ISS-CORPORATE

FRAMEWORK EXTERNAL REVIEW

SUSTAINABLE FINANCE FRAMEWORK

Landesbank Baden-Württemberg
22 November 2024

VERIFICATION PARAMETERS

Covered Instruments	▪ Environmental, Social and Sustainability-Linked loans
Type of Framework	▪ Sustainable Lending Framework
Scope of verification	▪ LBBW's Sustainable Finance Framework (as of November 13, 2024) ▪ LBBW's sustainable finance classification system (as of November 13, 2024)
Validity	▪ Valid as long as the Framework remains unchanged

CONTENTS

SCOPE OF WORK

Landesbank Baden-Württemberg ('LBBW' or 'the Financial Institution' or 'the Bank') commissioned ISS-Corporate to assist with its Sustainable Finance Framework ('SFF' or 'the Framework') by assessing four core elements to determine the quality of its classification system[1] for identifying sustainable lending activities and the sustainability quality of the eligibility criteria:

1. Sustainable Finance Framework – benchmarked against market practices and guidelines[2] for capital and loan markets approaches to environmental and social sustainability (see Annex 1)
2. LBBW's sustainable finance classification system - the soundness of the eligibility parameters to identifying eligible sustainable lending activities (see Annex 1) and whether the eligible project categories contribute positively to the UN SDGs.
3. ESG Risk Management – assessment of LBBW's overarching risk management procedures considered relevant in the context of the Bank's sustainable finance activities and the underlying Framework (see Annex 1)
4. Consistency of the Sustainable Finance Framework with LBBW's sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Bank.

[1] The methodology of external reviews provided for sustainable financing, lending, and investment strategies has been developed based on our expertise in assessing a range of sustainable finance-related instruments and frameworks. In general, these types of external reviews are not to be treated as a 'pass or fail' assessment of the sustainability quality of sustainable financing, lending, or investment strategies but rather as an overall assessment. Thus, obtaining an external review of an overarching financing framework does not imply a detailed assessment of the sustainability quality of each underlying transaction. A qualitative assessment of sampled eligible ESG products is not in scope of the verification procedures.

[2] The assessment is based on current market practices for sustainable capital and loan markets referring to different market standards and voluntary guidelines including but not limited to the Loan Market Association's (LMA) Green Loan Principles, Social Loan Principles, Sustainability-Linked Loan Principles, the UNEP-FI PRB, and the Guidelines proposed by the European Banking Authority (EBA) with respect to environmentally-sustainable lending.

LBBW BUSINESS OVERVIEW

Landesbank Baden-Württemberg is a public bank providing all kinds of financial services to retail and corporate clients, savings banks, institutional clients and high net worth clients. The Bank was founded on January 1, 1999, and is headquartered in Stuttgart, Germany.

ESG risks associated with the LBBW's Industry

LBBW is classified in the Public and Regional Banks industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies[3] in this industry are: business ethics, labor standards and working conditions, sustainable investment criteria, customer and product responsibility, and sustainability impacts of lending and other financial services/products.

This report focuses on the sustainability credentials of the Sustainable Finance Framework. Part IV. of this report assesses the consistency between the Framework and the Bank's overall sustainability strategy.

[3] Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY
Part I: **Review of LBBW's Sustainable Finance Framework**	**The Sustainable Finance Framework reflects market practices.** 1. Objectives, Targets & Progress: The Bank defines qualitative and quantitative targets within a certain timeframe enabling to measure the progress against its commitment and puts forth a clear definition of the sustainability objective. 2. Definition of sustainable lending activities: LBBW has set forth a formal methodology for defining and classifying lending as sustainable and proposes clear parameters under its Framework. 3. Evaluation & Selection Process: The process for sustainable finance transaction evaluation and selection is structured in a congruous manner. Further, LBBW identifies and manages ESG risks associated with the sustainable activities to be financed. 4. Governance & Monitoring: LBBW describes the board/dedicated committees' oversight on ESG risks and opportunities in investor relations website/ESG reports/Annual reports as well as the data collection, tracking and reporting mechanisms. 5. Reporting: LBBW commits to report publicly and annually its sustainable financing.
Part II: **Assessment of LBBW's sustainable finance classification system**	**The Bank's sustainable finance classification system reflects market practice.** LBBW has put forth two sets of eligibility parameters for its financing activities to be classified as sustainable: Dedicated-Purpose lending and Sustainability-Linked lending. A comprehensive assessment of the sustainability quality of the eligible categories defined under the Framework comprising an impact assessment against the SDGs can be found in Annex 2 section.
PART III: **Assessment of LBBW's ESG risk management**	**ESG risks relevant in the context of the Bank's sustainable financing activities are considered to be managed.** LBBW has defined ESG risk assessment processes applicable to all its sustainable lending activities. Sectorial exposures are taken into consideration. The Financial Institution has measures/policies/guidelines in

	place to address the main environmental, social, and governance risks faced by its sector. Finally, the Bank discloses the volumes of fossil carbon-related financing throughout all the business units and subsidiaries for large sectors and has committed to public targets to scale these down and track its financed emissions across various sectors.
PART IV: **Consistency of Sustainable Finance Framework with LBBW's sustainability strategy**	**The Sustainable Finance Framework is consistent with the Group's Sustainability strategy.** The Sustainable Finance Framework is considered consistent with the Bank's Sustainability strategy. The rationale for developing a Sustainable Finance Framework is described by LBBW.

FRAMEWORK EXTERNAL REVIEW ASSESSMENT

PART I: REVIEW OF LBBW'S SUSTAINABLE FINANCE FRAMEWORK

In its Sustainable Finance Framework, LBBW defines its methodology for the classification of eligible lending transactions as sustainable for the purpose of tracking and disclosing the performance against its sustainable finance targets.

This External Review assesses the Framework against current market practices for sustainable capital and loan markets derived from market standards and established guidelines. The assessment focuses on key principles for transparency, public disclosure and non-contamination of sustainable labelled-products, set out in, among other the ICMA Green and Social Bond Principles, Sustainability Bond Guidelines, Sustainability-Linked Bond Principles and best market practices from other market standards for Sustainable Finance, such as the Loan Market Association Green and Social Loan Principles and Sustainability-Linked Loans Principles, the EU Green Bond Standards usability guide (March 2020), the TEG final report on the EU Taxonomy and Technical Annex, for ESG factor integration in equity and fixed-income.

CRITERIA	SUMMARY AND OPINION
1. Objectives, Targets, & Progress	LBBW developed a Sustainable Finance Framework to determine a methodological basis for the classification of sustainable lending and to track its eligible sustainable finance transaction performance against its existing sustainable finance commitments. Starting from business year 2025, the Bank has decided to base its sustainable finance volume solely on its Framework. In that regard, the LBBW commits to increase their total sustainable finance volume from the beginning of business year 2025 by at least EUR 7,1 billion by the end of business year 2025 (incl. BerlinHyp). Starting from the beginning of business year 2026, the Bank will provide annual disclosure each year regarding the LBBW's current sustainable financing volume and its planned increase for the subsequent years. LBBW supports their targets by engaging with their customers[4] and through developing their internal ESG management processes[5]. All business areas, instruments and locations are covered. In 2019, LBBW signed the Principles for Responsible Banking (PRB) of the United Nations Environment Programme Finance Initiative (UNEP FI), a voluntary initiative for responsible banking. LBBW's sustainability policy is based on these Principles. LBBW commits to align itself with the Paris Climate Agreement (COP21). In that regard LBBW has set long-term and intermediate climate targets for

[4] For example through LBBW's ESG dashboard which provides their corporate customers with a quick overview of how sustainably they operate in a sector comparison, https://www.lbbw.de/konzern/lbbw/nachhaltigkeit/esg-dashboard/dashboard_ah98sa54c6_d.html.

[5] More details on specific projects can be found in LBBW's Sustainability Report, pp. 44 et. seq. https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-report-2022_agvcqjsysv_m.pdf.

decarbonization. With a baseline year of 2021, the Bank as set sector specific goals for 2030.

Science-based[1] transformation paths for sector-specific portfolio management

Sector	Unit[2]	2021	Actual 2022[3]	Target 2030
Energy	kg CO_2/MWh	224	241[4]	110
Automotive OEM	g CO_2/vkm	153	158[5]	95
Automotive suppliers	Share of sales with combustion components	25%	22%	17%
Steel	kg CO_2/t steel	1074	1215[6]	860
Cement	kg CO_2/t cement	565	587	480
Commercial real estate	kg CO_2/m²	51	40[3]	22
Aviation	kg CO_2/pkm	88	83	66
Guideline Oil & Gas	Regulation on guideline for general corporate funding of upstream activities and exclusion of controversial extraction methods			

[1] International Energy Agency (IEA) climate scenario as benchmark | [2] Other relevant greenhouse gas emissions CO_2-equivalent included | [3] Value for commercial real estate as of 13.07.2023 | [4] Slightly negative development for energy in light of gas supply freeze and state-subsidized coal use in 2022 not due to structural target miss | [5] Improvement in brand portfolio coverage in fleet emissions calculation leads to sideways movement for car manufacturers | [6] Significant increase for steel caused by an export financing for which no real data is available and thus strong weighting of high estimated value

Figure 1 - Transformation path for sector-specific portfolio management

Long term targets are to achieve Net Zero in 2045 for the German loan portfolio and Net Zero in 2050 for LBBW's overall loan portfolio. In accordance with the Net Zero Banking Alliance Guidelines. For commercial real estate financing, the Bank references the Carbon Risk Real Estate Monitor (CREEM) as the basis for determining the reference path. LBBW reports on these targets and processes internally through risk controlling and externally in their Sustainability Report on an annual basis.

Opinion: *The Financial Institution has clearly disclosed the purpose of this Sustainable Finance Framework. In its Sustainable Finance Framework, the Bank puts forth a clear definition of the sustainability objectives for its entire financing activities and quantified target in line with the wider company strategy (as outlined in Part III.A of this report). These objectives are in line with key market guidelines and intergovernmental agreements such as the Paris Agreement. The Bank commits disclosing the current value of sustainable finance instruments at the beginning of 2026 for the business year 2025 and update their sustainable targets annually (in volume and percentage), based on the current volume. LBBW is a member of the Principles for Responsible Banking since 2019. The Bank has committed to disclose long-term and intermediate targets to support meeting the temperature goals of the Paris Agreement. In addition, it regularly reviews targets to ensure consistency with current climate science.*

2. Definition of sustainable financing activities

Under LBBW' Sustainable Finance Framework, 'sustainable finance' includes environmental, social, and sustainability-linked loans, i.e. loans LBBW lends and those the Bank finances for their borrowers. Expenditures can be tied to a specific purpose or general corporate expenditures as well as sustainable transformation financing. LBBW bases its definition of sustainable financing on established national and international standards, frameworks, and principles. These include the Social Loan Principles and the Sustainability Linked Loan Principles of the Loan Market Association (LMA), Social Bond Principles of the International Capital Market Association (ICMA), and the EU Taxonomy. The compliance with the standards for use of proceeds is ensured through a first check by the front office and a second check by the responsible risk manager. For Sustainability-linked finance, there is a 4 eyes principle linked to an involvement of an expert committee including Risk Management, Corporate Finance ESG-Team, ESG Group Transformation and the relevant market unit.

Eligible type of financing

LBBW's Sustainable Finance Framework sets out a classification system which defines what is eligible as sustainable financing, which include:

- **Dedicated purpose** financing where the use of proceeds satisfies either the environmental or social eligibility criteria.
- **Sustainability-linked financing** which meets the internal proprietary screening criteria set out in section 2.5 of the Framework. Note that sustainability-linked financing is not required to satisfy either the green or social eligibility criteria.

In addition to the above requirements, LBBW has defined minimum requirements and exclusion criteria which can be found in the sustainability regulations of the Bank.[6]

Classification of sustainable financing

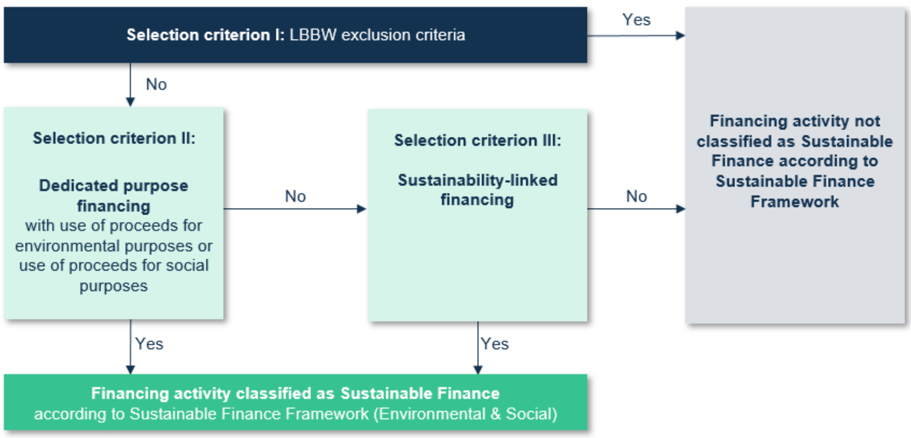

Figure 2 - LBBW's sustainable finance classification system

[6] Requirements and exclusion criteria can be found in LLBW's Sustainability Practices e.g., on p. 18. https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-practice-2022_ae45jn91ci_m.pdf.

	Instrument Scope The Bank is including new facilities and refinancing of existing facilities. The Framework applies to all operations of LBBW. All products must meet LBBW's exclusion criteria. The product offering includes:

PRODUCT	DESCRIPTION	CRITERIA
Use of Proceeds	Earmarked use of funds and orientation towards sustainable economic activities complying with LBBW's eligibility criteria. The Bank only considers lending activities as eligible under the Framework.	▪ LMA Social Loan Principles ▪ ICMA Social Bond Principles ▪ EU Taxonomy Delegated Acts
Sustainability -linked	Financing with a sustainability focus with a definition of relevant and substantial sustainability indicators and targets at the company and/or organization level	▪ LMA Sustainability-Linked Loan Principles

Table 1. LBBW's product scope

Opinion: *The Sustainable Finance Framework presents a clear definition of the LBBW's classification system with clear and transparent criteria for each financing approach and refers to relevant market principles. The sustainability quality of the eligibility parameters to identify eligible sustainable financing activities in the Use of Proceeds approach is further analyzed in Annex 2 of this report. The Sustainable Finance Framework defines exclusion criteria/activities in line with LBBW's Sustainability Practices.*[7] *Where feasible, the Framework may be further improved with regards to disclosing an estimated share of each instrument mentioned in its Framework.*

3. Evaluation & Selection Process	The assessment for classifying dedicated financing as sustainable according to LBBW and validating it for the disclosure takes place within the respective business units in three steps covering the entire life cycle of the financing activity. First, a front-office representative will conduct a sustainability assessment of the financing activity based on the methodology set out in

[7] Ibid.

	LBBW's Sustainable Financing Framework. Then, risk-management representatives in their area of responsibility verify the Sustainable Finance classification of all transactions classified under the Sustainable Finance Framework and conduct a front-office independent assessment to confirm that any activity classified as Sustainable Lending according to the Framework adheres to the principles for classification specified therein and is not in violation to LBBW's exclusion criteria. In case of an inconsistency of the independent validation assessments or in the event that a lending activity cannot clearly be classified as sustainable according to the Framework, the Group Sustainability Department has to be involved. Further, the Sustainability Board Committee as central decision entity will make a final decision about the classification. For classifying Sustainability-linked lending as sustainable LBBW involves a comprehensive 4- eyes-principle. A non-congruent 4 eyes principle assessment triggers the involvement of the expert committee including Risk Management, Corporate Finance ESG-Team, ESG Group Transformation and the relevant market unit. The risk department bears responsibility, an escalation process involving direct board oversight is triggered by a non-congruent assessment between the first two pairs of eyes in the process. LBBW applies a process assigning concrete responsibilities to the specific screening within a two-staged process model: During the first stage of the process, ambition and materiality of the submitted KPIs are reviewed on an individual level for every KPI with the help of an established KPI assessment tool and distributed responsibility, applying a four-eyes-principle. The second stage of the process determines eligibility (i.e., materiality and ambition) at the level of the complete KPI set that has been submitted, based on the outcomes of the first stage. Lastly, to identify taxonomy-aligned lending, feasible taxonomy-eligible lending activities are pre-selected by LBBW's EU Taxonomy project team as well as dedicated experts in the Bank's sustainability department. Subsequently, experts in the specific business units assess if the earmarked financing activity is taxonomy-eligible, if this is the case, it is further determined whether the financing is also taxonomy-aligned or not. In this step, a specific software tool is utilized. For non-earmarked lending activities, the assessment is conducted via a Taxonomy-KPI evaluation. A four eyes principle is applied for both. LBBW has introduced a list of exclusion criteria. No business relationship can be entered into with counterparties within that exclusion list. Furthermore, LBBW checks environmental and social matters for each counterparty. This includes checks for e.g. critical sector-country combinations, indigenous populations and land rights, occupied territories,

coal extraction and coal-fired power plants, crude oil and natural gas and nuclear power. To identify ESG risks of eligible transactions under this Framework, LBBW has introduced risk assessment tools (i.e Traffic light checklist, ESG checklist, ESG guidelines).

Through the traffic light checklist, LBBW identifies ESG risks for corporate customers, real estate and project financing below EUR 10 million. The borrower's answers are rated green, yellow, or red. If the total score is red (negative) due to violations, LBBW excludes the financing from being eligible. For corporate customers exceeding EUR 10 million an additional ESG[8] checklist needs to be filled in in which LBBW identifies environmental physical and transitory risks as well as social and governance factors for the lending activities. In case a risk is identified or concluded as "uncertain" during the initial assessment, LBBW has a separate scenario analysis prepared for medium-term and long-term time periods to identify areas where action is required in the long term and as a basis for strategic discussions. Depending on the results, LBBW holds the right to reject such transactions and terminate them. When a reputational risk is identified, the issue must be discussed with the customer. The responsible Risk Manager (Back Office) verifies the Front Office assessment. In the event of a discrepancy in the assessment, the case is escalated via the head of the Front and Back Office.

For financial institutions LBBW has ESG guidelines. The ESG relevant information is collected through desk research using different channels and the process integration and efficient solutions are rated for each ESG criterion (environmental (physical and transitory), social and governance) on a three-stage scale, from which an overall score is calculated. The management of the risks depends on the severity. For medium severity further measures are to be examined individually. The Bank has a Reputational Risk Process which regulates the severity of individual cases. In this process, a statement is given by the ESG Group Transformation to the market unit and considered in the decision. For high severity there is a review of termination of the existing business relationships/conclusion of new business.

Opinion: *The process for sustainable finance transaction evaluation and selection is defined based on the eligibility criteria and structured in a congruous manner. ESG risks associated with sustainable lending activities to be financed are identified and managed through an appropriate process. LBBW defines exclusion criteria for controversial sectors. Where feasible, LBBW may further improve the Framework by clearly defining the responsibilities in the selection and evaluation process.*

[8] The ESG checklist is in line with the European Banking Authority (EBA) guidelines for lending.

4. Governance & Monitoring	Lending activities classified as Sustainable Lending will be monitored during the term of the lending activity through a report provided by the client or a performance report in the case of lending with agreed ESG KPIs/sustainability targets. It will be reviewed through negative and event-related checks, at least once a year, by the front office. In the event that the prerequisite for classifying a lending activity as sustainable lending is no longer met, LBBW will discuss suitable countermeasures with the customer (only valid for dedicated purpose lending) and, if no improvement can be achieved, will no longer disclose it as sustainable lending for the further course of financing. The data of historical and current sustainable finance instrument transactions is being identified at market level and/or business development unit. The financial data is provided and tracked by reporting specialists at the finance department. The data is subsequently coordinated and double-checked between the finance department and the sales unit and eventually forwarded to the central ESG unit. The data is finally reported to the Group Strategy. The sustainable finance classification system is overviewed by the Board of Directors and the Sustainability Board. Oversight of the ESG risks is ensured by the Board of Managing Directors being informed about transition risks once a quarter and physical risks at least once a year in risk reports. LBBW has a mandatory annual internal review process to ensure that ESG risks are identified, monitored, and mitigated at an early stage in the process of deciding on extending credit, such as export financing, corporate loans or project finance. **Opinion**: *LBBW clearly describes the process to monitor if a financial transaction remains eligible during all its life cycle on an annual basis as well as how the board/dedicated committees provide oversight of ESG-related issues, and specifically the sustainable finance classification system. Further, the Bank clearly describes the data collection and tracking mechanisms of the current/past sustainable finance instrument transactions. The Framework may be further improved by clearly setting a delisting mechanism.*
5. Reporting	LBBW reports on progress against its financing Targets in their Sustainability Report on an annual basis. The report is publicly available on its website. The latest version of the Sustainable Finance Framework is published on LBBW's website.

	LBBW reports on the impact of their sustainable financing for the Green[9] and Social[10] Bonds. **Opinion**: *LBBW commits to report publicly its sustainable financing on an annual basis. Where feasible, the Framework may be further improved by disclosing the total reporting time of the instruments listed in the Framework until all the financed products have been repaid/issued.*
6. External Review	LBBW worked with a third-party consultant in the development of this Framework, including the eligibility criteria to ensure continuing development and refinement of the eligibility criteria with emergent practices and identifying themes of focus. The Framework will be updated in the future in light of new market practices. LBBW has appointed ISS-Corporate to provide an External Review on the Sustainable Finance Framework and its alignment with the Bank's overall strategy. The External Review will be updated in case of substantial changes to the Sustainable Finance Framework. LBBW's Sustainable Finance Framework is reviewed annually. Updates (e.g., to eligibility criteria, product scope and accounting basis, etc.) are effective from publication, unless otherwise specified, and are not applied retrospectively to prior years' sustainable finance performance against the targets. **Opinion:** *LBBW discloses the name of the external auditor that verified the sustainable finance transactions data, on an annual basis. The Bank discloses the name of the third party, and the scope of work provided on an external review of this framework. LBBW commits to an external review in case of substantial changes.*

[9] Green Bond Impact Report from LBBW, https://www.lbbw.de/group/news-and-service/investor-relations/green-bonds/green-bonds_ac9noe95gg_e.html.
[10] Social Bond Impact Report from LBBW, https://www.lbbw.de/group/news-and-service/investor-relations/investor-relations/investor-relations_7vjyv8hsd_e.html.

PART II: ASSESSMENT OF LBBW'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

A. ASSESSMENT OF THE CRITERIA OUTLINED IN LBBW' ELIGIBILITY SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

To provide an opinion on the sustainability credibility of each of the key sets of criteria defined by LBBW, this review evaluates the prevalence and robustness of the selection parameters, taking into account market practices across different sustainable finance asset classes.

LBBW has set forth the following sets of eligibility criteria for its financing activities to be classified as sustainable:

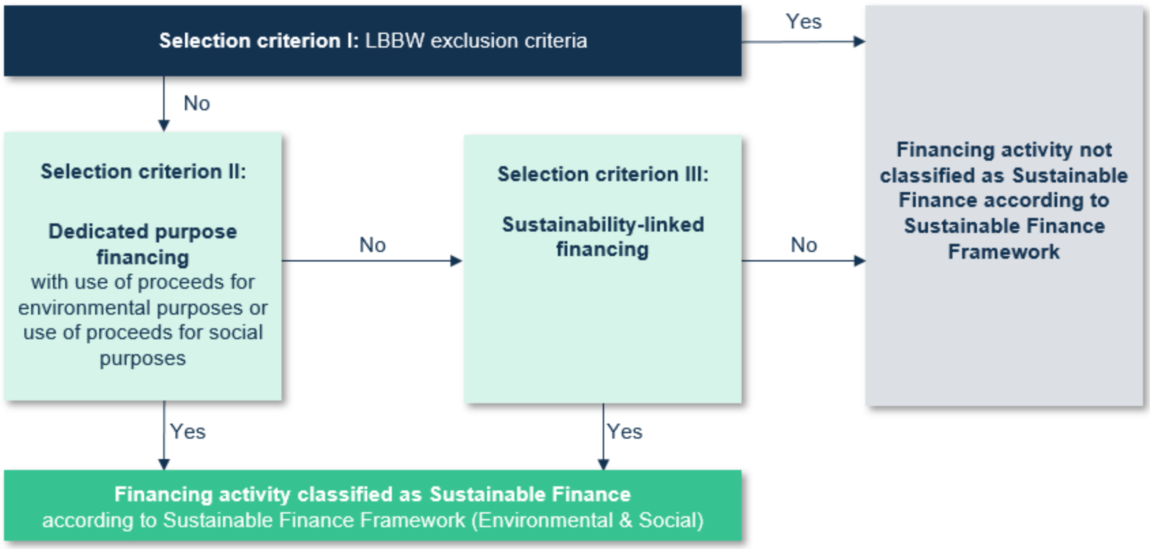

Figure 3 - LBBW's sustainable financing classification system

The assessment process and criteria implemented under LBBW's Sustainable Finance Framework are outlined below. The evaluation is based on criteria derived from market practices.[11]

PARAMETER	CRITERIA	ASSESSMENT OF LBBW'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM
Dedicated Purpose Lending (standard approach)	Dedicated Purpose Financing contributes to sustainability	LBBW considers lending eligible under this approach when the use of proceeds can be determined and the lending is exclusively used for projects that are aligned with the eligibility

[11] These include, but are not limited to the ICMA GBP, SBP and SBG, the SLBP and the Climate Transition Handbook; the GLP and SLP; the SLBP and SLLP, as administered by the LMA; the UNEP FI PRB and the EBA LOaM guidelines for environmentally sustainable lending.

	objectives if proceeds are exclusively allocated to activities that are subject to specific and credible ESG-related eligibility criteria.	criteria set out in the Framework under section 2.4, table 1 and 2. A detailed SDG assessment of the eligibility criteria presented in the SFF can be found in Annex 2. Based on its proprietary SDG Solutions Assessment (SDGA) methodology, 94% (above 90%[12]) of the eligibility categories have a contribution to the Sustainable Development Goals. The Use of Proceeds categories have set criteria derived from market standards such as LMA's SLP, ICMA's SBP, and the EU Taxonomy. **Opinion:** *6% of the categories are considered to have 'No Net Impact', limiting the contribution to sustainability objectives for these particular categories. At Framework level, no information is available on the future share of sustainable financing transactions to the eligible categories assessed by ISS-Corporate SDGA proprietary methodology as having 'No Net impact'. It is noted that LBBW refers to relevant market standards to define its eligibility criteria. The Bank encourages its borrowers to report frequently.*
General Purpose Lending (Sustainability-Linked Financing)	Sustainability-linked Financing contributes to sustainable objectives if the associated KPIs[13] are material, core and relevant to the borrower's business model and the associated targets are ambitious. Further, it is considered as	Under this approach, LBBW finances loans. LBBW defines lending activities as sustainable when the activities comply with the SLLPs of LMA. Lending of companies under this approach is identified as sustainable if the company has a defined relevant and substantial indicators and targets at company/organization level, which are ambitious, comprehensible, and essential indicators and targets related to the core economic activity of the customer and are relevant to the respective industry or sector according to LBBW's proprietary methodology. LBBW applies a process assigning concrete responsibilities to the specific screening within a two-staged process model: During the first stage of the process, ambition and materiality

[12] It is noted that at least 90% of the eligible categories considered under the underlying framework (i.e., 100% that are classified as sustainable) should contribute positively to the SDGs, in conformity with the ISS ESG SDGA methodology.
[13] Key Performance Indicators, which can be external or internal and fit into the sustainability strategy of the borrower should be relevant, measurable, externally verifiable and able to be benchmarked.

	best market practice that transactions are subject to an external review, providing verification of the alignment against ICMA/LMA core principles, the aforementioned dimensions, and, in particular, the ambition of the selected SPTs[14].	of the submitted KPIs are reviewed on an individual level for every KPI with the help of an established KPI assessment tool and distributed responsibility, applying a four-eyes-principle. The second stage of the process determines eligibility (i.e., materiality and ambition) at the level of the complete KPI set that has been submitted, based on the outcomes of the first stage. The ESG KPIs are negotiated and agreed upon during/after the lending decision from LBBW. LBBW performs an ESG due diligence to check the ambition of the sustainability performance targets and the materiality of the KPIs with regard to current and sector specific ESG issues, challenges, comparative values/benchmarks, climate sector pathways and conformity with the clients' sustainability strategy. LBBW recommends for the client to have the defined KPIs reviewed and confirmed by a recognized, external provider. ESG ratings must come from a sustainability rating agency established in the market. LBBW requires their clients to report on their ESG KPIs at least once a year. The report, which includes the borrower's performance level against each SPT for each KPI, must be externally verified by a recognized, established and independent provider with at least limited assurance for each period. **Opinion**: *We are not able to comprehensively assess the materiality of the KPIs and the ambition level of the associated SPTs, neither how including this form of lending contributes to ESG-related goals since there are no pre-defined lists of KPIs or SPTs at the moment of this report. Nonetheless, we favourably note the reference to the relevant market standards for sustainability-linked lending. It is noted that LBBW recommends external reviews on the materiality*

[14] Sustainability Performance Targets, which should be ambitious, represent a material improvement in the respective KPIs, where possible be compared to a benchmark, be consistent with the borrowers' overall ESG strategy and be determined on a predefined timeline.

		of the ESG KPIs and on the ambition of the targets embedded in these lending at pre-issuance level and requires such review obligatorily post-issuance on a limited assurance basis. The post-issuance review might influence the lending based on the performance assessment. In the absence of systematic comprehensive external reviews that assess the ambition of targets, general-purpose lending may be granted to entities that have not set adequate Sustainability Performance Targets and/or credible action plan to reach their SPTs. Finally, due to the general fungible nature of lending flows, the general-purpose lending may indirectly benefit lending that are not defined as sustainable.

B. CONTRIBUTION OF THE ELIGIBLE CATEGORIES TO THE UN SDGS

Financial Institutions can contribute to the achievement of the SDGs by financing eligible services/products which help address global sustainability challenges, and by being responsible actors, contributing to minimize negative externalities in their financing along the entire value chain. The aim of this section is to assess the SDG impact of the eligible categories by the Bank in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

Please see hereafter a summary table of the UN SDGs assessment and you will find the complete SDGs assessment in annex 2 of this External Review.

<u>Products and services[15]</u>

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy, Clean Transportation, Energy efficiency and green buildings, Green Buildings, Agriculture and forestry, Data infrastructure, Affordable Basic Infrastructure, Access to Essential Services	**Contribution**	

[15] The promotional loan programs cover a non-exhaustive list of projects on which we would need further details to be able to run a detailed SDG assessment. Using an ISS ESG proprietary methodology, some projects financed under those programs might be considered as having no net impact on UN SDGs.

PART III: ASSESSMENT OF LBBW'S ESG RISK MANAGEMENT

The table below evaluates LBBW's ESG-specific risk management measures and policies that are considered relevant at bank level and that are considered relevant in the context of its sustainable financing activities. The KPIs emphasize sustainability-related risks considered relevant to the banks' operations. The KPIs are derived leveraging the ISS ESG Corporate Rating to identify the relevant topics based on its industry; these KPIs are then further integrated with additional elements derived from market principles such as the task force on Climate-Related Financial Disclosure.[16] The minimum requirements for a positive assessment are based on the number of sub-indicators (specific to each KPI) that are satisfied as part of any KPI.

The Framework applies to all operations of LBBW.

ASSESSMENT AGAINST KPIs
ESG investment guidelines for financial institutions
LBBW confirms that the lending products for eligible transactions under this Framework will be located to the regions in which the Bank has a net lending exposure, namely, Germany, Western Europe, North America, Asia/Pacific, and Other[17]. It is further stated that the vast majority of eligible transactions' shares will be in Germany. The Bank has defined Sustainability Practices Policy[18] to identify risks and/or opportunities applicable to the projects underlying eligible transactions. The Bank utilizes an ESG Due Diligence Checklist assessment model which is tailor-made for individual sectors and industries with specific requirements that are relevant to the respective sector, before granting loans to customers to see if borrowers meet the Bank's Sustainability Practices Policy and Retail and Corporate Customer Guidelines[19] requirements. The Checklist is designed in line with the European Banking Authority (EBA) guidelines for lending[20] and monitoring and the detailed questions cover elements of (i) climate physics, (ii) climate transitory, (iii) social, and (iv) governance. Within these areas, the potential ESG risk is assessed on a scale of 1 (very low risk) to 5 (very high risk), as part of the lending process for each transaction and is regularly monitored. In addition to the ESG Checklist, the Bank has a Traffic Light assessment process for corporate customers and businesses as a uniform procedure for the market-side sustainability assessment of credit customers. The assessment criteria[21] are based on the ten

[16] Task force on Climate-related Financial Disclosures, 2022 Status report, https://assets.bbhub.io/company/sites/60/2022/10/2022-TCFD-Status-Report.pdf

[17] LBBW Annual Report 2022, Available at: https://www.lbbw.de/konzern/investor-relations/finanzberichte/geschaeftsberichte/2022/lbbw-annual-report-2022_agbemb5x2k_m.pdf

[18] LBBW Sustainability Practice 2022, Available at: https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-practice-2022_ae45jn91ci_m.pdf

[19] Retail and Corporate Customer Guidelines, LBBW, Available at: https://www.bw-bank.de/content/dam/myif/bwbank/work/dokumente/pdf/persoenliche-beratung/230717_BW-Bank_Guidelines.pdf?n=true

[20] As of July 1, 2022, LBBW also started to apply the ESG checklist to existing transactions.

[21] For investment projects outside the DACH region (Germany, Austria, Switzerland), the screening process also includes using the Protected Planet database to check whether the project is located in a conservation area (i.e., World Heritage Site, Ramsar Site, UNESCO program "Man and the Biosphere", Union for Conservation of Nature (IUCN) Protected Area

principles of the UN Global Compact as a framework for socially and ecologically responsible corporate governance where the borrower's answers are rated green, yellow, or red according to a traffic light model. When the total score is yellow, the respective business units perform a follow-up analysis for the negative points assessed, and the ESG Transformation Team gives a final evaluation for the particular company. If the total score is red (negative) due to violations, LBBW rejects the transaction and terminates any business relations with the client in question.

The above-mentioned assessment models are used to generate sub-scores and an overall ESG score. If the thresholds set in the Bank's credit risk strategy are exceeded, the decision is made by the next level of authority in accordance with the decision-making hierarchy for loans. Specific material risks for LBBW's customers and loan applications are also examined in terms of their compliance and sustainability risks based on the Bank's lending rules and policies. In the case of uncertainty or topics for which there are not yet any binding rules or review criteria established by the Bank. The ESG Group Transformation department and Group Compliance are involved in the lending process if there are specific reputation or sustainability risks. The Compliance and/or the specialized Sustainability and ESG unit provides the assessment.

In case a risk is identified or concluded as "uncertain" during the initial assessment, LBBW has a separate scenario analysis prepared for medium-term and long-term time periods to identify areas where action is required in the long term and as a basis for strategic discussions. The Board of Managing Directors is informed about transition risks once a quarter and physical risks at least once a year in risk reports. LBBW has a mandatory and regular internal review process to ensure that ESG risks are identified, monitored, and mitigated at an early stage in the process of deciding on extending credit, such as export financing, corporate loans or project finance. Depending on the results, LBBW holds the right to reject such transactions and terminate them.

ESG Guidelines into financing process for most sensitive sectors[22] eligible under the Framework

As part of their risk assessment, environmental and social risks are required considerations for credit facilities and capital market transactions. LBBW's approach to environmental risk management addresses both direct and indirect risks and covers sensitive activities across different sectors.

[22] The categorization of a sector as 'most sensitive' follows an evaluation of the number of controversies prevalent in the context of the financing operations of a financial institution.

ESG Guidelines into Financing Process for Forestry

The Bank has a Forestry Policy for the lending business incorporated into LBBW's Sustainability Policy. For Timber, the policy includes provisions for the logging sector and is based on sector-specific certifications.

New customers who are associated with the production of wood in high-risk countries, must be certified by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC) or demonstrate comparable standards. High-risk countries are defined as all wood-producing countries that are members of the International Tropical Timber Organization (ITTO). For new credit businesses with existing customers that are involved in the production of wood in high-risk countries, certification in accordance with the FSC or the PEFC or comparable standards must be submitted. If accession has not been completed by 2025, no new business or extensions will be approved by LBBW.

ESG Guidelines into Financing Process for Agriculture

The Bank has specific lending guidelines with pre-determined thresholds and exclusions covering the risks for forestry projects[23]. Under its Sustainability Practice policy, LBBW established particular requirements for Soya, Palm oil, Cotton, and Logging sectors as following:

- Palm oil: New customers associated with the production of palm oil must be a member of the Roundtable on Sustainable Palm Oil (RSPO) or have comparable standards. In addition, the customer's main production sites must be certified by the RSPO. For new lending business with existing customers that are associated with the production of palm oil, membership of the RSPO or comparable standards must be demonstrated. In addition, certification of the main production sites must be agreed. LBBW requires accession and certification to be completed by 2025 at the latest.
- Soy: New and existing customers associated with soy production must be a member of the Roundtable on Responsible Soy Association (RTRS) or have comparable standards. In addition, the customer's main production sites must be certified by the RTRS. LBBW requires accession and certification to be completed by 2025 at the latest.
- Cotton: LBBW requires new and existing customers involved in cotton production to use initiatives such as the Better Cotton Initiative.

[23] LBBW Sustainability Practice 2022, Available at: https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-practice-2022_ae45jn91ci_m.pdf

Labour, Health and Safety	
✓	LBBW has policies and a due diligence process in place to ensure that the projects underlying the eligible transaction ensure high labor, health, and safety Standards. The Bank has a Sustainability Practice Policy[24] in place, which puts relevant lending and investment guidelines and requirements for LBBW for high labour, health and safety standards. In that regard, the Bank's borrowers are obligated to be in compliance with the eight core conventions of the International Labour Organization (ILO), the United Nations (UN) Declaration of Human Rights and Worker's Rights, the UN Global Compact, the International Finance Cooperation (IFC) Performance Standards, the General Equal Treatment Act (AGG) and the UK Modern Slavery Act. Furthermore, LBBW has an ESG Due Diligence Checklist process where labour, health, and safety along with other social and governance indicators are incorporated into the questionnaire. The requirements also cover suppliers, their subcontractors, and other partners with whom the Bank cooperates. Projects with low or negative assessments will be excluded from eligible transactions. In case a violation is detected during regular reviews, LBBW considers a violation as grounds for termination of the Agreement without notice. Therefore, high labour, health, and safety standards are ensured by LBBW's Sustainability Practice Guidelines and ESG Due Diligence Checklist that are embedded in national and international laws and standards.
Biodiversity	
✓	The eligible transactions feature the respect of biodiversity as an integral part of the planning process. In line with the Management of Environmental and Social risks and of Governance aspects Guidelines laid out in the Sustainability Practice Policy,[25] LBBW's borrowers are obligated to comply with the requirements set out in the IFC Standards and obtain necessary licenses (i.e., Environmental Impact Assessments) when required in order to mitigate the negative environmental impacts on biodiversity, surrounding areas, and cultural heritages. The Bank confirms not to finance projects that have destructive impacts on biodiversity and no environmental improvement. Regarding the protection of critically endangered and vulnerable species, LBBW checks if the projects will be in areas with internationally protected status (i.e., High Conservation Value Areas (HCVA), IUCN areas, UNESCO World Heritage Sites, wetlands according to the Ramsar Convention) and with endangered species in accordance with

[24] LBBW Sustainability Practice 2022, Available at: https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-practice-2022_ae45jn91ci_m.pdf
[25] Ibid.

the Washington Convention (CITES). Furthermore, with regard to wildlife and species protection, the Bank requires its borrowers and suppliers to comply with the requirements listed in the IUCN Red List of endangered species, the Cartagena Protocol, the UN Convention on Biological Diversity and associated Bonn Guidelines and Nagoya Protocol.

LBBW implements the ESG Due Diligence Checklist assessment in line with the EBA Guidelines and specific lending guidelines for agriculture and forestry sectors to ensure eligible transactions comply with the requirements listed above. Furthermore, the Bank carries out regular monitoring of the eligible transactions to ensure all transactions fulfill the required checklist. The checklist is applied to every new transaction and existing customers of the Bank when there is a change that is made in an ongoing transaction. Non-compliant transactions are excluded from being financed.

Community Dialogue

✓

LBBW has Sustainability Practice Policy[26] and ESG Due Diligence Checklist process in place to ensure that the projects underlying the eligible transaction ensure community dialogue is an integral part of the planning process. The Bank requires borrowers to comply with the IFC Performance Standards requirements and evaluates impacts on the affected communities during the project lifecycle, mitigation measures to minimize these impacts and prevent involuntary land resettlement for affected communities as a result of project-related land acquisitions and land use restrictions, through the Bank's ESG Due Diligence Checklist. In cases where resettlement cannot be avoided, borrowers are required to obtain free, prior, and informed consent (FPIC) from the affected groups. Furthermore, an active involvement of affected groups in borrower's decision-making and implementation process and compensation mechanisms needs to be ensured prior to a transaction. If a transaction is assessed as having a negative impact on indigenous people and community dialogue is not featured, LBBW does not consider such financing as eligible.

Additionally, the Bank has complaints management[27] in place where suppliers, customers and the public can report any complaints regarding an activity. LBBW's community center, the LBBW Immobilen Kommunalentwicklug GmbH initiates community surveys and improvement projects regarding the planned projects[28].

[26] Ibid.
[27] Ibid.
[28] LBBW Sustainability Report 2022, Available at: https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-report-2022_agvcqjsysv_m.pdf

Inclusion	
○	It is not clear whether LBBW has policies in place ensuring that access to essential services is affordable. However, the Bank will conduct an ESG Due Diligence Checklist assessment to ensure projects adhere to the UN Global Compact[29], and relevant local legislations regulating the access to projects financed both to the general population and to vulnerable and disadvantaged populations. Projects not ensuring access will be excluded. The assessment will be performed at the origination of the loan and during the annual review.
✓	LBBW has a Code of Conduct[30] and Retail and Corporate Customer Guidelines[31] in place to systematically ensure borrowers are not discriminated on the basis of skin color, gender, origin, age, religion, disability, marital status, sexual orientation or nationality, or other factors that represent a breach of the principle of equal treatment in access to credit. Furthermore, the Bank's Whistleblower Policy[32] allows anonymous, written, and verbal reports in order to protect the borrowers.

Data Protection and Information Security	
✓	LBBW has Privacy Policy and Data Protection Policy[33] in place systematically ensuring that data collection processes on borrowers meet minimum requirements for data and information security, and data security in outsourced data processing. The Bank's Personal Data Processing strategy and Data Protection Policy comply with Regulation (EU) 2016/679 (General Data Protection Regulation; "GDPR"), the Charter of Fundamental Rights of the European Union (Article 8(1)) and in the Treaty on the Functioning of the European Union (Article 16(1))[34]. The Bank further applies EU laws for foreign locations to the extent possible, as the conditions for this are assessed and implementation is determined on an individual basis. A risk management due diligence process[35] has been established with the Bank's governing documents relating to information security, cyber security, and privacy. For outsourcing, LBBW adheres to the European Banking Authority (EBA) Guidelines on outsourcing arrangements in terms of security of data and

[29] UN Global Compact, LBBW, https://unglobalcompact.org/what-is-gc/participants/126681-Landesbank-Baden-W-rttemberg
[30] LBBW Code of Conduct, Available at: https://www.lbbw.de/rechts-und-kundeninformationen/lbbw-code-of-conduct-en_7v4a6ctuj_m.pdf
[31] Retail and Corporate Customer Guidelines, LBBW, Available at: https://www.bw-bank.de/content/dam/myif/bwbank/work/dokumente/pdf/persoenliche-beratung/230717_BW-Bank_Guidelines.pdf?n=true
[32] LBBW Whistleblowing System: https://www.lbbw.de/rechts-und-kundeninformationen/20221213-lbbw-rules-ofprocedure_afv7jhsuqy_m.pdf
[33] LBBW Data Protection Policy, Available at https://www.lbbw.de/rechts-und-kundeninformationen/datenschutz/general_data_protection_information_en_8rif1u5ay_m.pdf
[34] LBBW Sustainability Report 2022, Available at: https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-report-2022_agvcqjsysv_m.pdf
[35] Ibid.

systems, location of data and data processing, sub-outsourcing, monitoring and auditing and contingency plans and exit strategies. As a second line of defense, the Data Protection Officer monitors compliance with requirements under the regulations, conducts regular audits and develops control measures. Annually, a risk analysis is prepared on the basis of conducted audits. Additionally, the Bank has a number of technical safety barriers and puts employees through regular training on the legal framework, information obligations, and practices for information security, cyber security and privacy in line with the GDPR in order to avoid unwanted incidents.

Responsible treatment of customers with debt repayment problems

LBBW has limited procedures in place to ensure that eligible transactions under this Framework provide responsible treatment toward customers with debt problems. The Bank complies with the EBA Guidelines[36] requirements regarding governing credit risk management, internal controls, and oversight which includes requirements for dealing with customers with debt problems and uses internal measurement methods quantifying credit risk to ensure that the incentives are in place for the customers with debt problems.

Under its Retail and Corporate Customer Guidelines[37], LBBW implements assessments covering the risks of the loan granting process, and verification of the customer's capacity to repay the debt; monitoring of credit and mediation initiatives to enable customers in temporary financial difficulty to meet their needs. In that regard, the Bank provides external debt advisory services where the advisors work directly with retail clients to prepare a personalized financial plan from a holistic perspective. As part of the advisory debt counseling, the Bank provides detailed and understandable information about various forms of investment and its associated risks. Additionally, the Bank provides its employees with regular training sessions on how to approach customers with vulnerable financial backgrounds. However, there is limited information about the pre-emptive measures the Bank has for clients struggling with debt problems and no information on responsible policies covering mortgage and foreclosure sale aspects, and whether the Bank (i) sells loans only in non-detrimental conditions, (ii) requires customer consent in case of mortgage sale, or (iii) strictly excludes sale in such situations for vulnerable customers.

Sales practices

[36] Ibid.
[37] Retail and Corporate Customer Guidelines, LBBW, Available at: https://www.bw-bank.de/content/dam/myif/bwbank/work/dokumente/pdf/persoenliche-beratung/230717_BW-Bank_Guidelines.pdf?n=true

✓	LBBW has procedures in place that eligible transactions under this Framework provide for responsible sales practice. The Bank's employees are trained and obligated to follow LBBW's Code of Conduct and Retail and Corporate Customer Guidelines[38]. The Guidelines specify the core elements of customer services as providing a high level of integrity, availability, transparency, and fair treatment, and it applies rules for proper conduct and compliance with the operational limits set and the general rules on good business practices and international standards and conducts regular internal audits of the activities to identify potential operational or reputational risks and prevent malpractices. When lending, the Bank reviews the economic viability of giro-based loans, private loans, construction financing and investment financing and base the maximum lending amounts on the customer's individual income and cash flow situation. LBBW provides trainings to its employees on responsible sales practices, to ensure the implementation of responsible sales such as regarding product matching the risk appetite and situation of the customer. The Bank carries out regular screening of customer surveys and complaints and is responsible for monitoring and evaluating its employees' competencies and sales practices and provides regular audits assessing responsible sales practices[39]. Furthermore, LBBW prohibits setting individual sales targets and has no point systems for assessing sales and revenue targets to ensure ethical considerations are included in its employee reward system.
Responsible marketing	
✓	LBBW has a Retail and Corporate Customer Guidelines[40] and measures in place systematically ensuring that eligible transactions under this Framework provide for responsible marketing. The Bank is committed to being transparent in its marketing activities. Legal regulations pertaining to advertising, such as the prohibition against advertising containing dishonesty or misleading statements, are adhered by the Bank. In this regard, LBBW complies with the basic commercial communication guidelines of the German Advertising Council (Deutscher Werberat). Furthermore, the Bank commits to clear and correct pricing, transparency regarding product risk and the provision of complete and understandable information in order to ensure that customers' interests and investor protection are safeguarded when customers and investors are being sold products and services. In that regard, when a loan is advertised (online or via print media), LBBW ensures that all legal requirements regarding price

[38] Retail and Corporate Customer Guidelines, LBBW, Available at: https://www.bw-bank.de/content/dam/myif/bwbank/work/dokumente/pdf/persoenliche-beratung/230717_BW-Bank_Guidelines.pdf?n=true
[39] LBBW Annual Report 2022, Available at: https://www.lbbw.de/konzern/investor-relations/finanzberichte/geschaeftsberichte/2022/lbbw-annual-report-2022_agbemb5x2k_m.pdf
[40] Retail and Corporate Customer Guidelines, LBBW, Available at: https://www.bw-bank.de/content/dam/myif/bwbank/work/dokumente/pdf/persoenliche-beratung/230717_BW-Bank_Guidelines.pdf?n=true

quotation and comparability, as well as disclosing fee rates are complied with. Additionally, LBBW also informs its customers about the reasons leading to a rejection through loan application form.

Carbon-related financing

✓ The Bank discloses the amount of carbon-related financing for oil and gas, energy generation, automotive manufacturing, automotive supply, cement, aircraft financing, steel and commercial real estate throughout all business units and subsidiaries that are within the scope of the Framework. LBBW communicated to ISS-Corporate that the share of the mentioned sector's financing out of total financing is estimated to be 40%. According to the disclosed amounts in the document titled "Sustainable transformation: Our path to net zero"[41], the financed emissions of LBBW in 2022 correspond to 11.8 million t CO_2e, whereas it was recorded as 13.3 million t CO_2e in the previous year. 70% of the emissions are stated to be derived from loans and projects financed by LBBW in Germany. Furthermore, the largest sector Scope 3 CO_2 footprint in LBBW is disclosed as 37% of the GHG emissions being attributed to the energy supply[42] sector where the exposure was assessed with differentiating country intensities.

✓ LBBW has a phase-out commitment for all new financings to have transformation plans for achieving targets to phase out coal by 2040 and further commitments to reduce carbon-related financed emissions, disclosed in the document titled "Sustainable transformation: Our path to net zero"[43]. In line with the disclosed targets, the Bank aims to reduce (i) Energy Generation sector scope 1 GHG emissions by 50%[44], (ii) Automotive Manufacturing sector scope 3 emissions by 40%[45], (iii) Automotive Supply sector's share of sales generated from combustion components to reach 30%[46], (iv) Cement sector scope 1 and 2 emissions by 15%[47], (v) Aircraft Financing scope 1 emissions by 25%[48], (vi) Steel sector scope 1 and2 emissions by 20%[49], and (vii) Commercial Real Estate sector scope 1 and 2 emissions by 57%[50]. The quantitative targets have a baseline year of 2021 and a target year of 2030.

[41] LBBW "Sustainable Transformation: Our Path to net zero", Available at: https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainable-transfomation-our-path-to-net-zero_afevaknnhg_m.pdf
[42] This excludes renewable energies and grid operators.
[43] LBBW "Sustainable Transformation: Our Path to net zero", Available at: https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainable-transfomation-our-path-to-net-zero_afevaknnhg_m.pdf
[44] The target value is 110 kg Co_2/MWh.
[45] The target value is 95 g Co_2/km.
[46] The target value is a 17% share of sales.
[47] The target value is 480 kg Co_2/metric ton of cement.
[48] The target value is 66 g Co_2/pkm.
[49] The target value is 860 kg Co_2/metric ton of steel.
[50] The target value is 22 kg Co_2/m^2a

Financed emission measurement

✓

LBBW calculates its financed emissions by using a methodology in line with the Partnership for Carbon Accounting Financials (PCAF) guidelines and refers to estimated values such as industry averages. The basis for the calculations of the financed CO_2 emissions is the scope 1 and scope 2 emissions of the Bank's customers. The financed emissions of LBBW in 2022 correspond to 11.8 million t CO_2e, whereas it was recorded as 13.3 million t CO_2e in the previous year. This results on an average emissions intensity of 44 t CO_2/million EUR. The methodology for the average emission intensity calculation is the quotient of the financed emissions and the exposure of the loan portfolio (financed emissions in tonnes of CO_2e/exposure in EUR million).

Exclusion criteria

LBBW's document titled "Sustainable Transformation: Our path to net zero"[51] and Sustainability Practice[52] excludes companies that (i) produce cluster munitions and/or anti-personnel mines, which are prohibited by international conventions, (ii) involved in the delivery of weapons of war to other countries, and (iii) sell any investment products associated with agricultural commodities. Under its Sustainability Practice Policy, the Bank has sector-specific principles for exclusion criteria and restrictions, covering the sectors wood/paper, mining, Crude oil (natural gas and Bioenergy.[53]

The Bank's Code of Conduct[54] serves as a basis for responsible action in compliance with the applicable legal requirements as well as ethical and societal standards for the exclusion of entities and individuals found to have engaged in prohibited conduct (i.e., fraud prevention, money laundering, financial sanctions and embargoes).

[51] LBBW "Sustainable Transformation: Our Path to net zero", Available at: https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainable-transformation-our-path-to-net-zero_afevaknnhg_m.pdf
[52] LBBW Sustainability Practice 2022, Available at: https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-practice-2022_ae45jn91ci_m.pdf
[53] For a more detailed sector-specific approach that LBBW has in its review process, see Sustainability Practice 2022, LBBW, pp. 15-24, Available at: https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-practice-2022_ae45jn91ci_m.pdf
[54] LBBW Code of Conduct, Available at: https://www.lbbw.de/rechts-und-kundeninformationen/lbbw-code-of-conduct-en_7v4a6ctuj_m.pdf

PART IV: CONSISTENCY OF THE SUSTAINABLE FINANCE FRAMEWORK WITH LBBW'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by LBBW

TOPIC	LBBW'S APPROACH
Strategic ESG topics	LBBW recognizes the United Nations backed Sustainable Development Goals (SDGs) as a set of shared global priorities to be supported in accordance with the 2030 Agenda. LBBW aims to achieve net zero GHG emissions by 2050.
ESG goals/targets	To achieve net zero GHG emission by 2050 target, LBBW focuses on five key levers that drive their sustainability strategy: (i) Sustainable Transformation (encompassing individual consulting on sustainable business models, digital transformation and long-term value chain restructuring), (ii) Innovative Solutions (a customer-centric approach consisting of cross-segment collaboration and product development for customers), (iii) Enhanced Resilience (diversification of the business model and further development of risk management, including aspects of capital/process efficiency and improved operating resilience), (iv) Inspire Employees (combining employee promotion and further development initiatives fostering a sense of identification with LBBW), and (v) Social Contribution (actively contributing to social developments, discourse and initiatives). Additionally, LBBW has pledged to have a minimum of 30% of women in leadership positions by 2025.
Action plan	LBBW's climate action plan includes a target to be net zero in its investment portfolio by 2050. LBBW uses the net zero emissions scenario (NZE) of the international Energy Agency (IEA) to measure individual sector portfolio's alignment to the Paris climate goals by comparing their GHG intensity with a decarbonization pathway. LBBW has also presented different targets for the short and long-term, such as increasing their sustainable finance volume by at least EUR 7.1 billion

	by the end of business year 2025 and having carbon neutral lending and investment portfolios by 2050. To further establish their credibility towards sustainability, LBBW has joined the Net-Zero Banking alliance and aligns their portfolio to the UN's Principles for Responsible Banking. To meet their goals, LBBW has developed an action plan tracking ongoing and expected projects/targets, broken down into the following categories: (i) Strategy and Management, (ii) Customers, (iii) Employees, (iv) Business Operations, and (v) Social Commitment and Communication.
Climate Transition Strategy	By 2050, LBBW aims to establish carbon-neutral banking operations (Scope 1 and 2) and make the portfolio (Scope 3) carbon neutral. By 2040, for all new financing, companies must provide a transformation plan for achieving targets to phase out coal. LBBW has set and published precise sector-specific and scenario-based climate targets for the sectors in the portfolio responsible for the most greenhouse gas emissions, with the target year of 2030. Additionally, for lending to agricultural sectors LBBW requires that new customers be a member of the Roundtable on Responsible Soy/Palm Association, the Forest Stewardship council or follow initiatives such as the Better Cotton Initiative. For existing customers, they are given until 2025 to subscribe to the aforementioned memberships/initiatives.
Sustainability Reporting	LBBW reports on its sustainability by referencing to the GRI standards. Additionally, the Bank discloses a climate impact report as recommended by the Task Force on Climate-related Financial Disclosures (TCFD).
Industry associations, Collective commitments	LBBW is a signatory to UN PRB, UNEP FI Principles for Responsible Investment, and UN Global Compact. The Bank is also a member of various national involvements.[55]
Previous sustainable/sustainability-linked issuances or transactions	In line with their environmental commitments, as of year-end 2022, LBBW has supported a total of 28 ESG bond transactions, including 22 Green Bonds, 4 Social

[55] For further information on the organizations and initiatives that LBBW is member of, please refer to pages 79-80 of its 2023 Sustainability Report.

and publication of sustainable financing framework	Bonds, 1 Sustainability Linked Bond, and 1 Sustainability Bond. As of December 31st, 2022, the volume of outstanding LBBW Green and Social bonds stands at EUR 7.6 billion.

Rationale for issuance

By publishing the Sustainable Finance Framework, LBBW outlines the approach of the Bank to classify activities as sustainable finance and sets forth the underlying criteria and guiding principles that shape its decision-making process.

Opinion: *The Sustainable Finance Framework is consistent with the Bank's sustainability strategy. The rationale for establishing a Sustainable Finance Framework is clearly described by the Bank.*

DISCLAIMER

1. Validity of the External Review ("External Review"): Valid as long as the cited Framework remains unchanged.
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ANNEX 1: Methodology

PART I: REVIEW OF THE SUSTAINABLE LENDING FRAMEWORK

We consider relevant market guidelines in the assessment of sustainable finance strategies. The analysis considers criteria from a set of different market standards, voluntary guidelines, and market practices e.g. the Loan Market Association's Green Loan Principles, Social Loan Principles[56], the UNEP-FI PRB[57], and the Guidelines proposed by the European Banking Authority with respect to environmentally-sustainable lending. The application of the LMA principles, comprising voluntary guidelines is limited to the assessment of characteristics of a specific transaction.

SECTION	ASSESSMENT CRITERIA
1. Objectives, Targets & Progress	For a financing strategy to be classified as sustainable, banks should embed these within the context of their overarching sustainability objectives. The institutions should further include relevant qualitative and, where feasible, quantitative targets to measure the progress on its commitments. Banks provide transparency on how to increase positive impacts, reduce negative impacts, and mitigate ESG risks. The sustainability strategy is expressed by referring to alliances such as the UN Sustainable Development Goals, the Paris Climate Agreement, or national or regional frameworks.
2. Definition of Sustainable Lending Activities	The sustainable lending strategy should define clearly and comprehensively what transactions are deemed as sustainable based on precise parameters. Ideally, the bank should provide an exhaustive list of eligible sustainable activities. Those criteria should ensure a positive contribution to relevant sustainability objectives and be sufficiently precise to ensure a minimum level of contribution to those objectives (e.g., clear definition, quantified thresholds, or impact indicators) while ensuring that other objectives are not harmed.
3. Evaluation & Selection Process	Banks should have a comprehensive and documented process in place to ensure that the classified projects align with the eligibility criteria for sustainable financing instruments. The borrower of a green/social loan should clearly communicate the environmental/social objective(s) of the projects, the process by which the borrower determines how the project(s) to be funded fits within the eligible project categories; and complementary information on the processes by which the borrower identifies and manages perceived, actual or potential environmental and social risks associated with the relevant project(s).

56 Loan Market Association, Sustainable Finance, Principles, https://www.lma.eu.com/sustainable-lending/documents
57 United Nations Environmental Programme – Finance Initiative Principles for Responsible Banking, https://www.unepfi.org/banking/bankingprinciples/

4. Governance & Monitoring	Clear governance mechanisms should be in place to ensure that the products classified as sustainable remain in line with the criteria for sustainable lending instruments throughout their lifecycle. This should include a process to deal with products that cease to meet the eligibility criteria. Effective governance procedures pertaining to sustainability, assigning clear roles and responsibilities, and segregating duties are in place to promote sustainable business practices. Management of proceeds should be attested to by the borrower in a formal internal process linked to the borrower's lending and investment operations for green or social projects. The borrower should make known to the lenders any intended types of temporary placement for the balance of unallocated proceeds. Where appropriate, it is recommended that borrowers appoint (an) external review provider(s) to assess the alignment of their green loan or green loans program with the four core components of the LMA principles.
5. Reporting	Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate the classified sustainable transactions, as well as the impact and progress of the sustainable lending strategy. Elements to be reported on should be communicated clearly at the inception of the strategy and capture the most significant areas of impact on environmental and social topics.
6. Verification	It is recommended that in connection with the establishment of a sustainable lending framework, banks obtain external reviews. External reviews should be made publicly available.

PART II: ASSESSMENT OF LBBW'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

This section examines the sustainability quality of each of the parameters included in LBBW's sustainable finance classification system and discusses the sustainability quality of the products complying with those. To corroborate this assessment and using a proprietary methodology, we identify the extent to which LBBW's eligibility criteria contribute to the UN SDGs.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which the Bank's eligible categories contribute to related SDGs has been identified.

PART III: ASSESSMENT OF LBBW'S ESG RISK MANAGEMENT

ESG Risk Management KPIs

The Risk Management KPIs serve as a structure for evaluating the sustainability quality – i.e., the social and environmental added value – of the proposed selection criteria as well as the Bank's overall financing operations.

It comprises firstly the definition of the selection criteria offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance can be clearly identified and described.

If a majority of the criteria fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks. In addition, the KPIs assess sustainability-related risks considered relevant to the financing operations of the Bank. The evaluation was carried out based on information and documents provided on a confidential basis by the Bank (e.g., Due Diligence procedures).

PART IV: SUSTAINABLE FINANCE FRAMEWORK'S LINK TO LBBW'S SUSTAINABILITY STRATEGY

This section provides an assessment of the sustainability quality of the Group and how the underlying Sustainable Finance Framework contributes to its sustainability strategy. Drawing on the ISS ESG Corporate Rating, a focus is put on the Group's overarching sustainability policies as well as the management of related ESG risks.

ANNEX 2: Assessment of the contribution to the SDGs[58]

Financial Institutions can contribute to the achievement of the SDGs by financing eligible services/products which help address global sustainability challenges, and by being responsible actors, contributing to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the eligible categories by the Bank.

The assessment of eligible categories for (re)financing products and services are based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of eligible categories for (re)financing specific products and services is displayed on 3-point scale (see Annex 1 for methodology):

Obstruction	**No Net Impact**	**Contribution**

Each of the eligible categories has been assessed for its contribution to, or obstruction of, the SDGs:

Green Categories

ELIGIBLE ENVIRONMENTAL CATEGORIES	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy ▪ *Photovoltaics or solar energy concentration (CSP1);* ▪ *On and offshore wind turbines;* ▪ *Production of green hydrogen and green power-to-X derivatives (e.g., green ammonia, synthetic fuels (e-fuel, e-gas, e-SAF, and e-methane)).*	**Contribution**	

[58] The impact of the UoP categories on UN Social Development Goals is assessed with proprietary ISS ESG metho dology and may therefore differ from the issuer's description in the framework.

Clean Transportation[59] ▪ *Vehicles with clean drive energy such as e-mobility (any zero direct emissions such as electric and hydrogen);* ▪ *Expansion and improvement of rail and public transport infrastructure and operation without direct CO_2 emissions;* ▪ *New infrastructure required for zero and/or low-CO2 e-transport (electric vehicle charging stations, rail infrastructure, hydrogen fueling facilities)*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Clean Transportation *Measures for CO_2 reduction in aviation and its infrastructure*[60].	**Contribution**	13 CLIMATE ACTION
Energy efficiency and green buildings[61] *Construction, acquisition/ownership of:* ▪ *Buildings with verifiably high energy standards*[62] ▪ *Buildings that have a comparatively low primary energy demand (PED)*[63] ▪ *Buildings whose energy performance is significantly below the threshold for lowest energy buildings (NZEB) in the local market.* ▪ *Buildings that can show a significant*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

[59] The infrastructure must not be dedicated to the transport or storage of fossil fuels (with regards to its main purpose) and fulfillment of at least one additional requirement: (i) all vehicles with zero direct emissions, (ii) passenger cars and light commercial vehicles (vans) with direct emissions <50g CO_2e per passenger km, (iii) freight rail and road transport: direct emissions <25g CO_2e/tkm, (iv) air traffic: aircraft analogue EU-Taxonomy Financing activity must comply with EU Taxonomy, Activity 6.19 TSC.

[60] The criteria comply with EU Taxonomy activity 6.17 "Low Carbon airport infrastructure" Technical Screening Criteria for Climate Change Mitigation and requires specification of the exclusion criteria: The infrastructure is not dedicated to the transport or storage of fossil fuels.

[61] For all renovations compliance with all the TSC for activity 7.2 must be ensured for a positive assessment.

[62] New construction (from 01.01.2021): Primary energy demand (PED) at least 10% below NZEB standard. Existing buildings (until 31.12.2020): EPC Level A or evidence Top 15% of national or regional building stock (in terms of PED); Large non-residential buildings (>290 kW): Energy management.

[63] Ibid.

improvement through renovation compared to the performance before renovation (reductions through renewable energy sources are not considered) ▪ *Buildings that have been refurbished and meet the criteria for major renovations in accordance with the applicable building regulations*[64]		
Green Buildings *Infrastructure for Health Care:* ▪ *Hospital activities* ▪ *Medical and dental practice activities*	**Contribution**	3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES
Agriculture and forestry ▪ *Use of environmentally friendly production methods in agriculture and forestry (based on the labels FSC, PEFC, RSPO), certification EU Organic IFOAM, ProTerra, Naturland* ▪ *Creation of forest areas through conversion of non-forest into forest or new planting/targeted seeding*[65] ▪ *Reforestation*[66]	**Contribution**	15 LIFE ON LAND
Data infrastructure *Energy-efficient data centers.* [67]	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

[64] Improvement of PED by at least 30% (period 3 years). Furthermore, significant improvements refer to renovations that comply with the applicable requirements for major renovations as defined in the Energy Performance of Buildings Directive (EBPD), based on the cost-optimal level as defined in EnEV 2016.

[65] The reforestation and conversion activities should not be done by the organizations/companies that caused the externality.

[66] Only if the non-forest should be degraded ecosystem and it must not have been intentionally degraded by the same end borrower.

[67] Power Usage Efficiency (PUE) ≤ 1.5 for existing data centers until 2026, ≤ 1.4 for existing data centers from 2027, and ≤ 1.3 for new data centers

Social Categories

ELIGIBLE SOCIAL CATEGORIES	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Affordable Basic Infrastructure ▪ *Sewerage (operation of sewer systems and sewage treatment plants),* ▪ *Operation of wastewater treatment plants,* ▪ *Water production with external procurement for distribution,*	Contribution	6 CLEAN WATER AND SANITATION
Affordable Basic Infrastructure *Water supply (operation of plants for collecting and distributing water).*	No Net Impact	
Affordable Basic Infrastructure *Construction and refurbishment of education (e.g. schools and universities)*	Contribution	4 QUALITY EDUCATION
Affordable Basic Infrastructure *Construction and refurbishment of healthcare (e.g. hospitals)*	Contribution	3 GOOD HEALTH AND WELL-BEING
Affordable Basic Infrastructure *Construction and refurbishment of social welfare (e.g. nursing homes)*	Contribution[68]	3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES
Affordable Basic Infrastructure *Public Transport Service*	Contribution	10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES
Access to Essential Services *Health Care:* ▪ *Hospital activities (Operation of public and private hospitals),* ▪ *Medical and dental practice activities (Operation of medical practices).*	Contribution	3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES

[68] This assessment is limited to the examples spelled out in the Framework.

Access to Essential Services *Diversity and Inclusion:* ▪ *Financing of special housing for individuals with disabilities.*	**Contribution**	1 NO POVERTY 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES
Access to Essential Services *Social Care:* ▪ *Residential nursing care facilities* ▪ *Residential care activities for the elderly*	**Contribution**	3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES
Access to Essential Services ▪ *Vocational adult education,* ▪ *Vocational secondary education,* ▪ *General and political adult education.*	**Contribution**	4 QUALITY EDUCATION
Access to Essential Services ▪ *General Secondary education,* ▪ *Kindergartens and,* ▪ *Elementary schools.*	**Contribution**	4 QUALITY EDUCATION 10 REDUCED INEQUALITIES

ANNEX 3: Quality management processes

SCOPE

LBBW commissioned ISS-Corporate to compile a Sustainable Finance Framework External Review. The External Review process includes verifying whether the Sustainable Finance Framework aligns with market practices for sustainable finance and assessing its sustainability credentials, as well as the credibility of the Bank's sustainable financing classification system.

CRITERIA

Relevant Standards for this External Review stem from key principles for transparency and non-contamination of sustainable labelled products, including:

- Loan Market Association's (LMA) Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles
- UNEP-FI PRB
- Guidelines proposed by the European Banking authority (EBA) with respect to environmentally sustainable lending

CLIENT'S RESPONSIBILITY

LBBW's responsibility was to provide information and documentation on:

- Sustainable Finance Framework
- ESG Impact and Risk Management
- Governance procedures

ISS-CORPPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS-Corporate has conducted this independent External Review of the Sustainable Finance Framework by LBBW based on a proprietary methodology and in line with market practices and relevant market standards for sustainable finance.

The engagement with LBBW took place from October 2023 to November 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this External Review

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

As part of our Sustainable (Green & Social) Bond services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

ISS-Corporate provides external review services for sustainable financing and responsible investment strategies by assessing the robustness of its client's frameworks.

Learn more: https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/

For more information on External Review services, contact: SPOsales@iss-corporate.com

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