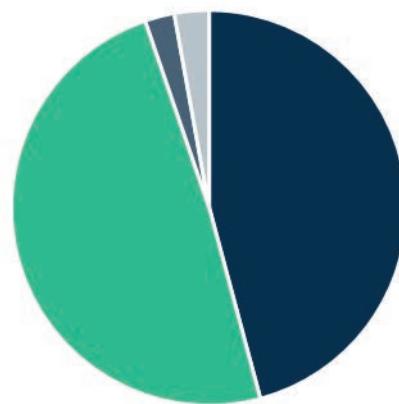
Project finance balance sheet assets  
Renewable energies by region

As of 31 December 2019  
Total volume: EUR 2.46 billion



- Germany (37%)
- Europe excl. Germany (59%)
- USA/Canada (3%)
- Other (1%)

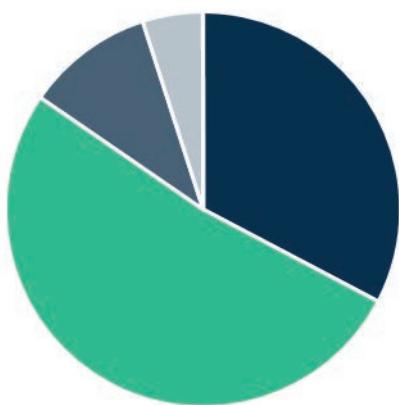
As of 31 December 2018  
Total volume: EUR 2.45 billion



- Germany (46%)
- Europe excl. Germany (49%)
- USA/Canada (2%)
- Other (3%)

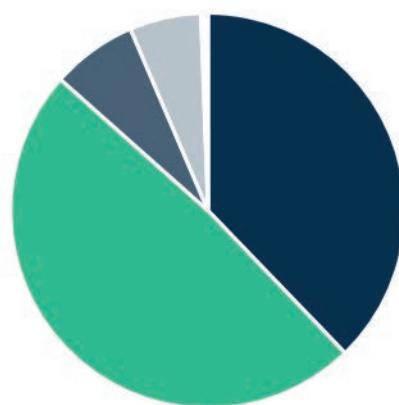
Project finance balance sheet assets  
Energy sector by energy type

As of 31 December 2019  
Total volume: EUR 2.90 billion



- Solar/photovoltaic (33%)
- Wind (52%)
- Gas (10%)
- Coal (5%)
- Biogas (0.01%)
- Waste (0%)
- Geothermal (0.02%)

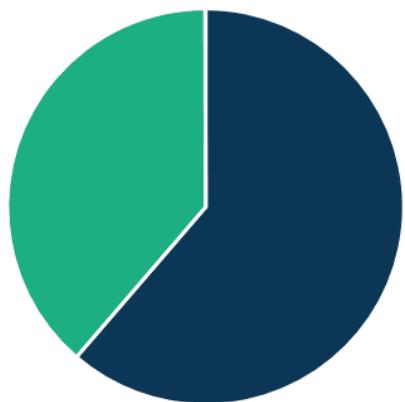
As of 31 December 2018  
Total volume: EUR 2.83 billion



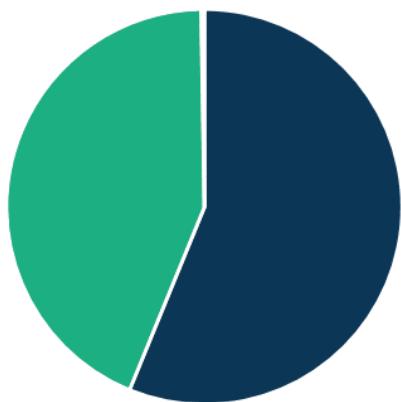
- Solar/photovoltaic (38%)
- Wind (49%)
- Gas incl. small proportion of oil (7%)
- Coal (6%)
- Biogas (0.2%)
- Waste (0.3%)
- Geothermal (0.03%)

Renewables project finance balance sheet assets  
by type of energy

As of 31 December 2019  
Total volume: EUR 2.46 billion



As of 31 December 2018  
Total volume: EUR 2.45 billion



## Financed emissions

In order to also allow us to determine and control the downstream climate-relevant impact of our banking activities in a transparent and comprehensive manner in the future, we are intensively addressing the issue of calculating the CO<sub>2</sub> emissions of the projects and investments we finance. However, we believe there are still a number of challenges to be overcome. For example, SMEs are often unable to quantify their CO<sub>2</sub> emissions, and the market has yet to adopt a uniform standard for collecting emission data at portfolio level. Furthermore, the controlling relevance of CO<sub>2</sub> figures remains unclear: Although they may be an indicator of a company's sustainability, this is not always the case, as past figures do not necessarily reflect the company's future sustainability focus. In our view, the financial industry is only just beginning to engage with such matters.

LBBW is actively addressing these questions. As a first step in this direction, it has accepted an offer from MACS Energy & Water GmbH, a consulting firm specializing in sustainability, to calculate the emissions of its financing exposure as part of a pilot project. The methodical basis applied by MACS is the "Greenhouse Gas Protocol" (GHG Protocol) coordinated by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The GHG Protocol assigns financed emissions to the downstream value chain (Scope 3), where they fall within Category 15, which includes investments by financial institutions. The Scope 3 emissions of the lender correspond to the Scope 1 and Scope 2 emissions directly attributed to the financed project or investment by the borrower. MACS based its approximation on LBBW's gross exposure, i.e., the total of all open receivables from and commitments to borrowers (incl. secured portions) for 2018 and 2019.

The assumptions made as part of the pilot study result in energy- and process-related CO<sub>2</sub> emissions for LBBW in the region of 20 million tons, with the largest share attributable to the energy sector. This figure does not represent the actual volume of CO<sub>2</sub> emissions financed by LBBW, but merely an initial preliminary estimate based on the methodology selected for the pilot study.

The pilot study identified a slight reduction between 2018 and 2019, probably as a result of a reduction in the average CO<sub>2</sub> emissions of many of the economic sectors in which LBBW invests. The annual reduction in emissions would need to be significantly higher in order to achieve the limit on global warming set out in the Paris Agreement.

In the future, we will engage with additional initiatives and methods for calculating Scope 3 emissions, actively contribute our expertise to the development of corresponding market standards, and promote more sustainable business activity through corresponding product developments.

## BW extend value-added checking account



For many years, BW-Bank's customers have benefited from BW extend, a value-added checking account offered at a reasonable monthly flat rate including a host of attractive benefits.

Among other things, BW extend account holders can use the Flinkster and ShareNow car-sharing systems, the "Call a Bike" bicycle rental system and the electric scooters from stella sharing at preferential conditions. Stadtwerke Stuttgart offers a discounted tariff for green electricity, natural gas, and biogas.

Additional information: [www.extendshop.de](http://www.extendshop.de).

## Complaint management

LBBW has long since had a well-established complaint management system with the aim of ensuring that customer complaints are dealt with appropriately and promptly. Complaints received are evaluated in order to resolve recurring errors or problems, thereby ensuring a high level of customer satisfaction and customer retention for the long term.

The auditor's report for the 2019 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.

Our complaint processes are organized as follows: All customers, employees and stakeholders can approach LBBW with complaints by telephone, by letter, using our 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.

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. 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.

To resolve disputes relating to contracts concluded online, consumers may also refer to an arbitration board via the online platform of the European Commission at [www.ec.europa.eu/odr](http://www.ec.europa.eu/odr).

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

## Customer satisfaction

Our retail customers are surveyed every year by an independent market research firm. In addition to overall satisfaction with BW-Bank, we survey satisfaction in the individual front office units.

### Continual commitment to quality

In addition to customer satisfaction surveys, BW-Bank 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. In order to maintain the high quality of advice that we provide, we invest continually in the professional expertise of our employees. The seven-month "Financial Consultant" course at the Frankfurt School of Finance & Management is mandatory for the approximately 250 asset managers at BW-Bank. Many of our investment advisors even hold further qualifications as "Financial Planners" or "Certified Financial Planners".

The in-service "BW-Bank Certified Financial Advisor" training course (certified by Sparkassenakademie Baden-Württemberg) ensures that BW-Bank's roughly 450 financial advisors provide knowledgeable customer service. The course conveys theoretical knowledge and advisory skills in a practical context, including current customer and market requirements. Sustainability is also part of the subject knowledge conveyed. Financial advisors are recertified every three years to maintain a high level of quality.

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 is also one of the topics in the course. This certification makes LBBW a trendsetter in Germany in this field.

We offer consulting and service from a single source for the customers who entrust us with their business and private banking. To this end, we recently consolidated employees from the areas of Corporate Customers, Private Asset Management, and Central Business Customer Management within the Business Customers segment. In 2019, we determined the training requirements of this young team and conducted the first qualification measure with a focus on selling with self-confidence and a focus on the customer. Team-building activities were held in every front office unit in order to increase solidarity and motivation. Additional qualifications will be offered in 2020 on the basis of the analysis of training requirements.

## 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 are entitled to display the "Senior-friendly Service" certificate through 2021. 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.

## Bank office hours for senior citizens

In 2012, we established "bank office hours" at retirement facilities to reach seniors who have difficulty traveling to their local BW-Bank branch but still want to retain their independence. BW-Bank advisors and service managers regularly help residents with all types of financial matters and questions – from wire transfers, cash withdrawals, and account transfer services to securities transactions and powers of attorney. In 2017, we began organizing digital banking workshops for seniors in which we explain concepts such as online banking options and using the online account manager to interested customers.

# Employees



## Promoting health

We are committed to ensuring our employees' health and well-being in the workplace. The latest audit by the prestigious Corporate Health Award confirms that our company health management meets this high standard: LBBW again achieved "Excellence" status with an overall result of 90.4%, an improvement of 3.4 percentage points.

90.4 %



Excellent  
result in the  
Corporate  
Health Award

## Strengthening female leadership

We appointed top female managers to three of the five positions that were newly filled at brand board member, divisional board member and divisional head level in 2019. At all levels of management, we actively encourage women in order to improve their career opportunities. Almost one in every five managers at LBBW today is female - and we are working to make female leadership even stronger in the future.



More  
women  
in management positions

## Realizing potential

In 2019, we launched no fewer than three Group-wide talent groups for the promotion of excellence in order to allow us to make more internal appointments to key positions in the future. One of the groups is designed specifically for talented young employees with high potential. 18 young professionals were specially selected by the full Board of Managing Directors. Over a three-year period, they will not only expand their expertise, strategic thinking and team spirit, but also be supported by mentors in order to develop their skills and personality.

Young  
talents



Development program  
for young professionals

# Employees

## Dedicated, agile, diverse

Lifestyles and ways of working are changing. Only an agile team that thinks ahead and acts responsibly can succeed against the competition. We want our employees to be able to enjoy working for us while also having enough room for their private lives. This is our motivation for pursuing sustainable human resources management.

LBBW is and intends to remain an attractive employer. We want to shape the future of banking together with employees who are ambitious and responsible. With the new employer brand we launched in May 2019, we are positioning LBBW both internally and externally as an attractive company for anyone who is enthusiastic about tradition and sustainability as well as digitalization and new working methods.

The only way for us to develop successfully and sustainably is by acting with foresight and responding flexibly to change. In endeavoring to become more agile as a Bank, we have launched numerous initiatives and projects aimed at making everyday working life more flexible and more efficient, both organizationally and technically. We are actively involving our employees in this process. For example, a number of areas are working together on the Bank-wide “Employee Journey” project, which aims to determine and prioritize specific wishes for improving everyday working life.

Digitalization and shifting values are changing the world of work. We are working with our employees to address complex challenges with a strong team spirit and increased cross-divisional and cross-hierarchical cooperation. We benefit from the varied backgrounds, skills, and cultural orientations within our Group, which brings together people from 66 different countries. Diversity is what brings our corporate culture to life.

Our sustainable human resources management helps each and every employee to grow their professional abilities and enhance their soft skills throughout their entire career. We are increasingly promoting and encouraging talented young employees and future managers who are ready to actively take responsibility for their colleagues and their Bank. In 2019, for example, we launched a talent program for young employees with high potential. We have successfully filled management positions from our mentoring program for women. Competition for the brightest minds will become even more intense over the coming years. We are aware that professional, dedicated, and loyal employees are vital to LBBW's long-term business success. This is why we intend to remain an attractive employer that places a high degree of importance on sustainability in the future.

## Personnel figures

The number of employees in the LBBW Group totaled 10,005 as of 31 December 2019. LBBW (Bank) counted 8,230 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)

	2019	2018	2017	2016	2015
<b>Employees</b>					
Employees, total according to IFRSs	<b>10,005</b>	10,017	10,326	10,839	11,120
thereof: women	<b>5,191 (52%)</b>	5,227 (52%)	5,431 (53%)	5,689 (52%)	5,839 (53%)
thereof: men	<b>4,814 (48%)</b>	4,790 (48%)	4,895 (47%)	5,150 (48%)	5,281 (47%)
Full-time employees	<b>7,133 (71%)</b>	7,206 (72%)	7,323 (71%)	7,925 (73%)	8,315 (75%)
Part-time employees	<b>2,872 (29%)</b>	2,811 (28%)	3,003 (29%)	2,914 (27%)	2,805 (25%)
thereof: women	<b>2,582 (90%)</b>	2,552 (91%)	2,653 (90%)	2,636 (90%)	2,587 (92%)
thereof: men	<b>290 (10%)</b>	257 (9%)	350 (10%)	278 (10%)	218 (8%)
Apprentices (including Cooperative State University ["Duale Hochschule"] students)	<b>304 (3.0%)</b>	278 (2.8%)	300 (2.9%)	394 (3.6%)	471 (4.2%)
Graduate trainees	<b>83</b>	59	66	91	167
Fixed-term employees	<b>6</b>	6	18	27	23
Temporary employees	<b>45</b>	55	46	41	46
<b>Age</b>					
Average age (in years) <sup>1</sup>	<b>45.5</b>	45.3	44.8	44.3	43.4
Age breakdown <sup>1</sup>					
>60 years	<b>294 (3%)</b>	304 (3%)	312 (3%)	274 (3%)	216 (2%)
51–60 years	<b>3,144 (34%)</b>	3,015 (33%)	2,947 (31%)	2,908 (29%)	2,649 (26%)
41–50 years	<b>3,050 (33%)</b>	3,155 (34%)	3,296 (34%)	3,477 (34%)	3,575 (35%)
31–40 years	<b>1,792 (19%)</b>	1,816 (20%)	1,935 (20%)	2,160 (21%)	2,332 (23%)
25–30 years	<b>730 (8%)</b>	706 (8%)	781 (8%)	895 (9%)	1,039 (10%)
<25 years	<b>260 (3%)</b>	272 (3%)	325 (3%)	374 (4%)	409 (4%)
<b>Other</b>					
Average length of service (in years) <sup>1</sup>	<b>18.8</b>	18.5	18.4	17.8	17.0

<sup>1</sup> All figures on the age and length of service of employees refer to the LBBW Group excluding the subgroup (i.e. not including LBBW Immobilien Management GmbH and MKB Mittelrheinische Bank GmbH).

## Personnel figures for LBBW (Bank) (as of 31 December of each year)

	2019	2018	2017	2016	2015
<b>Employees</b>					
Total employees	<b>8,230</b>	8,232	8,574	9,030	9,291
thereof: women	<b>4,283 (52%)</b>	4,299 (52%)	4,507 (53%)	4,735 (52%)	4,868 (52%)
thereof: men	<b>3,947 (48%)</b>	3,933 (48%)	4,067 (47%)	4,295 (48%)	4,423 (48%)
Full-time employees	<b>5,728 (70%)</b>	5,786 (70%)	5,927 (69%)	6,447 (71%)	6,801 (73%)
Part-time employees	<b>2,502 (30%)</b>	2,446 (30%)	2,647 (31%)	2,583 (29%)	2,490 (27%)
thereof: women	<b>2,252 (90%)</b>	2,228 (91%)	2,338 (88%)	2,338 (91%)	2,302 (92%)
thereof: men	<b>250 (10%)</b>	218 (9%)	309 (12%)	245 (9%)	188 (8%)
Employees with disabilities/ employees with equivalent status (reporting date)	<b>419 (5.1%)</b>	415 (5.0%)	432 (5.0%)	437 (4.8%)	435 (4.7%)
Apprentices (including Cooperative State University ["Duale Hochschule"] students)	<b>282 (3.4%)</b>	260 (3.2%)	281 (3.3%)	369 (4.1%)	449 (4.8%)
Graduate trainees	<b>80</b>	52	60	86	160
Fixed-term employees	<b>4</b>	2	11	20	15
Temporary employees	<b>17</b>	21	21	20	24
<b>Management</b>					
Board of Managing Directors	<b>6 (0.1%)</b>	6 (0.1%)	6 (0.1%)	6 (0.1%)	7 (0.1%)
thereof: women	<b>0 (0%)</b>	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Division heads (including brand board members)	<b>54 (0.7%)</b>	52 (0.6%)	50 (0.6%)	49 (0.5%)	48 (0.5%)
thereof: women	<b>9 (17%)</b>	7 (13%)	6 (12%)	5 (10%)	5 (10%)
Department heads	<b>174 (2%)</b>	178 (2%)	184 (2%)	196 (2%)	200 (2%)
thereof: women	<b>22 (13%)</b>	22 (12%)	19 (10%)	21 (11%)	22 (11%)
Group heads	<b>470 (6%)</b>	479 (6%)	544 (6%)	626 (7%)	655 (7%)
thereof: women	<b>105 (22%)</b>	105 (22%)	110 (20%)	122 (19%)	124 (19%)
<b>Age</b>					
Average age (in years)	<b>45.5</b>	45.3	44.8	44.2	43.4
Age breakdown					
>60 years	<b>252 (3%)</b>	253 (3%)	270 (3%)	232 (3%)	187 (2%)
51 - 60 years	<b>2,810 (34%)</b>	2,690 (33%)	2,622 (31%)	2,589 (29%)	2,408 (26%)
41 - 50 years	<b>2,741 (33%)</b>	2,845 (35%)	2,993 (35%)	3,141 (35%)	3,263 (35%)
31 - 40 years	<b>1,542 (19%)</b>	1,577 (19%)	1,689 (20%)	1,915 (21%)	2,103 (23%)
25 - 30 years	<b>640 (8%)</b>	610 (7%)	692 (8%)	795 (9%)	938 (10%)
<25 years	<b>245 (3%)</b>	257 (3%)	308 (4%)	358 (4%)	392 (4%)
<b>Other</b>					
Part-time executive staff at levels 1 to 3	<b>7</b>	4	5	2	2
Men on parental leave/family year	<b>210</b>	241	250	231	219
thereof: men working during parental leave	<b>21</b>	23	11	12	12
Women on parental leave/family year	<b>579</b>	635	726	766	743
thereof: women working during parental leave	<b>113</b>	88	97	103	135
Men on family year leave	<b>2</b>	3	1	0	1
Women on family year leave	<b>23</b>	37	47	52	76
Men on family care leave	<b>3</b>	8	7	9	15
Women on family care leave	<b>13</b>	13	13	17	15
Average length of service (in years)	<b>19.3</b>	19.4	18.9	18.3	17.5
Turnover rate, including early retirement and severance agreements	<b>5.1%</b>	6.3%	7.4%	4.6%	3.4%
Women who have left the company	<b>204</b>	252	286	173	119
Men who have left the company	<b>201</b>	254	304	229	167
Rate of absence due to illness	<b>4.0%</b>	3.8%	3.0%	3.6%	3.7%

	2019	2018	2017	2016	2015
<b>Personnel development</b>					
Personnel development measures, total	8,999	8,598	15,342	14,230	12,611
Seminar days per employee (not including apprentices)	2.2 days	2.3 days	3.6 days	3.1 days	3.2 days
Seminar hours per employee (not including apprentices) (7.8 hrs./day)	17.1 hours	18.9 hours	28.1 hours	24.2 hours	25 hours
<b>Personnel development measures by topic (no.)</b>					
Specialist banking seminars	2,037	2,077	1,770	1,982	4,075
Management seminars	874	521	419	452	749
Long-term seminars (courses of study)	389	395	481	607	708
Office skills training	13	12	8	7	12
Methodological expertise	2,875	2,466	1,593	1,574	1,959
Language seminars	492	295	432	837	860
IT seminars	233	136	133	106	178
PC user seminars <sup>1</sup>	484	383	7,799	6,166	427
Sales seminars	462	654	1,588	1,557	2,036
Other specialist seminars	1,140	1,659	1,119	942	1,607

<sup>1</sup> 2017 and 2016: incl. training sessions on the introduction of a new IT core banking system

	2019	2018	2017	2016	2015
<b>Remuneration structure by gender LBBW (Bank)<sup>1</sup></b>					
AT	42%	41%	40%	38%	37%
thereof: women	27%	26%	25%	25%	24%
thereof: men	73%	74%	75%	75%	76%
TG 7 - 9	40%	40%	40%	39%	39%
thereof: women	65%	65%	64%	62%	61%
thereof: men	35%	35%	36%	38%	39%
Up to TG 6	18%	19%	20%	23%	23%
thereof: women	82%	83%	83%	83%	82%
thereof: men	18%	17%	17%	17%	18%

<sup>1</sup> Employees in the TVöD civil service collective bargaining agreement category (2.4%) were assigned to the relevant bank-specific wage group.

AT ("Aussertariflich") = Not subject to collective bargaining agreements

TG ("Tarifgruppe") = Wage group

<b>Employees by location LBBW Group<sup>1</sup></b>	<b>Stuttgart</b>	<b>Mannheim</b>	<b>Karlsruhe</b>	<b>Mainz</b>	<b>Leipzig</b>	<b>Branches</b>	<b>Outside Germany</b>
31.12.2018	6,284	287	350	469	284	1,342	252
31.12.2019	6,312	284	327	460	273	1,337	277
<b>Change</b>	<b>28</b>	<b>- 3</b>	<b>- 23</b>	<b>- 9</b>	<b>- 11</b>	<b>- 5</b>	<b>25</b>

<sup>1</sup> LBBW Group excluding the subgroup (i.e. not including LBBW Immobilien Management GmbH and MKB Mittelrheinische Bank GmbH)

<b>Employees by location LBBW (Bank)</b>	<b>Stuttgart</b>	<b>Mannheim</b>	<b>Karlsruhe</b>	<b>Mainz</b>	<b>Leipzig</b>	<b>Branches</b>	<b>Outside Germany</b>
31.12.2018	5,462	273	341	448	234	1,259	215
31.12.2019	5,477	270	319	440	224	1,259	241
<b>Change</b>	<b>15</b>	<b>- 3</b>	<b>- 22</b>	<b>- 8</b>	<b>- 10</b>	<b>0</b>	<b>26</b>

## 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).

In recent years, we have made arranging a good work-life balance more flexible for our staff. We have more than tripled the number of daycare places for employees' children since 2007. The ratio of part-time employees has risen from just under 20% to 30% in the past ten years. However, the proportion of women in management positions increased only slightly during the same period, from 14.7% to 19.3%.

Key Performance Indicator	is an indicator of the extent to which...	2019	2018	2017	2016	2015
<b>1. Compensation and benefits</b>						
Ratio of lowest salary group to minimum wage (wage EUR/hour * 100/EUR 9.19/hour)	... we ensure a fair living wage	186.0%	--	--	--	--
<b>2. Change management</b>						
Percentage of employee-initiated resignations (not including early retirement and severance agreements)	... employees are satisfied with the work organization and working conditions	1.7%	1.9%	1.9%	1.6%	1.8%
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	1.0%	2.1%	1.7%	2.2%	1.6%
<b>3. Work-life balance</b>						
"berufundfamilie" audit certification by the Hertie Foundation every three years	... independent institutions consider our company to be family-friendly	Re-audit	--	--	Re-audit	--
Daycare places	... we make it easier for our employees who are parents to work	96 (incl. 5 drop-in spots)	90 (incl. 5 drop-in spots)	92 (incl. 5 drop-in spots)	90 (incl. 5 drop-in spots)	86 (incl. 5 drop-in spots)
Ratio of part-time employees	... our employees take advantage of flexible working time models to balance their careers and personal lives	30%	30%	31%	29%	27%
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	34 (5%)	31 (4%)	56 (7%)	54 (6%)	38 (4%)
No. of female part-time executive staff at levels 1 to 4/ Percentage of female 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	25 (18%)	23 (17%)	25 (19%)	28 (19%)	26 (17%)

Key Performance Indicator	is an indicator of the extent to which...	2019	2018	2017	2016	2015
<b>4. Communication and information</b>						
Percentage of employees who can access the company intranet	... the employer informs employees about important events	97.1%	98.5%	98.5%	98.5%	98.5%
Results of the employee survey regarding information <sup>1</sup>	... employees feel sufficiently informed	7.3	92%	85%	--	93%
<b>5. Management</b>						
Participation rate in management seminars/workshops	... executives discuss their management duties and further develop their leadership skills	18%	31%	58%	52%	82%
Employee review percentage	... the percentage of employees with whom a review was conducted every three years	74%	74%	77%	80%	Not calculated due to change of system
<b>6. Personnel development</b>						
Personnel development measures per employee (no. of personnel development measures/no. of employees)	... we further develop our employees' skills	1.1	1.0	1.8	1.5	1.3
Seminar days per employee (total no. of seminar days/no. of employees)	... we further develop our employees' skills	1.9	2.3	3.6	3.1	3.2
<b>7. Employee retention</b>						
Early turnover rate (employment relationships terminated in probationary period/no. of hires * 100)	... we make good personnel choices	1.8%	0%	0%	2%	6%
Turnover rate by age structure (age cluster in %) (resignations/average no. of employees per age group)	... young employees remain with the company	> 60 yrs. 52.9%	> 60 yrs. 49.8%	> 60 yrs. 37.12%	> 60 yrs. 27.6%	> 60 yrs. 22.7%
		51 - 60 yrs. 2.5%	51 - 60 yrs. 3.6%	51 - 60 yrs. 5.33%	51 - 60 yrs. 2.0%	51 - 60 yrs. 1.4%
		41 - 50 yrs. 1.8%	41 - 50 yrs. 2.5%	41 - 50 yrs. 3.10%	41 - 50 yrs. 2.0%	41 - 50 yrs. 1.6%
		31 - 40 yrs. 4.4%	31 - 40 yrs. 5.4%	31 - 40 yrs. 6.30%	31 - 40 yrs. 4.5%	31 - 40 yrs. 2.9%
		25 - 30 yrs. 7.1%	25 - 30 yrs. 9.2%	25 - 30 yrs. 8.46%	25 - 30 yrs. 6.4%	25 - 30 yrs. 5.0%
		< 25 yrs. 15.7%	< 25 yrs. 20.1%	< 25 yrs. 24.96%	< 25 yrs. 22.4%	< 25 yrs. 15.1%
Average length of service (in years)	... we are able to retain our employees for the long term	19.3	19.4	18.9	18.3	17.5
Employee satisfaction (results of employee survey) <sup>1</sup>	... employees are satisfied with their employer	7.5	94%	91%	--	94%

<sup>1</sup> New measure since 2019: 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...	2019	2018	2017	2016	2015
<b>8. Demographic developments</b>						
Average age of the workforce (in years)	... we ensure a balanced ratio of older and younger employees	<b>45.5</b>	45.3	44.8	44.2	43.4
Age breakdown (age clusters in %)	... we ensure a balanced ratio of older and younger employees	<b>&gt; 60 yrs. 3%</b>	> 60 yrs. 3%	> 60 yrs. 3%	> 60 yrs. 3%	> 60 yrs. 2%
		<b>51 - 60 yrs. 34%</b>	51 - 60 yrs. 33%	51 - 60 yrs. 31%	51 - 60 yrs. 29%	51 - 60 yrs. 26%
		<b>41 - 50 yrs. 33%</b>	41 - 50 yrs. 35%	41 - 50 yrs. 35%	41 - 50 yrs. 35%	41 - 50 yrs. 35%
		<b>31 - 40 yrs. 19%</b>	31 - 40 yrs. 19%	31 - 40 yrs. 20%	31 - 40 yrs. 21%	31 - 40 yrs. 23%
		<b>25 - 30 yrs. 8%</b>	25 - 30 yrs. 7%	25 - 30 yrs. 8%	25 - 30 yrs. 9%	25 - 30 yrs. 10%
		<b>&gt; 25 yrs. 3%</b>	< 25 yrs. 3%	< 25 yrs. 4%	< 25 yrs. 4%	< 25 yrs. 4%
Training ratio (number of apprentices/no. of employees * 100)	... we train young professionals internally	<b>2.4%</b>	2.1%	3.3%	2.9%	3.6%
Ratio of Cooperative State University ("Duale Hochschule") students (no. of students/no. of employees * 100)	... we train young professionals internally	<b>1.0%</b>	1.0%	1.2%	1.2%	1.3%
Graduate trainee ratio (number of graduate trainees/no. of employees * 100)	... we train young professionals internally	<b>1.0%</b>	0.6%	0.7%	1.0%	1.7%
Apprentice hiring ratio (no. of job offers to apprentices/no. of apprentices in total * 100) <sup>2</sup>	... we offer young professionals long-term career prospects	<b>100%</b>	92.6%	97.0%	95.5%	81.3%
<b>9. Promoting health</b>						
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	<b>4.0%</b>	3.8%	3.0%	3.6%	3.7%
Degree of success in the Corporate Health Award	... our company health management fulfills high health standards and how it ranks in a comparison of companies throughout Germany	<b>Re-audit with "Excellence" status 90.4%</b>	"Excellence" status since 2016 87%	"Excellence" status since 2016 87%	Re-audit with "Excellence" status 87%	"Excellence" status since 2012 84%
<b>10. Equal opportunity and diversity</b>						
Percentage of female employees	... we provide equal opportunities regardless of gender	<b>52%</b>	52%	53%	52%	52%
Percentage of women in leadership positions (levels 1 to 4)	... we provide equal opportunities regardless of gender	<b>19.3%</b>	18.7%	17.2%	16.9%	16.6%
Percentage of workforce of non-German nationality	... we provide equal opportunities regardless of national origin	<b>6.1%</b>	5.7%	5.6%	5.6%	5.4%
Percentage of disabled employees/employees with equivalent status in the workforce	... we employ people with disabilities in our company in accordance with the German Disabilities Act	<b>5.1%</b>	5.0%	5.0%	4.8%	4.7%

<sup>2</sup> New formula from 2016 onward, meaning that figures from 2016 are not comparable with previous years.

## 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 Management Steering Committee is the organizational unit that manages all health-related activities, while 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 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 Management department.

In Stuttgart, four organizational units with a total of 700 employees took part in "Fokus Gesundheit" (Focus on Health) in 2019. Over a period of a year, modules on health-related topics such as ergonomics, dealing with stress, promoting exercise, and healthy eating were customized and presented to each of the organizational units. In 2019, we again held a Health Day for entry-level employees with the specific aim of raising awareness among young people about health issues as they enter the new phase of life that is their career. This year, the event focused on developing health-related topics using agile methods.

LBBW also offered its employees the latest quadrivalent influenza vaccination for the 2019/2020 season. 1,021 employees at five locations took advantage of this offer. The costs were borne by LBBW in full.

All larger LBBW offices regularly run a number of different health-promoting courses as well as workplace 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. Financial assistance is provided to support these individual preventive health care activities if the costs are not completely covered by health insurance plans. We also partner with fitness studios throughout Germany.

Playing on the name of the classic German police drama "tatort", the health promotion theme of the year for 2019 was "Crime Scene Health - A Metabolism Thriller". Beginning with a kick-off event involving an external dietitian, the latest findings concerning healthy and appropriate nutrition were communicated in an entertaining manner. Around 650 employees at the locations in Karlsruhe, Leipzig, Mainz, Mannheim, and Stuttgart took part. In the following months, all employees had the opportunity to analyze their personal risk due to inadequacies in their diet. Interested employees with an elevated risk were offered additional measures with the involvement of external experts.

Our efforts to ensure a healthy company were again audited externally in 2019. In a Germany-wide comparison of companies conducted by EuPD Research Sustainable Management, the German daily newspaper "Handelsblatt" the technical supervisory association "TÜV SÜD Akademie", and the ias Group, LBBW's company health management achieved the prestigious "Excellence" status at the "Corporate Health Awards" and improved its overall result even further with a fulfillment ratio of 90.4 % (previous re-audit in 2016: 87 %).

## 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 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.

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 2019, employees used the occupational health service for health advice and medical treatment around 14,000 times.

Under the framework collective agreement, employees are also entitled to time off work to attend all of the medical screenings and preventive check-ups recommended by the Federal Joint Committee ("G-BA") of the German statutory health insurance funds. In this way, LBBW supports its employees with preventive health measures.

## Social services department



The social services department advises employees and executives at the sites in Stuttgart, Karlsruhe, Mannheim, Mainz, and Leipzig as well as branch employees on topics such as stress, conflicts, and difficult situations at work, mental health issues (like burnout and depression), addiction, and personal issues (such as 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 social 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.

Of the total consultations provided in 2019, 18% concerned workplace issues such as conflicts, restructuring, and work performance (previous year: 27%), while 47% related to mental health issues such as exhaustion and depression as well as psychosocial help following major physical illness (previous year: 41%). Integration management in the workplace is increasingly required in order to prevent occupational incapacity or to reconcile health and working requirements following longer

periods of incapacity. In 25 % of cases, the consultations related to personal issues such as caring for loved ones (previous year: 22 %), with support following acute crises accounting for 6 % of cases (previous year: 9 %).

In 2019, the social services department was consulted by a total of 721 employees and managers (previous year: 729). The number of consultations was 2,391 (previous year: 2,081). The share of management-level employees who seek out the social services department to discuss ways to handle psychosocial issues has remained high. The "Gesund führen – Leistung erhalten" (Healthy Leadership Boosts Performance) seminar was held successfully for the second time and is now an integral part of the training program. Four half-day modules gave managers suggestions on how to protect their own health and lead their teams in a healthy way.

In addition to one-on-one consultations, the social services department offers all employees and managers workshops, training courses, and presentations covering psychosocial issues such as burn-out prevention or dealing with difficult situations with customers. The workshops on resilience enjoyed healthy demand throughout the Bank and were successfully conducted in different groups and departments, reaching a total of 239 employees.

## 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.

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.

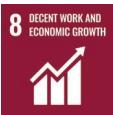
The conditions of workplaces are examined during on-site inspections, and possibilities for improvement are examined as necessary. Numerous safety-related on-site inspections and individual consulting sessions on workplace ergonomics were carried out in 2019 on a scheduled or ad-hoc basis. In addition, regular training was provided for employees involved in occupational safety at LBBW (e.g. executives, employee representatives, and safety officers). In order to further improve ergonomics in the workplace, 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.

In the past year, one focal point in the area of fire protection was the implementation, publication, and communication of the Bank's updated fire safety regulations. Cooperation with the departments of LBBW Corporate Real Estate Management GmbH involved in fire protection was also reinforced further. In addition to the training that was still required, work began on the regular review of the number of fire safety assistants at each location.

The number of reportable workplace accidents in 2019 was five (previous year: ten). The rate of workplace accidents per 1,000 employees was therefore 0.6 (previous year: 1.2), which is well below the industry average. A total of 34 reportable accidents sustained by employees on the way to or from work were registered (previous year: 32). No work-related illness was reported to us in 2019.

## 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 a separate development program for top talents.

We offer a broad range of seminars for all our employees. This is because we are convinced that training and continuing education are crucial for career advancement. The training measures offered were used around 9,000 times in 2019 (previous year: 8,598). To allow us to respond more quickly and flexibly to change and proactively shape the future, we have added numerous seminars on modern, flexible work and leadership methods for employees and managers to our training program. The topics covered include managing and structuring work for teams that collaborate virtually.

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, etc.). These are generally self-directed training programs. All employees are required to complete the fraud prevention and sustainability training program every three years. The sustainability section of the training program includes content on the sustainability policy, sustainable investment, the lending process, and human rights aspects. The internal and external training opportunities offered by LBBW can also be used by employees in the offices outside Germany.

In addition to conventional web-based self-study programs, we are increasingly using videos and digital self-study scripts to allow users to determine the content and pace of their learning in a way that suits them. Web-based training, including a wide range of instructional videos and exercises, is firmly integrated in the general training program for banking knowledge and the division-specific training programs. We also offer digital learning for methodological and social skills, such as the e-learning programs on successful conflict resolution and optimizing personal organization.

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.

New LBBW employees are informed about our sustainability commitment as part of a presentation at the welcome event. Additionally, several sustainability workshops were held in 2019 to allow employees from different divisions to actively participate in the discussion on topics such as LBBW's sustainability identity.

## Training



LBBW takes its responsibility for training young people seriously: At the end of 2019, 304 young people were being trained in the LBBW Group (previous year: 278). The training rate was 3.0% (LBBW (Bank): 3.4%). Each year, LBBW provides at least 110 training positions and 38 places for students in the bank management and business information systems programs at Baden-Württemberg Cooperative State University ("Duale Hochschule"). The apprentice hiring ratio in 2019 was 100%.

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 2019 was 83.

Sustainability is an integral part of any training at LBBW. Our newly appointed 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. In 2019, the additional voluntary seminar day on sustainability that was previously offered once a year was replaced with a new training concept: The topic of sustainability is now 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 training on investment products. The training on "house and home" includes aspects of sustainability with regard to purchasing a property (energy values, wellbeing, environmental protection) and the accompanying financing concept (specific 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 gGmbH, 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. In 2019, five apprentices (previous year: eleven) made use of the opportunity to broaden their social horizons in this way.

## Skill and executive development



The conditions in which banks do business have changed drastically in recent years and are continuing to evolve. This is resulting in direct consequences for our managers and employees who find themselves having to deal with growing and changing demands. 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. The model also provides central guidelines for targeted development measures as part of our holistic talent management.

In order to remain competitive in the future, we also place particular emphasis on promoting and encouraging top talents as part of our talent management. Our aim is to significantly strengthen high-potential employees in order to help them to compete for key positions and hence keep them at the company. In January 2019, two top management talent groups were launched with ten female candidates and seven male candidates. They are prepared for internal competition by way of demanding individual and joint development measures. Members of the LBBW Board of Managing Directors act as mentors. One of these talent groups has been specially designed to promote female managers in order to ensure that they are taken into account to an even greater extent in the competition for management positions in the future. While both of these talent groups start at departmental level, another three-year talent program that we launched in late 2019 focuses on talented young employees with high potential. 18 employees are taking part. We also provide targeted support for talented young employees in different business areas of the Group whose specific career paths require special skills. They participate in talent programs with slight modifications.

Methodological, structural and cultural changes are supported professionally as required and developed on a consolidated basis in projects in order to shape change processes as part of LBBW's strategic focus on its objectives of business focus, digitalization, and agility. LBBW experts from HR management, HR development, and talent management as well as agile coaches consult on, design and implement change processes together with the divisions on a project-specific basis.

## Older employees



Life-long learning is part of our corporate culture. This applies to all our employees regardless of their age. Our range of training courses is based on job requirements, with the same internal and external conditions applying to all age groups. Our seminars are characterized by a mixed age structure. In this way, younger participants have 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.

Our experience with this type of active integration has been good. Thanks to our continuing education program, company health management, and the consultations and support provided by our occupational physicians and the social services department, we offer older employees a comprehensive range of services to maintain their work performance, and actively and joyfully participate in working life.

Employees who plan to reduce their working hours shortly before retirement or who enter early or full retirement receive support from the Bank in their transition to this new phase of life. We encourage these employees to participate in a four-day seminar entitled "Ausstieg aus dem Beruf - Aufbruch wohin?" (Retirement - What Now?), which explores the process of retiring and highlights future opportunities for relationships, leisure activities, and social involvement.

## Employee survey

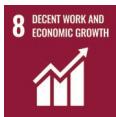
The sixth Bank-wide employee survey was conducted in 2019. The questionnaire again covered the following issues: cooperation, leadership, information, atmosphere, satisfaction, agility, competitiveness, and digitalization. 6,131 employees took part in the survey, corresponding to a stable participation rate of 74% (previous year: 74%). This is ten percentage points higher than for the first survey in 2011. The continued high participation rate serves to underline the active interest and involvement in the survey process on the part of employees.

The results of the 2019 employee survey at overall bank level improved compared with the previous year in all categories. The scope for self-organized, autonomous work achieved the best rating. On a scale from 1 (very poor) to 10 (very good), the average was 8.4, up 0.3 points compared with the previous survey in 2018. The average rating in the management category also increased by 0.3 points. The categories of information, atmosphere, and satisfaction also achieved a higher rating than in the previous year. Around 22% of all participants took the opportunity to include comments or suggestions for improvement in a blank field provided for this purpose - up slightly on the previous survey.

The results for the Bank as a whole were published on the intranet. In addition, over 700 individual analyses were prepared for members of the Board of Managing Directors, divisions, departments, and groups.

The high level of satisfaction with LBBW as an employer is also reflected in the ranking by the business and career magazine Focus Business, which is prepared in cooperation with the employer review platform kununu and the online social network Xing. LBBW has been ranked as "one of the best employers in Germany" since 2016, and this continued in 2019. The rating is based on an independent online survey, a survey of Xing members, and current reviews on kununu.

## Equal opportunity and diversity



Companies that want to benefit from the knowledge and skills of their employees must create a working environment free of prejudices. All employees should be valued regardless of their gender, nationality, ethnic origin, religion or worldview, disability, age, sexual orientation, or identity.

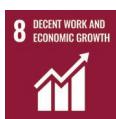
In 2018, LBBW signed up to the “Chefsache” initiative ([www.initiative-chefsache.de](http://www.initiative-chefsache.de)), a network aimed at achieving gender balance in management positions. LBBW (Bank) has also been a member of the “Diversity Charter” initiative ([www.charta-der-vielfalt.de](http://www.charta-der-vielfalt.de)) since 2008. This involves a commitment to ensure a workplace free of prejudice for all employees.

A diversity officer is assigned to supervise and support diversity and equal opportunity efforts at LBBW. Completing an e-learning tool for implementing the German General Anti-Discrimination Act (“Allgemeines Gleichbehandlungsgesetz” (AGG)) is mandatory for all employees. In addition, new executives are provided with information on this topic in basic management training.

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.

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 social 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. One complaint was brought to the complaints board in 2019. Following a review, it was established that there were no grounds for complaint in accordance with the German General Anti-Discrimination Act.

## Cultural Diversity



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 66 countries across the globe work in the LBBW Group. Employees of non-German nationality make up 6.5% of the total workforce; the figure at LBBW (Bank) is 6.1%. This diversity is extremely valuable for the company and helps us to establish and maintain contacts throughout the world.

## Women and Men



LBBW provides the same training and promotion opportunities to all employees with equivalent qualifications, whether male or female. We want to continually improve career opportunities for women and increase their numbers in specialist and executive staff positions.

At the end of 2019, women accounted for 52% of the total staff at the LBBW Group (LBBW (Bank): 52%). The proportion of women in the top four management levels of LBBW (Bank) came to 19.3% (previous year: 18.7%). We are aiming for a proportion of women in management positions of at least 25%.

According to a study by the German Institute for Economic Research (DIW), women accounted for around 9% of managing board members at the 100 largest German banks and 60 largest insurance companies (in terms of total assets or premium income) at the end of 2017. At least one woman serves on the managing board at 32 of the 100 banking institutions analyzed.

## Managers at LBBW (Bank) (as of 31 Dec. of each year)

Managers by gender	2019		2018		2017		2016	
	Women	Men	Women	Men	Women	Men	Women	Men
Level 1: Members of the Board of Managing Directors	0 (0%)	6 (100%)	0 (0%)	6 (100%)	0 (0%)	6 (100%)	0 (0%)	6 (100%)
Level 2: Brand board members + division heads	9 (17%)	45 (83%)	7 (13%)	45 (87%)	6 (12%)	44 (88%)	5 (10%)	44 (90%)
Level 3: Department heads	22 (13%)	152 (87%)	22 (12%)	156 (88%)	19 (10%)	165 (90%)	21 (11%)	175 (89%)
Level 4: Group heads	105 (22%)	365 (78%)	105 (22%)	374 (78%)	110 (20%)	434 (80%)	122 (19%)	504 (81%)
<b>Total levels 1–4</b>	<b>136 (19.3%)</b>	<b>568 (80.7%)</b>	<b>134 (18.7%)</b>	<b>581 (81.3%)</b>	<b>135 (17.2%)</b>	<b>649 (82.8%)</b>	<b>148 (16.9%)</b>	<b>729 (83.1%)</b>
<b>Managers at levels 1–3</b>								
Proportion of women at levels 1–3	31 (13%)		30 (12%)		25 (10.4%)		26 (10.4%)	

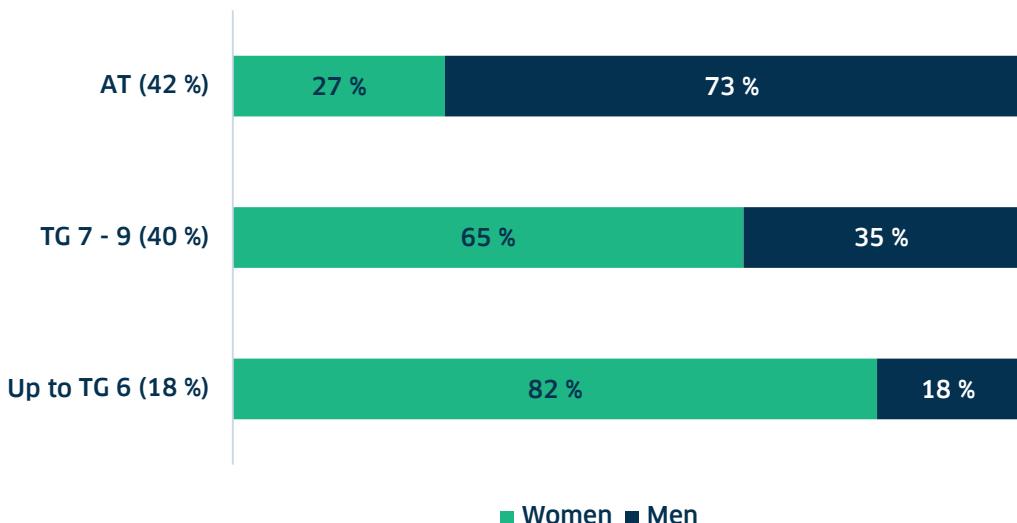
There were a total of five new hires at brand board member, division head, and divisional board member level in 2019, including three women. There were a total of 16 new hires at department head level, including six women.

## New hires<sup>1</sup>

Managers by gender	2019		2018		2017		2016	
	Women	Men	Women	Men	Women	Men	Women	Men
Level 2: Brand board members, divisional board members + division heads	3	2	2	7	1	2	0	6
Level 3: Department heads	6	10	7	26	1	13	0	15

<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 of 31 December 2019<sup>1</sup>



<sup>1</sup> 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.

A comparison of remuneration by gender shows that the difference in remuneration for jobs not subject to collective bargaining agreements was between 10% and 13% in Germany in 2018. It should be noted that the percentage of management-level positions held by women is low. In the case of the AidA Board members (AidA = institution within the institution = BW-Bank), LBBW divisional Board members and division heads, women earn the same.

LBBW aims to provide all employees fair, non-discriminatory remuneration and therefore supports the objectives of the German Pay Structure Transparency Act (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. Thanks to our clear functional structure, which includes descriptions of key responsibilities and the required education, knowledge, skills, and experience, we are well prepared for all requests for information. Along with the annual review to determine whether the remuneration we provide is appropriate compared to market conditions, we are in the position to offer our executives transparent and objective parameters for remuneration decisions.

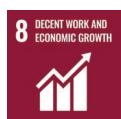
When it comes to facilitating gender equality at LBBW, we address two topics in particular: the active promotion of women and ensuring a healthy work-life balance. In 2019, we adopted a focus on "women and career". For example the berufundfamilie audit was conducted with a view to identifying effective starting points for making management positions attractive for women. Five workshops were held with participants from various areas. The catalog of measures developed in the process will be implemented over the next three years. We also specifically aim to promote women as part of our talent management activities.

Within the development program for top managers, a dedicated "Female Potential Top Managers" talent group was already initiated in 2018 with the aim of providing female employees with the qualifications they need for key positions. In October 2019, we launched a new mentoring program entitled "Women Career" for young female employees with high potential in the Retail Customers and Private Asset Management division in Stuttgart and the region. The goal is to increase the proportion of women in demanding sales positions. The one-year program was launched with twelve mentor-mentee tandems. The young women gain an insight into the role of specialists and managers and can develop their own strengths.

Tried and tested methods remain in place: For example, we are continuing with the mentoring program for female group heads who can envisage taking leadership roles at management level 3 (department head). The "Lebensplanung und Karriere" (Life and Career Planning) and "Bewusst kommunizieren" (Conscious Communication) seminars for women are also continuing. 58 women attended these seminars in 2019.

Equal opportunities for both 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 around 350 women with a wide range of different positions. The network has provided valuable impetus and implemented ideas since its formation in 2007.

## People with Disabilities



As of 31 December 2019, LBBW (Bank) had 419 employees with severe disabilities or who held the equivalent status. This corresponds to 5.1% of the workforce (previous year: 5.0%).

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. The representatives have the following responsibilities, among others: personal advice and assistance, support during internal and external job interviews and hiring, assistance with workplace design, and consultations with the employer LBBW, the staff council, and the general staff council.

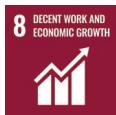
## Company retirement planning

What business could better support its employees in arranging financial planning for their golden years than a bank? In view of the ongoing low interest rate environment, 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 2019, LBBW's company retirement plan investments and expenses amounted to EUR 122 million (previous year: EUR 130 million).

## 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. 632 employees have attended the seminar since its inception in 2013. In 2019 55 employees (previous year: 68) participated in the seminar.

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. 16 employees took leave of absence to care for a family member in 2019 (previous year: 21). Shorter periods of leave are also possible. We also provide further options such as telecommuting and increased flexibility thanks to the works agreement on mobile working (see page 136). Even prior to the introduction of the statutory entitlement to part-time employment on a temporary basis (“bridging part-time employment”) in 2019, LBBW employees wishing to look after dependents at home were able to reduce their working hours on a temporary basis for up to 24 months before subsequently returning to their original working hours.

LBBW also supports emergency care services for relatives requiring care in Mainz.

## 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. A total of 96 spots are offered in what are mostly LBBW's own childcare facilities at the offices in Stuttgart, Mannheim, Karlsruhe, Mainz, and Leipzig. These include 18 places at the Savings Banks Academy in Stuttgart. 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.

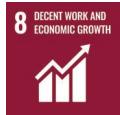
In addition to the parental leave time guaranteed by law, mothers and fathers who were employed by LBBW for at least three years previously can take a leave of absence called a "family year". During the leave, no salary is paid. In 2019, 23 female employees and two male employees took advantage of this offer (previous year: 37 women, three men).

Even prior to the introduction of the statutory entitlement to part-time employment on a temporary basis ("bridging part-time employment") in 2019, we offered all employees the possibility of temporary part-time employment on one occasion for a maximum of three years.

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, as well as through the "LBBW Einblicke" e-mail newsletter.

LBBW has been recognized as a "family-oriented company" by the "berufundfamilie" audit since 2010. Following successful re-audits in 2013 and 2016, another re-audit took place in 2019. This focused on how successfully the Bank makes management positions attractive for women. The audit confirms that LBBW is well positioned when it comes to enabling a healthy work-life balance in terms of its family-oriented services and benefits, as well as the culture it actively promotes.

## 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 working:** In 2018, we took decisive organizational and technical action to ensure that as many employees as possible can work from home or while traveling. A works agreement establishing the framework for mobile working at LBBW was drawn up. New electronic access technology means that many employees can now also access the Bank's platforms from their private computers and laptops.

**Telecommuting:** Mobile telecommuting or setting up a home telecommuting workstation are permitted assuming professional and personal suitability and with prior approval. The costs for this are borne by LBBW.

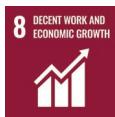
**Part-time models:** These include individual, family-friendly solutions, job sharing options, and independent team solutions. Flexible working arrangements are also possible within the scope of the statutory possibilities for full- and part-time employees. For part-time management positions, an employment 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 which 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.

## Co-determination



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 private and public-sector banks. We are a guest member of the Baden-Württemberg Municipal Employers' Association ("Kommunaler Arbeitgeberverband Baden-Württemberg" (KAV)).

Currently, 93.7% of the LBBW Group's employees are represented by staff councils or works councils at various locations in Germany. Executive staff (2.8%), local employees working at the branches and offices outside Germany (2.2%), and employees at some subsidiaries (1.3%) 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 to develop socially acceptable solutions.

## Remuneration system

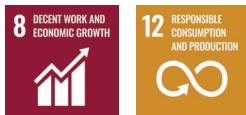
LBBW (Bank) prepares a remuneration report in accordance with Section 16 of the German Remuneration Regulation for Institutions ("Institutsvergütungsverordnung" (InstitutsVergV)) annually and publishes this report at [www.LBBW.de/finanzberichte](http://www.LBBW.de/finanzberichte). In accordance with InstitutsVergV, the appropriateness of the remuneration systems is reviewed annually.

The amended InstitutsVergV came into force on 4 August 2017, and guidelines for interpretation were published on 15 February 2018. The revision primarily transposes the European Banking Authority's guidelines for a sound remuneration policy into German law. 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. Since 2018, performance at the LBBW Group has been measured on the basis of the four key strategic objectives (business focus, digitalization, agility, and sustainability) for members of the Board of Managing Directors and employees eligible for bonuses. The amount of the budget to be disbursed for bonus payments is determined based on target achievement in these four key objectives. This means that sustainability plays a significant role when it comes to performance-based variable remuneration.

As a rule, when LBBW hires new employees, they are assigned to a wage group based on the collective bargaining agreements for the private-sector banking industry and 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. The major remuneration-related benefits are the company pension plan, the LBBW FlexiWertkonto (working time account), and the use of company cars. Performance-based variable remuneration is based on quantitative and qualitative target attainment with a view to the employee's position, the agreed targets, 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

## Company restaurants



The six company restaurants operated by our subsidiary LBBW Gastro Event GmbH offer our employees varied and healthy nutritional choices. LBBW Gastro Event's sustainability approach also involves active supplier selection and the careful use of resources in its business operations:

- Since October 2016, all Gastro Event GmbH company restaurants have been certified to carry the "Job & Fit" logo of the German Nutrition Society ("Deutsche Gesellschaft für Ernährung e.V." (DGE)). The audit looked at 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 were found to have been met.
- The two company restaurants at the "Am Hauptbahnhof" and "Am Pariser Platz" locations in Stuttgart 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.
- 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 twice a week, as well as at least two different types of vegetable side dishes every day. Vegan appetizers, main dishes, or desserts are occasionally also offered.
- Since the third quarter of 2019, the three biggest company restaurants have organized a monthly "Veggie Day Plus" at which only one non-vegetarian dish is served. This is intended to encourage people to regularly engage with healthy nutrition that is good for the environment and the climate.
- In selecting suppliers, LBBW Gastro Event gives preference to smaller, regional providers. The bulk of the fresh produce served is purchased 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".
- 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 possible, 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 in every shipment.
- All the restaurant and cafeterias run by LBBW Gastro Event GmbH and the kitchenettes it operates at the central buildings have been serving solely fair trade and organically grown coffee since 2009.
- The meals served are continually monitored and specifically labeled as "organic", "regional" and "vegetarian" in order to address diners' preferences and culinary trends. In 2019, a total of around 720,000 meals were served at the two largest company restaurants ("Am Hauptbahnhof" and "Am Pariser Platz" in Stuttgart). Of these dishes, around 5% were wholly organic, 25% were regional, and 20% were vegetarian.

- Food is prepared in batches, served continuously, and regularly replenished to ensure that it is 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.
- By switching the to-go cups for cut fruit and vegetables from PET plastic to the biodegradable bio-plastic PLA (polylactic acid), we are reducing our PET 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.
- Since the start of 2019, LBBW Gastro Event has also been represented at interdisciplinary training fairs. The aim is to look for trainees in a targeted manner and actively promote talented young people in the hospitality industry in order to meet the future requirements for qualified employees.

## LBBW improvement process

The future requires ideas, and ideas originate in people's minds. LBBW's idea management gives our employees the opportunity to actively shape the future with their expertise and imagination. A total of 4,234 suggestions were submitted in 2019, of which 262 were classified as sustainable. The resulting benefit totaled EUR 33.8 million, with sustainability-related suggestions accounting for EUR 1.1 million of this figure.

Thanks to the high level of employee engagement when it comes to developing and implementing creative ideas, we are able to create agile, sustainable, and digital solutions, efficient processes, and optimal products that offer real value added for our customers. Innovation and process excellence, high quality standards and pronounced employee identification are key factors in a company's success. As part of our corporate culture, idea management is an important element of realizing these values and hence making a significant contribution to the Bank's success.



# Society

## Giving joy

Every year, the Christmas trees at our company restaurants are decorated with little cards containing gift wishes from children of underprivileged families. Employees are invited to pick out a card and buy the gift the child has asked for. The campaign is organized by LBBW's local staff councils, which hand over the lovingly wrapped cuddly toys, games, and other presents. The organizations supported in 2019 were ARCHE Karlsruhe e.V. and Kinderschutzbund Mainz e.V., as well as refugee families in Stuttgart.



## Festive season

Christmas campaign for underprivileged children

## Making a difference together

Every month, many of our employees round off their net salaries to the nearest euro and donate the amount after the decimal point to social projects. EUR 47,000 has been collected for good causes in the first five years of this "Rest-Cent" campaign. A total of EUR 12,000 was donated in 2019 alone. Topped up to EUR 17,000 from LBBW's central budget, this money helped the "Herzenswünsche" organization to bring some moments of happiness to seriously ill children and young people.



## 2,300 employees

participate in the "Rest-Cent" campaign

## Cultivating diversity

Since it was established in 1984, the Landesbank Baden-Württemberg Foundation has provided funding totaling EUR 26 million for numerous projects in the fields of art and culture, training and further education, and nature and the environment. The projects supported in 2019 included the literature festival of the "Bühne über Stuttgart" open-air theater association, the addiction prevention week at the Fanny-Leicht-Gymnasium school in Stuttgart-Vaihingen, and the species conservation project for the parti-coloured bat organized by the conservation association NABU Ostfildern-Nellingen e.V.



## 11,100 projects

have been supported by the LBBW Foundation to date

# 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. Our commitment to society shapes our corporate culture.**

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 severe famine affecting her people following catastrophic crop failures. To this day, we remain deeply connected to the people and companies in our region.

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 continue to 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 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. An "account for everyone" 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, our crowd investing platforms for social projects, 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. This is because we also see ourselves as being responsible for driving societal impetus, encouraging people to think ahead, and upholding the values of a society that changes many things for the better through respectful and constructive cooperation.

# 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. In doing so, we aim to convey not only knowledge but also reinforce social skills and a sense of responsibility for the sustainable development of society.

## Learning playfully

### Kinderspielstadt Stutengarten

BW-Bank has been actively involved in "Kinderspielstadt Stutengarten" (a pedagogically supervised large-scale game project for the participation of children) as a partner since the very beginning. During the summer break from 12 August to 31 August 2019, another 1,500-plus children discovered how life in a community works in a mini-village comprising wood cabins, containers, and tents set up in Bad Cannstatt equestrian stadium. Whether acting as mayor, banker, or baker, the 6- to 13-year-olds explored more than 72 different professions and businesses through play, shaping their own community. 15 BW-Bank apprentices and Cooperative State University students took charge of "their" business and provided guidance to the children at the Stutengarten bank branch. For example, the children learned how money circulates in a city, how to invest it well, and the importance of a bank for business and society. At BW-Bank's branches, the younger generation made the case for a fairer, greener world. For every child who drew a symbolic plant, BW-Bank donated one euro to the "Plant-for-the-Planet" initiative, which plants one tree on the Yucatán Peninsula in Mexico for every euro donated. The trees grow between twice and four times more quickly than in Germany, thus absorbing larger quantities of CO<sub>2</sub>. In addition, fair trade chocolate was handed out to the bank's young customers on behalf of the mayor – with the message that the proceeds generated would also go toward the initiative. Organized by Stuttgarter Jugendhaus gGmbH, "Kinderspielstadt Stutengarten" took place for the thirteenth time in 2019.

### Summer Science Camp

Where does energy come from and why must it be used sparingly? Why does a bicycle fall over when it is standing still but not when it is being ridden? Can robots replace people? Around 600 boys and girls attended the Summer Science Camp, where they were able to explore exciting topics of the future in their own experiments as well as in workshops and presentations. The purpose of the three-week educational project at the Carl Benz Arena is to awaken an interest in mathematics, computer science, the natural sciences and technology. The Summer Science Camp focuses on robotics, flying objects, mobility, and energy under the motto "Watch, understand, and try for yourself." 200 children aged between eight and 14 explored scientific and technical questions for a period of five days at a time. LBBW again supported the Summer Science Camp, which is organized by the Stuttgart Jugendhaus, as a partner in 2019.

## Thinking entrepreneurially

### **Wissensfabrik – Unternehmen für Deutschland e.V.**

LBBW is a member of “Wissensfabrik”, a nationwide initiative by companies and foundations to promote education and entrepreneurship in Germany. 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 the core project “School2Start-up”, in which school pupils form their own companies with the assistance of volunteer advisors from BW-Bank.

On 2 July 2019, a day of action was held at the experimental science center in Heilbronn for the first time under the motto “Einfach Digital – digital ganz einfach?! Mit Spaß meine Zukunft verstehen” (Simply Digital – Digital Made Simple?! Understanding My Future Through Fun). Ninth-grade students from 14 schools obtained an insight into the living spaces and working environments of the future. Companies including LBBW participated in nine workshops as part of the Wissensfabrik network.

In addition, LBBW has been promoting entrepreneurship for the past six years as a partner to the 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 spend the weekend with top managers from the 15 companies that sponsor WECONOMY. LBBW was involved in mentoring with a member of the Board of Managing Directors, heads of division, and other employees.

## Training purposefully

### BW-Bank's school service/partnerships with educational institutions

BW-Bank's school service supports educational institutions in the Stuttgart area with a wide variety of services. In practical dialog with students, for example, Bank employees explain how finance works and what effects it can have on social developments, discuss topical issues with students in class (such as the German banking system, sustainability, statutory and private pensions), explain career paths, and provide job application tips. Internships give students insights into everyday working life at a bank and help them to make the right career choice. Applicant training at middle schools and senior high schools prepares final-year students for entering the workforce.

BW-Bank has an active relationship with around 55 schools. BW-Bank employees teach at these schools on a regular basis, lending their expertise to teachers and pupils alike.

## Opening up new opportunities

### "Anpfiff ins Leben" sports and exercise program

Sports can be the key to achieving sustained positive changes in life. They promote wellbeing and health, self-confidence and team spirit, thus improving social skills in the interest of a responsible approach to living one's own life and society as a whole. We support the non-profit organization "Anpfiff ins Leben", which provides a full range of support for youth sports. The concept combines sports, school, careers, and social issues, thereby enabling participants to create the best possible conditions for a positive personal and professional future. BW-Bank is involved in the careers area as a corporate partner, helping young people with their professional orientation, among other things. In 2019, we again held an "applicants' day" at our branch in Mannheim for around 20 sportspeople as part of the professional orientation camp. The topics covered included aptitude tests and job application documents.

### Senior expert service

An active commitment to integration is the only way to shape the future together. For young refugees in particular, it is vital to quickly learn German and find a training opportunity so that they can find their place in society, both privately and professionally. With this in mind, LBBW funds the integration assistance program of the Senior Expert Service (SES: [www.ses-bonn.de](http://www.ses-bonn.de)) at vocational schools, which is supported by the Baden-Württemberg Ministry of Culture, Youth and Sports. Since fall 2015, the volunteer retired managers have already taken around 3,500 young refugees under their wing as part of 395 school projects throughout Baden-Württemberg, teaching them German and helping them to select a career or find internships and traineeships. This also helps to support teachers.

## LBBW Group donations

Donations are an important part of LBBW's commitment to society. Donations are primarily focused on social, cultural, and scientific projects. 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.

In 2019, the LBBW Group assisted 360 charitable institutions with total donations of around EUR 919,000. As in the previous year, it supported the groundbreaking Streetwork project in the Europaviertel district of Stuttgart, where librarians from the city library and the "Mobile Jugendhilfe Stuttgart" youth organization work together to engage young people in a dialog and facilitate attractive leisure activities. 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.

In summer 2019, LBBW called upon its employees to delete files from their bank computers that are no longer needed. For every gigabyte deleted, one euro was donated to children's hospices at the Bank's five main locations. 18,000 gigabytes of data was deleted as a result of this campaign. LBBW rounded up the amount to EUR 25,000, meaning that each of the hospices in Stuttgart, Karlsruhe, Mannheim, Mainz, and Leipzig received a donation of EUR 5,000.

In addition, LBBW's Christmas donation of EUR 30,000 went to support the participation network of Lebenshilfe Stuttgart e.V., which looks after people with disabilities and their family members. In addition to comprehensive advisory services, the organization puts people in touch with supplementary services and arranges trips and excursions.

In addition, the donations distributed from BW-Bank premium savings accounts ("PS-Sparen") funded grants to 137 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, PS-Sparen accounts raised around EUR 248,000 for charitable projects in the past year.

## **“Rest-Cent” campaign: employee donations by rounding off salaries**

The LBBW Group’s “Rest-Cent” campaign turned five years old in January 2020, with the sixth edition supporting projects by the children’s organization “Kinderlachen e.V.” 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. The Bank also uses its internal media to encourage people to participate in this charitable initiative.

Some 2,300 employees are now taking part, with around EUR 47,000 having been raised since the initiative began (as of December 2019). The contributions for 2019 (around EUR 12,000) were rounded up to EUR 17,000 from the Bank’s central budget and used to support the non-profit organization Herzenswünsche, which fulfills the long-held wishes of seriously ill children and young people.

## **Christmas campaign**

In 2019, LBBW’s local staff councils again decorated the Christmas trees at the company restaurants in Mainz, Karlsruhe, and Stuttgart with little cards containing gift wishes from children of under-privileged families. Each child was invited to wish for a gift worth up to roughly EUR 25. LBBW and BW-Bank employees were invited to pick out card and buy the respective gift. The gifts were collected by the staff councils and handed over to two charities supporting children and young people – ARCHE Karlsruhe and Kinderschutzbund e.V. in Mainz – as well as to refugee families in Stuttgart.

## **Sponsorship**

As a sponsor, we support projects and cultural institutions in the regions in which we operate, with a particular focus on Baden-Württemberg. In addition to musical institutions such as Stuttgart Opera House and Mannheim National Theater, we sponsor sporting events including the renowned Stuttgart German Masters equestrian competition. We are also involved in various community projects, one successful example of which is “Kinderspielstadt Stutengarten” (see page 143).

## Foundation

Since it was established in 1984, the Landesbank Baden-Württemberg Foundation has donated EUR 26 million to nearly 11,100 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 throughout Baden-Württemberg. Additional information, including on the purpose of the foundation and the funding guidelines, can be found at [www.LBBW.de/stiftung](http://www.LBBW.de/stiftung).

In the area of art and culture, the foundation primarily supports music and literature as well as the performing and visual arts. The projects supported in 2019 included "Die Brücke nach Haifa – ein dokumentarisches Licht- und Schattenspiel" (The Bridge to Haifa – A Documentary Light and Shadow Play) by Theater Gobelin at the Sudhaus in Tübingen, the "Gegebenenfalls" (As Applicable) exhibition featuring works by artist Joanna Schulte at the Kunstverein Nürtingen gallery, and the dance theater piece "April 19" at the Südufer theater in Freiburg. The "Lit.Fest Stuttgart 2019" literature festival organized by the "Bühne über Stuttgart" open-air theater association at the Württemberg State Museum and the Haus der Musik at the Fruchtkasten was also supported.

In the field of education, training and continuing education, the foundation helps fund young people's schooling and vocational training and assists with selected training and continuing education projects. In 2019, this included the development of an educational fringe program by students on the "Ex Machina: Leonardo da Vincis Maschinen zwischen Wissenschaft und Kunst" (Ex Machina: Leonardo da Vinci's Machines between Science and Art) exhibition at the Museum of the University of Tübingen, the addiction prevention week for students at the Fanny-Leicht-Gymnasium school in Stuttgart-Vaihingen, and "Aus allem alles machen. Eine Reise durch die Kinder- und Jugendliteratur" (Making Everything from Anything: A Journey through Literature for Children and Young Adults), a project to promote reading at schools in Baden-Württemberg run by the Esslingen-based organization Friedrich-Bödecker-Kreis Baden-Württemberg. As in previous years, we also provided grants for several outstanding dissertations.

In terms of nature and the environment, the foundation participates in projects aimed at protecting nature and preserving domestic flora and fauna. In addition, it funds small-scale research projects relating to protection of the environment and nature, biology and medicine, including alternative medicines. In 2019, the foundation supported the "Wir suchen die Zweifarbefledermaus" ("Looking for the Parti-coloured Bat") species conservation project organized by the conservation association NABU Ostfildern-Nellingen e.V. It also facilitated a degree dissertation entitled "Kaffeesatz als Rohstoff – REMOKKA" (Coffee Grounds as a Resource – REMOKKA) at the product design faculty of the Karlsruhe University of Arts and Design. Thanks to the publications in the "Naturschutz im Kleinen" series, the foundation is raising public awareness of the issue of nature conservation. In the future, the most popular publications will also be made available to read and download on the foundation's website.

## The LBBW collection

With more than 15,000 pieces, LBBW has one of Germany's great corporate collections of modern and contemporary art, including important works by artists such as Otto Dix, Gerhard Richter, Georg Baselitz, Neo Rauch, Andreas Gursky, Rosemarie Trockel, Tobias Rehberger, Daniel Knorr, and Hito Steyerl. The collection provides a pithy overview of key positions of the German art landscape in recent decades, but also includes extensive examples of contemporary international art.

We have intensified our commitment to art since 2018 with acquisitions, arts promotion, and art education events. We are guided in our actions by a board of high-profile advisors who support the development of the collection.

We believe it is our social responsibility to maintain these works of art for the public and make them accessible to as many people as possible. In the "LBBW Otto Dix Room", the Stuttgart Art Museum presents our loans and donations of works by Otto Dix, including the world-famous "The Dancer Anita Berber" (from 1925). Pieces from the LBBW collection are also on display at a number of renowned museums and institutions as part of our partnerships with museums or as loans for temporary exhibitions. Works from the collection are also presented to the public in varying contexts at events such as the "Long Night of Museums 2019" or our presentations at Art Cologne and Art Berlin.

Numerous pieces from our art collection are exhibited at the Group head office in Stuttgart and other LBBW main buildings, allowing employees and visitors to see them up close.

# Environment



## Promoting electric mobility

36 charging points from the innovative charging management system "chargeBIG", two electric charging stations each with two charging points in front of our main entrance, and a total of 32 charging points for e-bikes: At LBBW's head office in Stuttgart, we have significantly expanded the charging infrastructure for electric vehicles in order to make it easier for our employees to switch to electric mobility and to support the City of Stuttgart's target of climate neutrality.

## Bringing the energy transition to life

We have installed five solar benches in districts of Stuttgart in order to make the transition to renewable energy visible and bring it to life for passers-by. Solar cells in the seating surface can charge up to four smartphones simultaneously using green electricity via a USB connector or an induction field. The benches also serve as free wi-fi hotspots. The partners of the pilot project are BW-Bank and Stadtwerke Stuttgart.

## Innovative infrastructure

Efficient charging stations for electric vehicles



## Solar benches

Green electricity for smartphones



# Environment

## Economical, efficient, consistent

**We aim to do business in a way that is eco-friendly and environmentally aware while also conserving resources. Thanks to the digital transformation, technical innovations and systematic savings in our business operations, we are gradually reducing our ecological footprint.**

Ensuring continuing business success also requires sustainable environmental action. This is why we continuously analyze the potential for savings and optimization in our business operations in order to further improve our environmental performance through targeted organizational and technical measures.

All LBBW and BW-Bank buildings are powered solely by hydroelectricity. We have reduced the energy consumption of our building systems and IT hardware in recent years, while telephone and video conferences are used to reduce the number of business trips. By expanding electric mobility and establishing a charging infrastructure at our head office in Stuttgart, we are encouraging our employees to switch to emission-free vehicles. We are continuing to work to improve our energy efficiency and conserve resources in our business activities.

We systematically recycle materials above and beyond traditional waste separation in the office. For example, organic waste from our restaurants is sent to biogas plants.

Our real estate projects are subject to strict ecological criteria in order to ensure residential and commercial developments that are designed to be highly energy-efficient and environmentally friendly. In Konstanz, for example, we are currently constructing a residential neighborhood with an innovative, climate-friendly energy concept. In Esslingen, we are contributing to sustainable urban development by constructing a complex of buildings at the main railway station with low emissions and the greatest possible resource efficiency.

As part of our continuous commitment to the preservation of biological diversity, the LBBW Foundation supports projects aimed at protecting nature and preserving domestic flora and fauna, for example. Meanwhile, biodiversity criteria are an established standard in our financing review process.

Although we have already leveraged a great deal of the potential for optimization in many areas, our environmental performance statement, which we use to document our ecological progress every year, showed further improvements in many areas in 2019. Once again, many of our employees made a vital contribution through their eco-friendly, environmentally aware actions, suggestions for improvements and, not least, the work they put in themselves such as looking after the bee colonies on the roof of LBBW's "Am Hauptbahnhof" building.

## Environmental performance and consumption of resources

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<sub>2</sub> conversion factors according to VfU indicators (2018 update, version 1.3)

	Update 2018
Electricity (hydroelectric)	<b>0.0093 kg/kWh</b>
District heating	<b>0.2139 kg/kWh</b>
Train travel	<b>0.0491 kg/km</b>
Road travel	
direct (Scope 1)	<b>0.3300 kg/km</b>
indirect (Scope 3)	<b>0.3186 kg/km</b>
Short-haul flights (business)	<b>0.2115 kg/km</b>
Long-haul flights <sup>1</sup> (business)	<b>0.1899 kg/km</b>
Paper	
Virgin paper (chlorine-bleached)	<b>1.0950 kg/kg</b>
Virgin paper, elemental chlorine free (ECF) and totally chlorine free (TCF)	<b>1.0950 kg/kg</b>
Recycled paper (post-consumer)	<b>1.0820 kg/kg</b>
Drinking water	<b>0.6631 kg/m<sup>3</sup></b>
Waste (incinerated)	<b>0.5200 kg/kg</b>
Waste (landfill)	<b>0.6180 kg/kg</b>
Waste (recycled)	<b>0 kg/kg</b>

<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.

## Environmental performance and consumption of resources

LBBW (Bank) incl. BW-Bank, Gastro Event GmbH, LBBW Immobilien Management GmbH, LBBW Corporate Real Estate Management GmbH (formerly BW-Immobilien GmbH), and LBBW Asset Management Investmentgesellschaft mbH.

Positions	2019	2018	2017	2016	2015
<b>Input</b>					
Energy (in kWh)	<b>113,723,834</b>	106,431,710	113,637,191	114,417,258	115,604,365
thereof: electricity	<b>62,977,496</b>	66,006,055	70,831,819	73,108,602	75,191,017
thereof: from renewable energy sources (in %)	<b>100</b>	100	100	100	100
thereof: electricity consumption – building operation	<b>50,345,079</b>	51,884,377	55,146,727	56,733,103	58,481,020
thereof: electricity consumption – data centers, including cooling	<b>12,632,417</b>	14,121,678	15,685,092	16,375,499	16,709,997
thereof: heating energy (district heating), not adjusted for weather	<b>41,145,788</b>	32,013,839	36,961,615	33,517,186	33,658,987
thereof: heating energy (district heating), adjusted for weather	<b>50,746,338</b>	40,425,655	42,805,372	41,308,656	40,413,348
Water <sup>1</sup> (m³)	<b>238,338</b>	247,116	279,100	291,302	312,539
Office paper <sup>2</sup> (sheets)	<b>104,675,953</b>	165,963,688	156,242,425	125,629,542	114,064,910
thereof: copy paper (in kg)	<b>246,206</b>	318,065	353,823	455,618	468,371
Printed advertising matter (in kg)	<b>233,604</b>	205,329	263,561	258,331	271,031
Transportation (in km)	<b>25,475,023</b>	26,184,164	27,435,384	27,216,449	29,672,497
thereof: by train	<b>9,299,755</b>	9,364,511	9,419,041	9,826,319	10,238,951
thereof: by car	<b>9,682,264</b>	10,185,188	10,630,953	11,748,188	12,452,313
thereof: by plane	<b>6,493,004</b>	6,634,465	7,385,390	5,641,942	6,981,233
<b>Output</b>					
Waste (in kg)	<b>1,941,123</b>	1,780,769	1,946,324	2,061,396	2,133,130
thereof: paper	<b>810,255</b>	<b>760,157</b>	927,003	1,053,392	1,026,093
thereof: waste recycled	<b>1,301,659</b>	1,219,646	1,455,263	1,482,766	1,484,011
thereof: hazardous waste <sup>3</sup>	<b>12,735</b>	<b>10,301</b>	15,913	6,387	2,437
Emissions (in kg)					
CO <sub>2</sub> equivalents	<b>15,372,000</b>	13,646,941	13,774,216	13,351,148	13,843,444
SO <sub>2</sub>	<b>15,678</b>	14,579	16,245	14,123	15,117
NO <sub>x</sub>	<b>41,575</b>	37,219	41,568	37,471	38,985
PM	<b>2,200</b>	2,191	2,390	2,425	2,514

1 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.

2 The figures for office paper consumption in 2017 and 2018 were incorrectly shown as too high due to double counting.

3 Unlike in previous years, some electronic waste has been classified as hazardous waste since 2016 because it could contain lithium batteries.

The heat pump at the “Am Hauptbahnhof” building was decommissioned in March 2019 and did not resume operation until December. This downtime was necessary in order to integrate the heat pump into the central building's new cooling system. The heat pump recovers thermal energy from the data center and feeds it back into the central building as heating energy. The lack of heat recovery during the downtime was offset by drawing additional heating energy from the district heating grid, leading to a significant increase in the level of heating energy usage.

Positions	2019	2018	2017	2016	2015
Employees (FTEs) <sup>1</sup>	8,493	8,514	8,796	9,233	9,502
Area (in m <sup>2</sup> )	375,901	382,117	393,742	376,088	392,116
Area per employee <sup>2</sup> (m <sup>2</sup> )	44	45	45	41	41

1 FTEs = Number of full-time employees and part-time employees expressed as full-time employees.

2 Area per employee also includes service, utility and infrastructure areas such as corridors, reception and entry areas, data centers, training, conference and meeting rooms, kitchenettes and restaurants.

Some of the services of the LBBW data center were outsourced in October 2015 and since then have been provided by the Finanz Informatik Technologie Service GmbH & Co. KG (FI-TS) data center in Nuremberg. In 2019 the electricity usage of the Nuremberg data center attributable to LBBW amounted to around 141,000 kWh (estimate).

## Sealed surfaces at the validated locations in 2019

Location	Sealed surface	Share of total floor area of location
Stuttgart		
Am Hauptbahnhof	33,189 m <sup>2</sup>	38.5 %
Pariser Platz	14,028 m <sup>2</sup>	26.6 %
Königstrasse	4,761 m <sup>2</sup>	39.5 %
Bollwerk	7,195 m <sup>2</sup>	30.0 %
Kleiner Schlossplatz	3,000 m <sup>2</sup>	19.0 %
Mannheim	9,798 m <sup>2</sup>	57.8 %

## Key figures

LBBW (Bank) incl. BW-Bank, Gastro Event GmbH, LBBW Immobilien Management GmbH, LBBW Corporate Real Estate Management GmbH, and LBBW Asset Management Investmentgesellschaft mbH.

	2019	2018	2017	2016	2015
<b>Energy efficiency</b>					
Electricity consumption incl. data centers (in kWh/m <sup>2</sup> )	168	173	180	194	192
Electricity consumption excl. data centers (in kWh/m <sup>2</sup> )	134	136	140	152	149
Electricity consumption (in kWh/employee)	7,416	7,753	8,052	7,918	7,913
Heating energy usage, not adjusted for weather (in kWh/m <sup>2</sup> )	109	84	94	89	86
Heating energy usage, adjusted for weather (in kWh/m <sup>2</sup> )	135	106	109	110	103
Heating energy usage, not adjusted for weather (in kWh/employee)	4,845	3,760	4,202	3,630	3,542
Heating energy usage in adjusted for weather (in kWh/employee)	5,975	4,748	4,866	4,474	4,253
<b>Water</b>					
Water usage (in liters/employee/day)	112	116	127	126	132
Ratio of input (drinking water)/output (wastewater)	1	1	1	1	1
<b>Materials efficiency</b>					
Paper usage (in sheets/employee)	12,326	19,494	17,762	13,607	12,004
Copy paper (in kg/employee)	29	37	40	49	49
Printed advertising matter (in kg/employee)	28	24	30	28	29
Ratio of input (copy paper, printed advertising matter)/output paper	0.6	0.7	0.7	0.7	0.7
Share recycled					
Copy paper (in%)	77	78	76	81	84
Printed advertising matter (in%)	6	6	24	11	12
<b>Business travel</b>					
Business travel (in km/employee)	3,000	3,076	3,119	2,948	3,123
<b>Waste</b>					
Waste volume (in kg/employee)	229	209	221	223	224
<b>Emissions</b>					
CO <sub>2</sub> emissions from electricity, heating (in kg/employee)	1,105	876	893	781	764
CO <sub>2</sub> emissions from travel <sup>1</sup> (in kg/employee)	577	598	539	520	543

<sup>1</sup> The VfU conversion factor for air travel increased in the course of the 2018 update. A higher conversion factor was also applied for rail travel for 2018. Accordingly, the figures for CO<sub>2</sub> emissions from travel also increased in 2018.

## CO<sub>2</sub> emissions



Carbon dioxide (CO<sub>2</sub>) is the only greenhouse gas produced at LBBW in relevant quantities. We are working to continually reduce our carbon footprint. All of LBBW and BW-Bank's office buildings have been supplied with hydroelectricity since 2009. This resulted in savings of over 50% in absolute CO<sub>2</sub> emissions in 2009 compared with the previous year. In addition, CO<sub>2</sub> emissions were cut by over 25% between 2009 and 2018 thanks to technical and organizational optimization.

The level of CO<sub>2</sub> emissions increased in 2019. Among other things, this was because the heat pump at the "Am Hauptbahnhof" building was decommissioned in March 2019 and did not resume operation until December 2019. This downtime was necessary in order to integrate the heat pump into the central building's new cooling system. The heat pump recovers thermal energy from the data center and feeds it back into the central building as heating energy. The lack of heat recovery during the downtime was offset by drawing additional heating energy from the district heating grid, leading to a significant increase in the amount of heating energy consumed and hence to a sharp rise in CO<sub>2</sub> emissions.

We currently expect to achieve our CO<sub>2</sub> target for 2020 (minus 25% in terms of absolute CO<sub>2</sub> emissions compared with 2009) and are continuously working to further reduce CO<sub>2</sub> emissions through technical and organizational optimization.

## CO<sub>2</sub> equivalents

LBBW (Bank) incl. BW-Bank, Gastro Event GmbH, LBBW Immobilien Management GmbH, LBBW Corporate Real Estate Management GmbH, and LBBW Asset Management Investmentgesellschaft mbH.

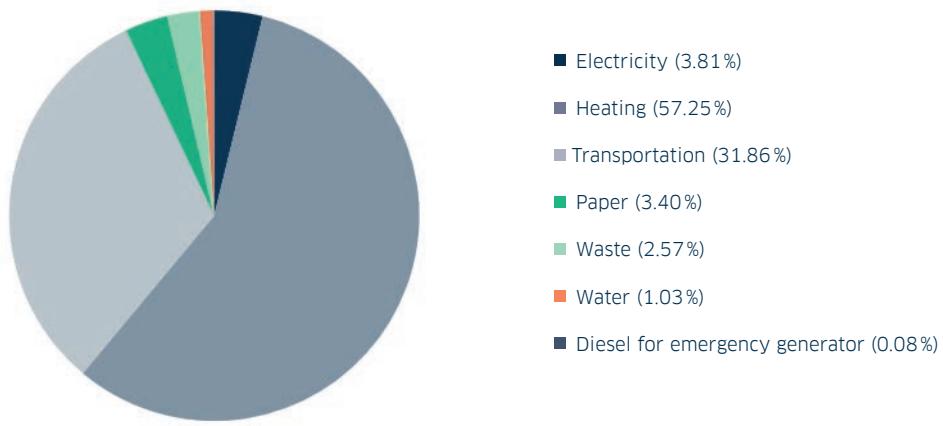
	Absolute figures (in kg)	Percentage change compared with base year 2009	Relative figures (per employee)
2009	18,347,711		1,798
...			
2015	13,843,444	- 24.5 %	1,457
2016	13,351,148	- 27.2 %	1,446
2017	13,774,216	- 24.9 %	1,566
2018	13,646,941	- 25.6 %	1,602
2019	15,372,000	- 16.2 %	1,806

### CO<sub>2</sub> emissions in absolute figures and relative figures per employee



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### CO<sub>2</sub> emissions in 2019 – 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<sub>2</sub> emissions accounted for by electricity at LBBW is therefore relatively low.

## Categorization of sources of emissions in accordance with the greenhouse gas (GHG) protocol (2019 data)

Scope	Source of emissions <sup>1</sup>	Total <sup>1</sup>
Scope 1		1,735,830 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.	Diesel for emergency generator at Pariser Platz and Bollwerk: 11,907 kg CO <sub>2</sub>  Own vehicles (fleet, department, company, and service vehicles): 1,723,923 kg CO <sub>2</sub>	
Scope 2		9,386,775 kg CO <sub>2</sub>
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.	Electricity: 585,691 kg CO <sub>2</sub>  Heating/district heating: 8,801,084 kg CO <sub>2</sub>	
Scope 3		4,249,395 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.	Car (rental cars, taxis, and LBBW employees' private cars): 1,420,400 kg CO <sub>2</sub>  Rail: 456,618 kg CO <sub>2</sub>  Air: 1,296,404 kg CO <sub>2</sub>  Water: 158,042 kg CO <sub>2</sub>  Copy paper: 267,131 kg CO <sub>2</sub>  Printed advertising matter: 255,611 kg CO <sub>2</sub>  Waste: 395,189 kg CO <sub>2</sub>	
"Emissions from investments" are also relevant for the financial segment.		See "Customers" (page 110).

<sup>1</sup> Conversion factors according to VfU indicators (2018 update, version 1.3).

## Air pollutants<sup>1</sup>

<b>2018</b>	<b>km</b>	<b>SO<sub>2</sub> (in kg)</b>	<b>NO<sub>x</sub> (in kg)</b>	<b>Dust (in kg)</b>
Business travel by car (gasoline)	3,361,660	562	1,944	64
Business travel by car (diesel)	6,823,528	1,541	3,120	497
Business travel by train	9,364,511	1,095	1,251	96
Business travel by plane (short-distances)	3,013,388	3,087	4,698	62
Business travel by plane (long-distances)	3,621,077	2,469	3,173	48
	<b>kWh</b>	<b>SO<sub>2</sub> (in kg)</b>	<b>NO<sub>x</sub> (in kg)</b>	<b>Dust (in kg)</b>
Electricity	66,006,055	915	5,522	1,036
Heating energy	32,013,839	4,910	17,510	388
<b>Total air pollutants (kg)</b>		<b>14,579</b>	<b>37,219</b>	<b>2,191</b>
Air pollutants (kg/employee)		1.71	4.37	0.26
<b>2019</b>	<b>km</b>	<b>SO<sub>2</sub> (in kg)</b>	<b>NO<sub>x</sub> (in kg)</b>	<b>Dust (in kg)</b>
Business travel by car (gasoline)	3,622,067	606	2,094	69
Business travel by car (diesel)	6,060,197	1,369	2,771	441
Business travel by train	9,299,755	1,088	1,242	96
Business travel by plane (short-distances)	2,934,360	3,006	4,575	60
Business travel by plane (long-distances)	3,558,644	2,426	3,119	47
	<b>kWh</b>	<b>SO<sub>2</sub> (in kg)</b>	<b>NO<sub>x</sub> (in kg)</b>	<b>Dust (in kg)</b>
Electricity	62,977,496	873	5,268	989
Heating energy	41,145,788	6,311	22,505	499
<b>Total air pollutants (kg)</b>		<b>15,678</b>	<b>41,575</b>	<b>2,200</b>
Air pollutants (kg/employee)		1.85	4.90	0.26

<sup>1</sup> Conversion factors in accordance with GEMIS 2004.

LBBW's cooling systems are checked regularly for leaks. Among the EMAS-certified locations, the buildings Am Hauptbahnhof 2, Pariser Platz and Kleiner Schlossplatz 11 experienced coolant losses of 26 kg, 180 kg and 31 kg respectively in 2019. This primarily related to the coolant R134a. The leakages were fixed and the systems filled accordingly.

## Energy used in facility management



LBBW's annual energy bill totals approximately EUR 11.7 million for electricity and EUR 4 million for heating. Cutting back on these expenses holds not only enormous environmental potential but also financial potential.

Our central buildings are responsible for the majority of LBBW's total energy usage. In terms of identifying savings potential and introducing energy efficiency measures, we therefore concentrate primarily on these buildings.

In general, when refurbishing or replacing systems, we take care to use efficient processes and equipment or components.

Electricity usage in absolute figures (kWh per building)	2019	2018	2017	2016	2015
Karlsruhe	<b>948,486</b>	1,025,015	989,608	1,044,143	1,083,611
Leipzig <sup>1, 2</sup>	<b>453,982</b>	431,086	620,294	419,677	1,172,712
Mainz	<b>2,613,417</b>	2,762,304	2,734,142	2,803,235	2,841,525
Mannheim	<b>1,543,285</b>	1,459,320	1,461,222	1,487,039	2,051,670
<b>Stuttgart</b>					
Am Hauptbahnhof	<b>22,469,281</b>	26,042,487	29,787,577	29,799,688	31,836,522
thereof: building operations	<b>16,281,669</b>	18,819,499	21,779,776	21,325,943	22,792,418
thereof: data center	<b>6,187,612</b>	7,222,988	8,007,801	8,473,745	9,044,104
Pariser Platz <sup>3</sup>	<b>6,792,779</b>	7,208,558	6,732,630	6,858,431	7,218,457
Königstrasse	<b>4,016,980</b>	4,197,068	3,957,425	4,551,335	4,381,889
Kronprinzstrasse 8 <sup>4</sup>	-	-	-	-	-
Bollwerk <sup>3</sup>	<b>11,555,950</b>	11,474,829	11,688,896	11,716,050	11,733,954
thereof: building operations	<b>5,111,145</b>	4,576,139	4,011,605	3,814,296	4,068,061
thereof: data center	<b>6,444,805</b>	6,898,690	7,677,291	7,901,754	7,665,893
Kleiner Schlossplatz	<b>3,381,586</b>	3,409,606	3,588,904	3,447,867	3,431,498
Branches and other administrative buildings	<b>9,201,750</b>	7,995,782	9,271,121	10,981,137	9,439,179
<b>Total</b>	<b>62,977,496</b>	<b>66,006,055</b>	<b>70,831,819</b>	<b>73,108,602</b>	<b>75,191,017</b>

<sup>1</sup> The employees in Leipzig moved to a different building in 2016, meaning that space is no longer used.

<sup>2</sup> The building in Leipzig was partially converted in 2018, leading to reduced usage.

<sup>3</sup> The emergency generators at the Pariser Platz and Bollwerk buildings are tested monthly. Usage amounts to around 3,500 liters of diesel per year.

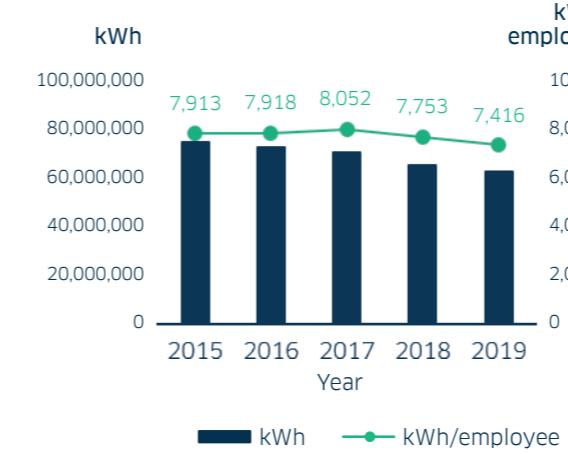
<sup>4</sup> As only a small part of the building in Kronprinzstrasse 8 is in use, the consumption figures have been allocated to branches and other administrative buildings since 2014.

Electricity usage in relative figures (kWh/m <sup>2</sup> per building)	2019		2018		2017		2016		2015	
	Incl. data centers <sup>1</sup>	Excl. data centers								
Karlsruhe	-	55	-	60	-	58	-	61	-	69
Leipzig	-	92	-	87	-	125	-	85	-	101
Mainz	-	84	-	89	-	88	-	165	-	84
Mannheim	-	91	-	86	-	86	-	88	-	121
<b>Stuttgart</b>										
Am Hauptbahnhof	262	192	302	223	337	252	337	246	360	258
Pariser Platz	-	129	-	136	-	127	-	130	-	137
Königstrasse	-	333	-	348	-	328	-	377	-	369
Kronprinzstrasse 8 <sup>2</sup>	-	-	-	-	-	-	-	-	-	-
Bollwerk	482	233	478	208	487	175	488	166	489	170
Kleiner Schlossplatz	-	214	-	216	-	227	-	218	-	217
Branches and other administrative buildings	-	80	-	-	-	71	-	86	-	78
<b>Weighted average</b>	<b>168</b>	<b>134</b>	<b>173</b>	<b>136</b>	<b>180</b>	<b>140</b>	<b>194</b>	<b>152</b>	<b>192</b>	<b>149</b>

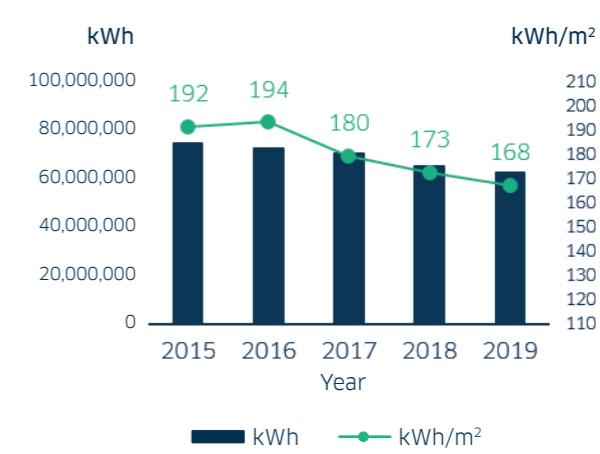
1 The data centers are located in the Am Hauptbahnhof and Bollwerk buildings.

2 As only a small part of the building in Kronprinzstrasse 8 is in use, the consumption figures have been allocated to branches and other administrative buildings since 2014.

### Electricity usage in absolute figures and relative figures (per employee)



### Electricity usage in absolute figures and relative figures (per m<sup>2</sup>)



Heating energy usage in absolute figures (kWh per building) <sup>1</sup>	2019		2018		2017		2016		2015	
	Usage	Adjusted for weather								
Karlsruhe	583,190	758,147	639,720	863,622	624,050	767,582	624,050	836,227	576,850	732,600
Leipzig	446,857	527,291	566,679	668,680	540,875	600,371	517,617	615,964	861,388	973,368
Mainz	3,918,960	5,094,648	3,898,250	5,145,689	3,468,427	4,266,165	1,612,015	2,031,139	3,227,979	4,067,253
Mannheim	1,288,188	1,687,526	1,663,870	2,246,224	1,663,869	2,063,198	1,445,153	1,835,345	1,414,855	1,796,866
<b>Stuttgart</b>										
Am Hauptbahnhof	11,493,476	14,251,910	5,816,403	7,386,831	6,200,840	7,254,983	6,370,449	8,026,766	5,199,617	6,343,533
Pariser Platz <sup>2</sup>	5,113,380	6,340,591	3,581,130	4,548,035	4,873,630	5,702,147	4,480,826	5,645,841	4,680,610	5,710,344
Königstrasse	2,108,737	2,614,833	1,551,721	1,970,685	1,924,930	2,252,168	1,793,460	2,259,760	1,993,834	2,432,477
Kronprinzstrasse 8 <sup>3</sup>	-	-	-	-	-	-	-	-	-	-
Bollwerk	2,648,436	3,257,575	2,150,370	2,709,466	2,905,314	3,370,164	2,539,694	3,174,618	2,654,583	3,212,046
Kleiner Schlossplatz	2,395,267	2,970,131	1,898,769	2,411,436	1,969,777	2,304,639	1,923,384	2,423,464	1,710,847	2,087,233
Branches and other administrative buildings	11,149,297	13,243,686	10,246,926	12,474,987	12,789,903	14,223,955	12,210,538	14,459,532	11,338,424	13,057,628
<b>Total</b>	<b>41,145,791</b>	<b>50,746,341</b>	<b>32,013,838</b>	<b>40,425,655</b>	<b>36,961,615</b>	<b>42,805,372</b>	<b>33,517,186</b>	<b>41,308,656</b>	<b>33,658,987</b>	<b>40,413,348</b>

1 LBBW's central buildings are supplied with district heating.

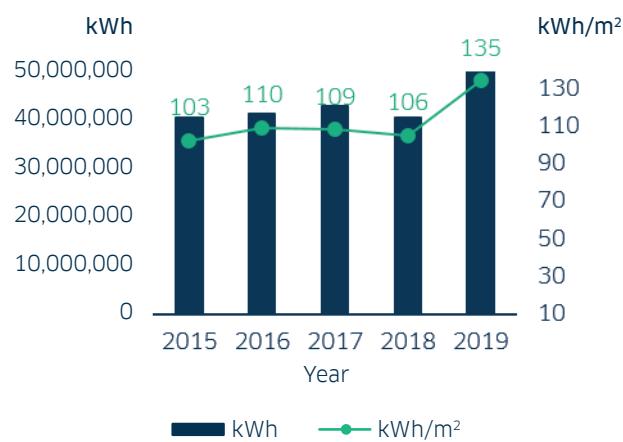
2 The increase in heating energy was due to the heat pump being shut down.

3 As only a small part of the building in Kronprinzstrasse 8 is in use, the consumption figures have been allocated to branches and other administrative buildings since 2014.

Heating energy usage in relative figures (kWh/m <sup>2</sup> per building)	2019		2018		2017		2016		2015	
	Usage	Adjusted for weather	Usage	Adjusted for weather	Usage	Adjusted for weather	Usage	Adjusted for weather	Usage	Adjusted for weather
Karlsruhe	34	44	37	51	36	45	36	49	37	47
Leipzig	90	106	114	135	109	121	104	124	74	84
Mainz	126	163	126	166	112	137	95	120	95	120
Mannheim	76	99	98	132	98	122	85	108	83	106
<b>Stuttgart</b>										
Am Hauptbahnhof	134	166	68	86	70	82	72	91	59	72
Pariser Platz	97	120	68	86	92	108	85	107	89	108
Königstrasse	175	217	129	163	160	187	149	187	168	205
Kronprinzstrasse 8 <sup>1</sup>	-	-	-	-	-	-	-	-	-	<sup>1</sup>
Bollwerk	110	136	90	113	121	141	106	132	111	134
Kleiner Schlossplatz	151	188	120	152	125	146	122	153	108	132
Branches and other administrative buildings	97	115	85	103	98	109	96	114	94	108
<b>Weighted average</b>	<b>109</b>	<b>135</b>	<b>84</b>	<b>106</b>	<b>94</b>	<b>109</b>	<b>89</b>	<b>110</b>	<b>86</b>	<b>103</b>

<sup>1</sup> As only a small part of the building in Kronprinzstrasse 8 is in use, the consumption figures have been allocated to branches and other administrative buildings since 2014.

## Heating energy usage in absolute figures and relative figures per m<sup>2</sup>



## IT energy usage



The following projects to reduce energy usage were among those continued or started in 2019:

- System deactivation: Identifying systems that are no longer used or whose functions are no longer required and determining whether systems can be migrated to another system. Deactivation of unused, unneeded, and successfully migrated systems.
- Data center consolidation: Consolidation from three to two data centers accompanied by a significant increase in server virtualization (23%)
- Quicker provisioning concepts for systems: Provisioning currently takes several months, meaning that test systems often continue to run without interruption, for example. Quicker provisioning reduces the duration of the test phase, and hence energy consumption.
- Printer consolidation: printer consolidation and removal of printers that are no longer required

## Results of the energy audit



The initial audit in accordance with the German Act On Energy Services and Other Energy Efficiency Measures (EDL-G) was conducted in 2015/16. Measures were implemented and planned as a result. Examples include the renovation of the ventilation control system at the Am Hauptbahnhof 2 building in Stuttgart, planning work for the introduction of energy data management, and a reduction in the number of printers and faxes at all locations.

As part of the 2019 energy audit in accordance with DIN EN 16247-1, the following areas with the potential for energy savings were identified at the locations audited:

- Ventilation systems
- Water heating
- Cooling
- Heat consumers
- Lighting
- IT
- Building shell
- Energy data management

The following conclusions were drawn:

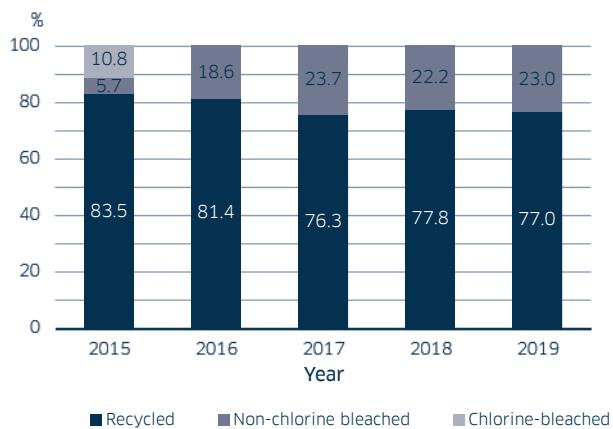
- The analysis of load profile data identified the need to re-examine the system controls and, where applicable, the shutdown of IT devices at some locations.
- In addition to the technical measures, employees should be informed about the ways in which they can positively influence energy consumption regularly and to a greater extent.
- Furthermore, it transpired that there was potential for improvement in the areas of organization and data collection and analysis. One objective in this area should be to expand and systematically track continuous monitoring via KPIs and consumption data, as this is the only way to ensure that deviations and faults during the year are identified in a timely manner so that they can be resolved.

## 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. In accordance with the "Sustainable Procurement and Contract Award" work instruction, 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.

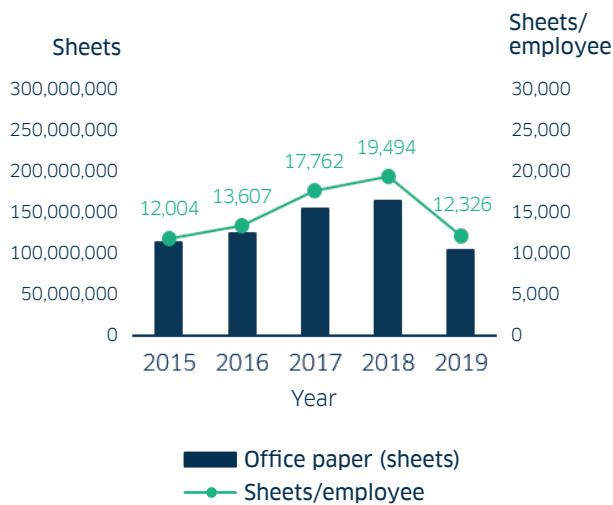
Since 2017, LBBW has taken part in the "CEOs bekennen Farbe" (CEOs Show Their Colors) resource protection campaign run by Initiative Pro Recyclingpapier. The public statement by the Chairman of LBBW's Board of Managing Directors is also intended to encourage other companies to switch to Blue Angel-certified 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. In 2019, the share of recycled copy paper used was around 77% (previous year: approx. 78%).

### Recycling rate for copy paper



We are also working continuously to reduce our paper consumption. To date, many of our employees have printed out mails and faxes in connection with customer business or orders and scanned them together with the letters when archiving correspondence after processing is complete. To save paper and time, we are introducing the document management system Doxis4 as part of our digitalization strategy. This allows documents to be forwarded electronically and processed digitally. The pilot project began in November 2018 and the Bank Services division has since been switched over completely. The roll-out to additional departments and divisions of the Bank is in progress. The paperless processes enable processing from any location with a high degree of process security, while also reducing the processing time and increasing customer satisfaction.

### Office paper in absolute figures and relative figures (per employee)



Since 1 September 2013, office paper has been purchased to some extent by the IT service provider Finanz Informatik Technologie Service (FI-TS) rather than by LBBW itself. This paper usage was not included in the LBBW environmental performance statement in 2013, 2014, and 2015. From 2016 onward, the environmental performance statement also contains the paper usage of FI-TS.

### Printed advertising matter in absolute figures and relative figures (per employee)



## Transportation



Banking is essentially a personal business that is based on direct contact between people. This is why our employees are often on the road, developing optimal solutions in dialog with customers on site or working with colleagues from other offices. Trips to seminars and conferences as well as between LBBW's various buildings are also considered business travel.

When choosing a mode of transportation, and planning and taking trips, environmental issues are considered along with financial concerns. LBBW's travel rules require that public transportation (Deutsche Bahn, local public transportation) be given precedence over travel by air, car, or taxi. Before planning a business trip, employees must also determine whether the purpose of the trip can also be achieved using telephone or video conferencing. Since 2019, the video concierge service, which provides expert personal advice on planning and conducting video conferences, has been available to all employees regardless of location or the device used.

### Business travel in absolute figures and relative figures (per employee)



In absolute terms, the number of kilometers traveled for business purposes declined by almost 3% year-on-year (2019: 25,475,023 km; previous year: 26,184,164 km). An average of 3,000 km was traveled per employee (previous year: 3,076 km)<sup>1</sup>.

### Kilometers traveled by form of transportation



The breakdown by form of transportation has been relatively stable for a number of years. Car travel accounts for the largest proportion of kilometers traveled for business purposes at 38.0%, followed by rail at 36.5%.

The total number of service, company, departmental, and pool vehicles was 467 at the end of 2019 (previous year: 517). 26 vehicles had an electric or hybrid drive (previous year: 11). The annual transportation data collected also includes trips taken with privately owned cars (2019: 3.2 million km) and rental cars (2019: 0.6 million km).

Since the second quarter of 2019, replacement pool and departmental vehicles (including branch pools) have been switched solely to plug-in hybrid or electric vehicles.

We are also able to report the amount of fuel actually used for the kilometers driven in the company and service vehicle categories:

Usage (in liters)	Diesel		Gasoline	
	2019	2018	2019	2018
Company vehicles	248,920	288,886	101,587	101,006
Service vehicles	350,232	380,533	92,264	84,290
<b>Total</b>	<b>599,152</b>	<b>669,419</b>	<b>193,851</b>	<b>185,296</b>

Since 2013, all bahn.business customers, including LBBW employees, have been using 100% green electricity for their Deutsche Bahn (DB) long-distance trips. DB local transportation has also been carbon-neutral since 2020.

In July 2015, we introduced an incentive system (bonus/penalty) for company cars, i.e. all vehicles provided by LBBW for managers to use, in order to promote models that generate low CO<sub>2</sub> emissions. Since the thresholds were introduced, the average emissions of our fleet (company cars and pool vehicles) have fallen to 126 g/km CO<sub>2</sub> (as of December 2019; previous year: 132 g/km). The average CO<sub>2</sub> emissions for the fleet of pool vehicles (48 vehicles) were 91 g/km (as of December 2019).

## Commuter tickets and passes

Since personal and business travel habits are usually very similar, we also inform employees about options for making their commutes more environmentally friendly. These mainly include the variety of commuter tickets and passes offered by the public transportation systems in cities such as Stuttgart, Mannheim, and Mainz, as well as the annual DB Job-Ticket pass from Deutsche Bahn. For business travel on Deutsche Bahn trains, we also use weekly and monthly passes when necessary. The bonus points collected by using the BahnCard Business for business travel and the frequent-flier miles accumulated on flights can be used for free business travel or donated.

## Sharing concepts

We have established car-sharing – including for electric cars – as part of the mobility mix at LBBW with Share Now (formerly car2go) and are continuing to expand the availability of sharing concepts at our locations. Since April 2019, BW-Bank has been a cooperation partner of *stella* sharing, Stadtwerke Stuttgart's electric scooter rental system. Our employees can rent the electric scooters (which bear the BW-Bank logo) for business and personal use at preferential conditions.

All customers of LBBW with a "BW extend" value-added account receive discounts when using various sharing providers. Nearly all LBBW employees have this type of account and can therefore also benefit from these discounts. Combining train travel with vehicle sharing allows road mileage to be shifted to rail.

## Charging infrastructure

In 2019, we established a state-of-the-art charging infrastructure for electric vehicles at LBBW's location near Stuttgart central station. 36 charging points from the innovative charging management system "chargeBIG" were installed in the underground car parks and are now available to LBBW employees as well as guests of the Bank. chargeBIG is a start-up of Mahle, which (like LBBW) is a partner of the Stuttgart Clean Air Alliance (see page 53). The new system prioritizes efficiency over speed, with centralized load management distributing the electricity intelligently to as many participants as possible. This makes it particularly suited for parking areas where electric vehicles are parked for longer periods of time. The system is freely expandable.  
See also <https://www.chargebig.com/home/advantages/>.

We have also commissioned two electric charging stations each with two charging points in front of the main entrance to LBBW's head office.

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. An additional 20 charging stations were installed in February 2020 and can be signed up for by e-bike users. Several employees sharing one of these free charging stations is also a possibility.

With the establishment of a charging infrastructure, LBBW is making it easier for its employees to switch to electric vehicles and making a contribution to the target of carbon neutrality as adopted by the City of Stuttgart.

## 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. A box for scrap paper is set out at each workplace. Step trash cans are located centrally for organic waste, packaging, and unrecyclable waste. The separate collection ratio in 2019 was approximately 79%.

Waste volume (in kg)	2019	2018	2017
<b>Non-hazardous</b>			
Regular paper (15 01 01N)	198,674	198,789	324,088
Security paper (15 01 01S)	611,581	561,368	602,915
Paper, total	810,255	760,157	927,003
Glass (20 01 02)	2,596	4,740	4,107
Metal (15 01 04)	31,105	20,280	32,960
Plastic (15 01 02)	115	115	175
Wood (17 02 01)	70,820	62,130	93,466
Compostable waste (20 02 01)	203,848	162,564	188,877
Organic kitchen waste (20 01 08)	181,620	208,530	207,910
Edible oils/fats (20 01 25)	1,300	1,130	765
Electronic scrap (16 02 14)	-	7,769	1,139
Mixed materials (15 01 06)1	7,586	7,247	10,389
Non-recyclable waste (20 03 01)	325,301	332,836	301,343
Security plastics (15 01 02S)	3,042	3,420	2,006
Sludges/grease separators (02 02 04)	290,800	199,550	160,271
<b>Sub-total non-hazardous materials</b>	<b>1,928,388</b>	<b>1,770,468</b>	<b>1,930,411</b>
<b>Hazardous waste<sup>2</sup></b>			
Other hazardous waste	1,924	705	-
Lead batteries (16 06 01)	-	-	-
Insulation materials (17 06 03)	35	482	1,005
Fluorescent tubes (20 01 21)	-	-	16
Solids from oil/water separators (13 05 01)	-	-	-
Monitors, battery-operated devices (16 02 13)	110	30	92
Electronic scrap (20 01 35) <sup>3</sup>	10,666	8,932	14,800
Gear and lubricating oils	-	152	-
<b>Sub-total hazardous waste</b>	<b>12,735</b>	<b>10,301</b>	<b>2,437</b>
<b>Total</b>	<b>1,941,123</b>	<b>1,780,769</b>	<b>1,946,324</b>
<b>Waste recycled</b>	<b>1,301,659</b>	<b>1,219,646</b>	<b>1,455,263</b>

1 Mixed materials mainly comprise packaging material.

2 Hazardous and unrecyclable waste is processed or disposed of at German facilities. This waste is not transported outside Germany.

3 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)	2019	2018	2017	2016	2015
Stuttgart					
Am Hauptbahnhof	469,343	418,246	740,759	721,667	676,577
Pariser Platz	239,373	206,637	447,378	268,400	418,190
Bollwerk	73,693	60,157	55,343	81,826	76,358
Königstrasse	32,744	36,304	22,740	36,148	30,051
Kleiner Schlossplatz, incl. Kronprinzstrasse	85,384	177,912	160,981	159,219	174,812
Mannheim	26,032	31,741	55,864	105,220	56,424

### Waste volume in absolute figures and relative figures (per employee)



## Water

**Water consumption in absolute figures and relative figures  
(per employee per 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.

In 2019, water consumption declined by 3.6% in absolute terms and by 3.4% per employee.

## Biodiversity

Pollution of the environment, soil surface sealing, and the unbridled extraction of natural resources are endangering the biological diversity of our planet. The speed with which plant and animal species are becoming extinct across the globe has never been as fast as today. Ecosystems are becoming unbalanced, and biodiversity is endangered worldwide.

Companies are called to take notice of the effects of their business activities on local and global biodiversity and to contribute to their preservation. The destruction of ecosystems has economic consequences as well as environmental effects.

The preservation of biological diversity is part of our aim to contribute to sustainable and balanced economic, environmental, and social development.

We promote biodiversity with 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.
- Two bee colonies were placed on the roof of LBBW's head office near Stuttgart central station in 2018, with around 40 LBBW volunteers looking after the bees. They were taught about species-appropriate and sustainable beekeeping by the Demeter-certified apiary "Summtgart" ([www.summtgart.de](http://www.summtgart.de)). Being able to harvest honey was a pleasant bonus for the team in the second year of the project.
- 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.
- Since fall 2016 there has been a nesting box at LBBW's "Pariser Platz" high-rise building in Stuttgart for peregrine falcons, which are rare in this region. Two young kestrels already flew out of the nesting box in July 2018, and the breeding season again proved successful in 2019. This gives rise to hopes that peregrine falcons will nest there in the future, as they have been known to be preceded by kestrels.

## Activities of the LBBW Immobilien 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 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 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 40 different criteria measuring environmental, economic, socio-cultural, functional, technical, and process quality.

LBBW Immobilien Development GmbH is currently involved in the following projects, among others:

#### Sustainable energy concept at Laubenhof Konstanz

126 apartments offering more than 10,000 m<sup>2</sup> of residential space and a two-level underground car park are being constructed on Untere Laube in Konstanz, between the Niederburg old town district and the Paradies neighborhood. As the developer, LBBW Immobilien Development GmbH is focusing not only on modern architecture and high-quality fittings, but also on a sustainable and innovative energy concept that it is developing and implementing in conjunction with Stadtwerke Konstanz. This will benefit the new residents of the Laubenhof development as well as the surrounding neighborhood, which has the option of being connected to this sustainable supply. The system uses water heat pumps that do not give rise to any local CO<sub>2</sub> emissions, instead using energy from a wastewater collector. As high temperatures are required to supply the existing building, extremely efficient cogeneration power plants that generate both electricity and heat are used. The energy concept for the Laubenhof development also involves a photovoltaic system that is expected to comprise 200 modules with a maximum output of around 60 kWp. This was also planned by LBBW Immobilien Development GmbH in conjunction with Stadtwerke Konstanz, as were the charging stations for electric cars at around 35 private parking spaces in the underground car park. These measures are making an important contribution to the climate targets adopted by the City of Konstanz. In the spring, Konstanz became the first German city to declare a climate emergency, meaning that all decisions and measures are now subject to approval on the basis of their climate impact.

#### Integrated mobility station at Esslingen central bus station

On the basis of an urban planning competition, zob Esslingen Grundbesitz GmbH, a wholly owned subsidiary of LBBW Immobilien Management GmbH, intends to redevelop the disused site that was home to the central bus station prior to its relocation. The attractive complex of buildings immediately next to the central railway station will close the last major gap in the urban landscape of central Esslingen. The property involves a modern, urban usage mix with a mobility station, apartments, micro-apartments, restaurants, food retail, and offices. This will improve the location for the long term and ensure local supply. To conserve resources, the existing parking garage will be intelligently integrated into the complex. The energy supply includes a state-of-the-art cogeneration power plant that will generate some of the energy required locally. This measure is being implemented under the "low-emission construction" label.

The mobility station in the parking garage will be operated by the city authorities. Its ideal location immediately next to the railway station forms part of the innovative transition in terms of transport policy, which itself reflects growing public interest in alternative and flexible mobility concepts for intelligent connections to the Stuttgart metropolitan region. In addition to bicycle parking with charging stations for electric bicycles, the mobility station will feature a service point for mobility-related advice and a small workshop area for repairs, thereby helping to realize the concept of a modern, bustling city. This combined urban development also creates added value for residents by connecting the newly emerging Weststadt area with the medieval heart of Esslingen. With this project, LBBW Immobilien is making a valuable contribution to sustainable urban development.

### **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 440 cities and municipalities.

For example, LBBW Immobilien Kommunalentwicklung GmbH (KE) is currently working on the following project:

#### **Kernen im Remstal municipality: "Hangweide" future project**

The "Hangweide" future project centers on the development of an innovative model residential location for the population of Rems-Murr district in a pilot project forming part of the Stuttgart Region International Building Exhibition (IBA'27). The project partners – Kernen im Remstal municipality, Kreisbaugesellschaft Waiblingen and LBBW Immobilien Kommunalentwicklung GmbH – are planning to develop a socially mixed and densely populated residential area on the site, which measures around eight hectares and was formerly home to a social institution. As of December 2019, an urban development and landscape planning competition was being conducted with sections for landscape planning and architectural concepts. Among other things, the competition establishes guidelines for the key topics of "architecture and sustainable construction", "energy efficiency", "ecology", "mobility", "social cohesion and neighborhood living", and "digitalization". The aim of the project is to create groundbreaking, sustainable new residential and living space with additional commercial uses for a wide range of population groups and sectors of society. "Hangweide" is intended to serve as a pilot scheme for further sustainable housing construction projects in the Stuttgart metropolitan region.

# GRI Standards (Global Reporting Initiative)

GRI	Contents	Page in LBBW Sustainability Report	Additional information/ comments
<b>101</b>	<b>Foundation</b>		
<b>102</b>	<b>General disclosures</b>		
	<b>Organizational profile</b>		
102-1	Name of the organization	9	
102-2	Activities, brands, products, and services	9	
102-3	Location of headquarters	9	
102-4	Location of operations	9	
102-5	Ownership and legal form	9, 64	
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102-7	Scale of the organization	9	
102-8	Information on employees and other workers	117-119	
102-9	Supply chain	57 et seq.	
102-10	Significant changes to the organization and its supply chain	10	
102-11	Precautionary principle or approach	67 et seq., 78 et seq., 161, 165, 169 et seq.	
102-12	External initiatives	49-53	
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102-14	Statement from senior decision-maker	7 et seq.	
102-15	Key impacts, risks, and opportunities	7 et seq., 10, 23-30, 67 et seq.	
102-16	Values, principles, standards, and norms of behavior	12-18	
102-17	Mechanisms for advice and concerns about ethics	19-23, 59-63	
	<b>Management</b>		
102-18	Governance structure	19-22	
102-19	Delegating authority	19-22	
102-20	Executive-level responsibility for economic, environmental, and social topics	21 et seq.	
102-21	Consulting stakeholders on economic, environmental, and social topics	28-31	
102-22	Composition of the highest governance body and its committees		2019 annual report, p. 12 et seq., 19
102-23	Chair of the highest governance body		2019 annual report, p. 12
102-24	Nominating and selecting the highest governance body		2019 annual report, p. 19
102-25	Conflicts of interest		2019 annual report, p. 17 et seq.
102-26	Role of highest governance body in setting purpose, values, and strategy		2019 annual report, p. 18
102-27	Collective knowledge of highest governance body		2019 annual report, p. 19
102-28	Evaluating the highest governance body's performance		2019 annual report, p. 19
102-29	Identifying and managing economic, environmental, and social impacts	23-31	

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102-30	Effectiveness of risk management processes		2019 annual report, p. 43 et seq.
102-31	Review of economic, environmental, and social topics	23-27	
102-32	Highest governance body's role in sustainability reporting	42	
102-33	Communicating critical concerns	22	
102-34	Nature and total number of critical concerns		Not specified
102-35	Remuneration policies	137	2019 remuneration report
102-36	Process for determining remuneration		2019 remuneration report
102-37	Stakeholders' involvement in remuneration		2019 remuneration report
102-38	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 LBBW remuneration report.
102-39	Percentage increase in 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 LBBW remuneration report.
102-40	List of stakeholder groups	31	
102-41	Collective bargaining agreements	119, 137	
102-42	Identifying and selecting stakeholders	28-31	
102-43	Approach to stakeholder engagement	28-31	
102-44	Key topics and concerns raised	28-31	
102-45	Entities included in the consolidated financial statements		2019 annual report, p. 286 et seq.
102-46	Defining report content and topic boundaries	23-27	
102-47	List of material topics	23-27	
102-48	Restatements of information		No significant changes.
102-49	Changes in reporting		No significant changes.
102-50	Reporting period	4	
102-51	Date of most recent report	4	
102-52	Reporting cycle	4	
102-53	Contact point for questions regarding the report	189	
102-54	Claims of reporting in accordance with the GRI Standards	4	

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102-55	GRI content index	178	
102-56	External assurance	187 et seq.	
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<b>201</b>	<b>Economic performance</b>		
103-1 to 103-3	Management approach	7 et seq.	2019 annual report, p. 33 et seq.
201-1	Direct economic value generated and distributed	11	2019 annual report, p. 125 et seq.
201-2	Financial implications and other risks and opportunities due to climate change	15 et seq., 106-110, 152	
201-3	Defined benefit plan obligations and other retirement plans	134	2019 remuneration report, p. 11
201-4	Financial assistance received from government		In granting export credit, we work in conjunction with export credit agencies.
<b>202</b>	<b>Market presence</b>		
103-1 to 103-3	Management approach	137	2019 remuneration report
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	119, 137	
202-2	Proportion of senior management hired from the local community		No corresponding regulation in place.
<b>203</b>	<b>Indirect economic impacts</b>		
103-1 to 103-3	Management approach	142-149	
203-1	Infrastructure investments and services supported	77 et seq., 84, 142-149	
203-2	Significant indirect economic impacts	143-145	
<b>204</b>	<b>Procurement practices</b>		
103-1 to 103-3	Management approach	57 et seq.	
204-1	Proportion of spending on local suppliers	58	
<b>205</b>	<b>Anti-corruption</b>		
103-1 to 103-3	Management approach	61	
205-1	Operations assessed for risks related to corruption	61	
205-2	Communication and training about anti-corruption policies and procedures	59, 61	
205-3	Confirmed incidents of corruption and actions taken	61	
<b>206</b>	<b>Anti-competitive behavior</b>		
103-1 to 103-3	Management approach	66	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	66	
<b>301</b>	<b>Materials</b>		
103-1 to 103-3	Management approach	132	
301-1	Materials used by weight or volume	154, 167 et seq.	

GRI	Contents	Page in LBBW Sustainability Report	Additional information/ comments
301-2	Recycled input materials used	167	
301-3	Reclaimed products and their packaging materials		Not relevant
<b>302</b>	<b>Energy</b>		
103-1 to 103-3	Management approach	152, 161, 165, 169-171	
302-1	Energy consumption within the organization	161-164	
302-2	Energy consumption outside the organization	159, 169-171	
302-3	Energy intensity	156	
302-4	Reduction of energy consumption	161, 165	
302-5	Reductions in energy requirements of products and services		Cannot be presented for LBBW as a financial institution.
<b>303</b>	<b>Water and effluents</b>		
103-1 to 103-3	Management approach		Not specified
303-1	Management approach: interactions with water as a shared resource		Not specified
303-2	Management approach: management of water discharge related impacts		Not specified
303-3	Water withdrawal	174	
303-4	Water discharge		Not specified
303-5	Water consumption	174	
<b>304</b>	<b>Biodiversity</b>		
103-1 to 103-3	Management approach	175	
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	96, 175	
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	96	
<b>305</b>	<b>Emissions</b>		
103-1 to 103-3	Management approach	23-27, 159	
305-1	Direct (Scope 1) GHG emissions	159	
305-2	Energy indirect (Scope 2) GHG emissions	159	
305-3	Other indirect (Scope 3) GHG emissions	159	
305-4	GHG emissions intensity	159	
305-5	Reduction of GHG emissions	23, 110, 157, 161, 165	
305-6	Emissions of ozone-depleting substances (ODS)		No emissions of ozone-depleting substances.
305-7	Nitrogen oxides ( $\text{NO}_x$ ), sulfur oxides ( $\text{SO}_x$ ), and other significant air emissions	160	
<b>306</b>	<b>Effluents and waste</b>		
103-1 to 103-3	Management approach	172-174	
306-1	Water discharge by quality and destination	154 (table, footnote 1)	

GRI	Contents	Page in LBBW Sustainability Report	Additional information/ comments
306-2	Waste by type and disposal method	172	
306-3	Significant spills	160	
306-4	Transport of hazardous waste	172 (table, footnote 2)	
306-5	Water bodies affected by water discharges and/or runoff	154 (table, footnote 1)	
<b>307</b>	<b>Environmental compliance</b>		
103-1 to 103-3	Management approach	54	
307-1	Non-compliance with environmental laws and regulations	63	
	308 Supplier Environmental Assessment		
103-1 to 103-3	Management approach	57 et seq.	
308-1	New suppliers that were screened using environmental criteria	57	
308-2	Negative environmental impacts in the supply chain and actions taken	57	
<b>401</b>	<b>Employment</b>		
103-1 to 103-3	Management approach	116	
401-1	New employee hires and employee turnover	121	
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	118	
<b>402</b>	<b>Labor/management relations</b>		
103-1 to 103-3	Management approach	116	
402-1	Minimum notice periods regarding operational changes	136	
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409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	57	
<b>410</b>	<b>Security practices</b>		
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<b>416</b>	<b>Customer health and safety</b>		
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# 03

## 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, licensed for Banking (NACE Code WZ [German Classification of Economic Activities] 2008: 64.19), declares to have verified whether the following locations of Landesbank Baden-Württemberg (LBBW) as set out in the 2019 Sustainability Report with Environmental Statement meet all of the requirements of Regulation (EC) No 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):

- Stuttgart
  - 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
  - Königstrasse 3, 70173 Stuttgart
  - Fritz-Elsas-Strasse 31 (Bollwerk), 70173 Stuttgart
  - Kleiner Schlossplatz 11, 70173 Stuttgart
- Mannheim, Augustaanlage 33, 68161 Mannheim

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) No 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 **UE** symbol. All the remaining content of the Sustainability Report has been acknowledged but not audited by us.

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, 18 May 2020



Dr. Ralf Utermöhlen

Environmental verifier

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