



## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Pool Framework

Landesbank Baden-Württemberg  
19 September 2023

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>▪ Structured bond (EU-Taxonomy)</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>▪ Market standard</li><li>▪ EU Taxonomy Climate Delegated Act (June 2023)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>▪ LBBW Pool Framework (as of August 22, 2023)</li><li>▪ LBBW Eligibility Criteria (as of August 22, 2023)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>▪ Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>▪ As long as there is no material change to the Framework</li></ul>

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## SCOPE OF WORK

Landesbank Baden-Württemberg (“the Issuer”, “the Company”, or “LBBW”) commissioned ISS Corporate Solutions (ICS) to assist with its Structured Bond (EU-Taxonomy) by assessing four core elements to determine the sustainability quality of the instruments:

1. LBBW’s Pool Framework (as of August 22, 2023) – benchmarked against market standards.
2. The Selection Criteria – whether the financial activities contribute positively to the United Nations Sustainable Development Goals (UN SDGs) (See Annex 1).
3. The alignment of the economic activities with the EU Taxonomy on a best-efforts basis<sup>1</sup> – whether the nominated economic activities are aligned with the EU Taxonomy Technical Screening Criteria (including Substantial Contribution to Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2023)<sup>2</sup>.
4. Linking the transaction(s) to LBBW’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.






## 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 client. The company was founded on January 1, 1999 and is headquartered in Stuttgart, Germany. LBBW is classified in the Public & Regional Banks industry, as per ISS ESG’s sector classification.

<sup>1</sup> Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy have been evaluated on a “best efforts basis”.

<sup>2</sup> Commission Delegated Regulation (EU) 2021/2139 of June 2021, [URL https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139)

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>3</sup>
<b>Part 1: Alignment with market standards</b>	The Issuer has defined a formal concept for its Structured Bond (EU-Taxonomy) regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the market standards.	<b>Reflects market standards</b>
<b>Part 2: Sustainability quality of the Asset Pool</b>	<p>The structured bonds (EU-Taxonomy) will (re)finance eligible asset categories which include:</p> <p>Economic activities: Renewable Energy, Green Buildings</p> <p>Product and/or service-related use of proceeds categories<sup>4</sup> individually contribute to one or more of the following SDGs:</p> <div style="display: flex; justify-content: center; gap: 10px;">   </div> <p>Process-related use of proceeds categories<sup>5</sup> individually improve (i) the Issuer's operational impacts and (ii) mitigate potential negative externalities of the Issuer's sector on one or more of the following SDGs:</p> <div style="display: flex; justify-content: center; gap: 10px;">    </div>	<b>Positive</b>
<b>Part 3: Alignment with EU Taxonomy</b>	<p>LBBW's Pool (economic activities), due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2023), on a best-efforts basis<sup>6</sup>. The nominated financial activities are considered to be:</p> <ul style="list-style-type: none"> <li>▪ Aligned with the Climate Change Mitigation Criteria</li> <li>▪ Aligned with the Do No Significant Harm Criteria</li> <li>▪ Aligned with the Minimum Safeguards requirements</li> </ul>	

<sup>3</sup> The evaluation is based on LBBW's Pool Framework (August 2023 version), on the analysed Selection Criteria as received on August 22, 2023, and on the ISS ESG Corporate Rating updated on the August 18, 2022 and applicable at the SPO delivery date.

<sup>4</sup> Renewable Energy

<sup>5</sup> Green Buildings

<sup>6</sup> Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

<p><b>Part 4:</b> <b>Linking the transaction(s) to LBBW's ESG profile</b></p>	<p>The key sustainability objectives and the rationale for issuing Structured Bond (EU-Taxonomy) are clearly described by the Issuer. All financial activities considered are in line with the sustainability objectives of the Issuer.</p>	<p><b>Consistent with Issuer's sustainability strategy</b></p>
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## SPO ASSESSMENT

### PART I: ALIGNMENT WITH MARKET STANDARDS

This section evaluates the alignment of LBBW's Pool Framework (as of August 22, 2023) with market standards.

MARKET STANDARDS	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by LBBW's Pool Framework <b>reflects</b> market standards.</p> <p>The Issuer's economic activities (Renewable Energy, Green Buildings) align with the project categories as proposed by market standards. Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds will happen before issuance and environmental benefits are described. The Issuer defines exclusion criteria for harmful financial activities.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by LBBW's Pool Framework <b>reflects</b> market standards.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the financial activities are identified and managed through an appropriate process. Moreover, the economic activities selected show alignment with the sustainability strategy of the Issuer.</p> <p>Moreover, the Issuer identifies alignment of their Pool Framework and their green economic activities with official or market-wide taxonomies and references any green standards or certifications used, in line with best marked practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds provided by LBBW's Pool Framework <b>reflects</b> market standards.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner. The net proceeds are managed on an aggregated basis for the entire Pool/Structured Bond (portfolio approach). Moreover, the Issuer discloses that 100% of the proceeds</p>

		will be immediately allocated and there won't be unallocated proceeds.
<b>4. Reporting</b>	✓	<p>The allocation and impact reporting provided by LBBW's Pool Framework <b>reflects</b> market standards.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website. LBBW explains that the level of expected reporting will be at portfolio level and the type of information that will be reported. Moreover, the Issuer commits to report annually, and this reporting will continue even after all the proceeds have been fully allocated.</p>

## PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

### CONTRIBUTION OF THE POOL TO THE UN SDGs<sup>7</sup>

Companies can contribute to the achievement of the SDGs by investing in specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working 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 UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services
- improvement of operational performance



#### 1. Products and services

The assessment of UoP categories for (re)financing products and services is 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, and other regional taxonomies, standards and sustainability criteria).

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



Each of the Structured Bonds Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>Renewable Energy</b> Wind Power	<b>Contribution</b>	 

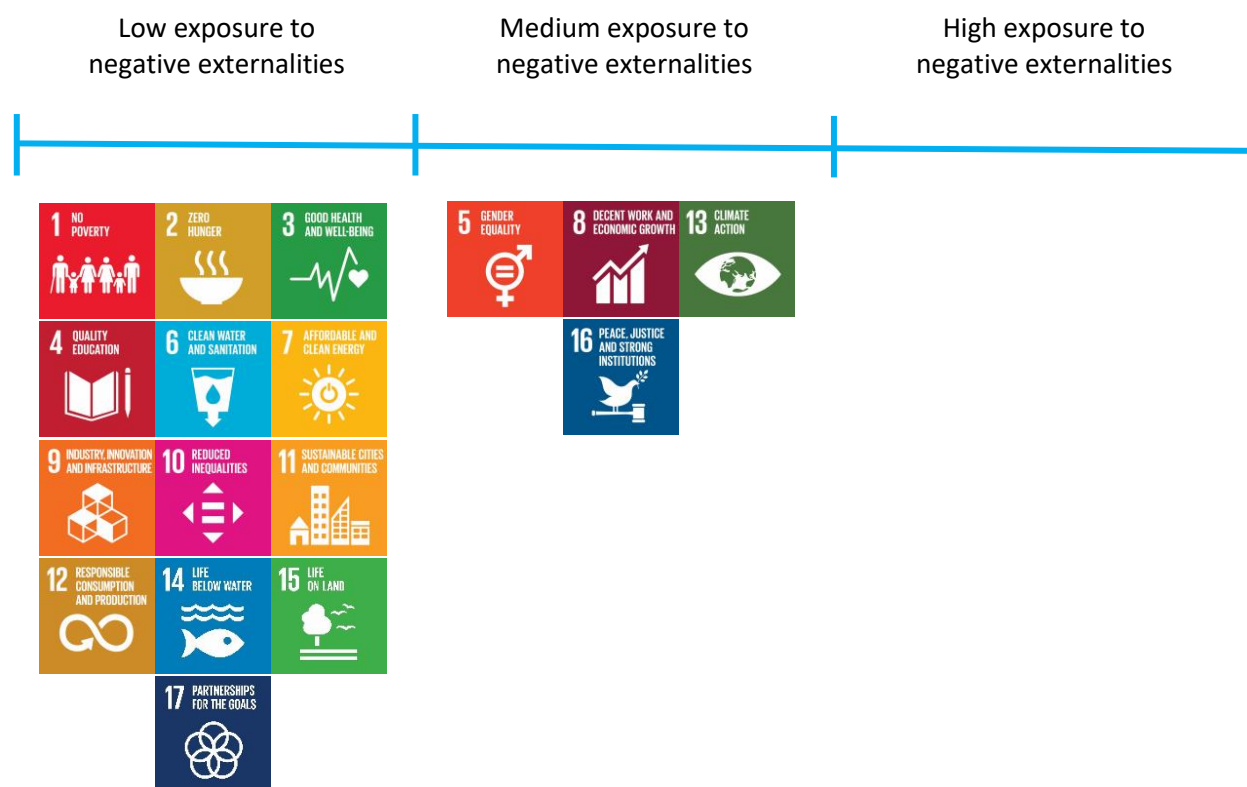
<sup>7</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.



**2. Improvements of operational performance (processes)**

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities<sup>5</sup> in the Public and Regional Banks (to which LBBW belongs) are the following:



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT <sup>6</sup>	SUSTAINABLE DEVELOPMENT GOALS
Green Buildings <sup>8</sup>	✓	

<sup>8</sup> The category is in line with the EU Taxonomy criteria 7.7

## PART III: ALIGNMENT OF THE ELIGIBILITY CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACT

The alignment of LBBW's project characteristics, due diligence processes and policies for the nominated Use of Proceeds financial activities have been assessed against the relevant Climate Change Mitigation and Do Not Significant Harm Criteria (DNSH) Technical Screening Criteria, and against the Minimum Safeguards requirements of the EU Taxonomy Climate Delegated Act<sup>9</sup> (June 2023), based on information provided by LBBW. Where LBBW's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

LBBW's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 4.3 Electricity Generation from Wind Power
- 7.7 Acquisition and ownership of buildings

All projects financed under the LBBW Pool Framework will be located in Germany and the Netherlands.

Note: In order to avoid repetition, the evaluation of the alignment of LBBW's assets to the Do Not Significant Harm Criteria to Climate Change Adaptation is provided in Section c. Similarly, the evaluation of the alignment to the DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in section d.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

<sup>9</sup>Commission Delegated Regulation (EU) 2020/852, [URL https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

a) 4.3 – Electricity generation from wind power

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>10</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
<p>LBBW confirms the scope of financing is within onshore and offshore windfarms that generates electricity from wind power in Germany and the Netherlands. The Bank also has a due diligence process, where the borrower is required to give an answer regarding the requirements or technical due diligence of the project. The Bank will only finance wind projects based on the assessment result and externally verified supporting documents.</p>	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See c)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>LBBW confirms that it will only finance projects that does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC of the European Parliament and of the Council, and require borrowers take appropriate measures to prevent or mitigate impacts in relation to that Directive's Descriptor 11 (Noise/Energy), laid down in Annex I to that Directive, as set out in Commission Decision 2017/848 in relation to the relevant has a questionnaire in place to the relevant criteria and methodological standards for that descriptor.</p> <p>The Bank has due diligence process and questionnaire in place for borrowers to ensure requirements are fulfilled before financing the wind projects.</p>	✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>LBBW confirms that it will assess the availability of, and uses equipment and components of high durability and recyclability, and equipment that are easy to dismantle and refurbish.</p> <p>LBBW states that during the project selection process, it is crucial to select components used that correspond to the European industry standard, including recycling mass, common at the time of construction and that the operating companies have the right or ideally an objective to increase the recyclable mass further.</p> <p>The Bank has a due diligence process and questionnaire in place for borrowers to ensure requirements are fulfilled before financing the wind projects.</p>	✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	

<sup>10</sup> This column is based on input provided by the Issuer.

N/A: there is no EU Taxonomy criteria for the category

**6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA**

See d)

For offshore wind projects, LBBW has due diligence and questionnaire in place for borrowers to ensure financed activities does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC in Netherland and Germany, and require borrowers the appropriate measures to be taken to prevent or mitigate impacts in relation to that Directive’s Descriptors 1 (biodiversity) and 6 (seabed integrity), laid down in Annex I to that Directive, and as set out in Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for those descriptors. To fulfill Decision (EU) 2017/848, LBBW require the borrower to conduct Environmental Impact Assessment (EIA) as part of the site selection process.



*b) 7.7 – Acquisition and ownership of buildings*

**PROJECT CHARACTERISTICS AND SELECTION PROCESSES<sup>11</sup>**

**ALIGNMENT WITH THE EU TAXONOMY’S TECHNICAL SCREENING CRITERIA**

**1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION**

LBBW will only finance the acquisition and ownership of large non-residential buildings based in Germany built before December 31, 2020, and will not finance buildings built after December 31, 2020. LBBW uses energy performance certificate conducted by third party to ensure the financed building is within the top 15% of the national or regional building stock as expressed as operational Primary Energy Demand (PED) that exceeds the requirements of large non-residential buildings with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290kW .



**2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA**

See c)



**3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA**

N/A: there is no EU Taxonomy criteria for the category

**4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA**

N/A: there is no EU Taxonomy criteria for the category

<sup>11</sup> This column is based on input provided by the Issuer.


**5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA**

N/A: there is no EU Taxonomy criteria for the category

**6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA**

N/A: there is no EU Taxonomy criteria for the category

*c) Generic Criteria for DNSH to Climate Change Adaptation*


PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>12</sup>	ALIGNMENT WITH THE EU TAXONOMY
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>LBBW screens and identify physical climate risks on both economic activities through analysis by third-party providers. The analysis includes materiality of physical climate risks, likelihood, and impacts of such events.</p> <p>Third party provider has assessed a list of physical climate risks for the financed real estate portfolio, such as temperature, wind, water related risks, and risks related to solids. Hazards identified with the real estate portfolio include tornado, storm, floods, heavy precipitation, and ground subsidence. For the wind power portfolio, the identified physical climate risks are changes in wind speed, changes in ambient temperature, sea level rise, change in waves activity, increased frequency of lightning events, changes in sea water temperature salinity and acidity, sea ice, and change in precipitation pattern (Annual precipitation intensity, snow and hail). Potential hazards identified within the wind power activity include overheating, flood and inundation.</p> <p>If there is an identified physical climate risk without adaptation solutions, LBBW will consider withdrawing the asset from the pool or communicate to the client needs to find solution to mitigate the material climate risk.</p> <p>LBBW states that the lifespan of assets is often longer than the loans (25 years for Wind Power infrastructure, and 30-60 years for real estate portfolio). For activities that have an expected lifespan more than ten years, LBBW will request a full-fledged analysis across the existing range of future scenarios consistent with the expected lifetime of the activity, including, at least ten to thirty years climate projections scenarios for major investments. For the wind power portfolio, third party consultant uses Intergovernmental Panel on Climate Change (IPCC) 6<sup>th</sup> assessment. For real estate portfolio, third party consultants use Shared Socio-economic Pathways (SSP) as scenarios. In addition, LBBW hires third party consultants for analysis consistent with the expected lifetime of the economic activities using up to date climate change representative concentration pathways (RCP) and IPCC scenarios.</p>	

<sup>12</sup> Ibid.

Since only wind power economic activity falls under newly-built physical assets, LBBW will only consider projects with already an adaptation solution in place before financing the project. The assessment before financing the wind power projects includes the size of wind turbine, safety measures for grounding, technical safety measures, protection and shielding of cable, and adjustment of engine power class. And for buildings currently in the portfolio, LBBW will conduct regular reviews during the lifetime of the loan to systematically check if there is any adaptation plan in place.

LBBW also has a due diligence process in place to ensure adaptation solutions will not adversely affect adaptation efforts or the level of resilience to physical climate risks of the existing environment.


*d) Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>13</sup>	ALIGNMENT WITH EU TAXONOMY
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>LBBW is committed to only finance projects that has Environmental Impact Assessment (EIA) conducted in Germany and the Netherlands. Both countries implement Environmental Act according to EU Directive 2011/92/EU. In addition, LBBW has a due diligence process and questionnaire for borrowers in place to ensure EIA is carried out according to Directive 2011/92/EU.</p> <p>LBBW also ensures borrowers have tracking and reporting processes in place for mitigation and compensation measures as part of the EIA.</p> <p>In accordance to Directives 2009/147/EC and 92/43/EEC, LBBW ensures that projects near biodiversity-sensitive area will have proper impact assessment since the Directives are transposed into respective German and Netherland laws.</p>	

<sup>13</sup> Ibid.

### Minimum Safeguards

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation<sup>14</sup> have been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>15</sup>	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>LBBW has published an internal ESG checklist which accounts for ESG issues in LBBW's lending and financing activities. The checklist must be considered when lending and financing business is conducted. The ESG checklist explains the scoring methodology used for ESG issues and the situations or events leading to LBBW withdrawing from certain business activities. In addition, LBBW has signed up to UN Principles for Responsible Banking and reported that the bank considers ethical aspects such as human rights while granting loans and making investment.</p> <p>To identify and assesses adverse impacts, LBBW has implemented Know your Client Management Approach and has committed to the UN Global Compact<sup>16</sup>. Also, LBBW has published Sustainable Practice at LBBW<sup>17</sup>, Statement of LBBW on Human Rights and the Environment<sup>18</sup>, and LBBW Statement on UK Modern Slavery Act<sup>19</sup>. LBBW also has a Whistleblowing system<sup>20</sup> in place and also conducts sustainability reviews of loan inquiries in highly controversial industries (i.e wood/paper, mining, petroleum/natural gas and bioenergy) in certain countries deeply affected by these industries.</p> <p>To prevent and mitigate potential adverse impacts, LBBW will only finance assets sponsored by companies subjected to Corporate Sustainability Reporting Directive (CSRD), the bank conducts due diligence in relevant ESG factors in the past for a maximum of three years for new clients and conduct a review of only one year for existing customers. If the borrower does not comply with the Bank's assessment, the assets will be removed from the financed pool.</p> <p>LBBW monitors the borrowers' human right risks through assessing their publicly documents on an annual basis and initiate engagement if needed.</p> <p>LBBW's taxonomy report is at project level and includes, if any, grievances and complaints.</p>	

<sup>14</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

<sup>15</sup> This column is based on input provided by the Issuer.

<sup>16</sup> UN Global Compact, LBBW, <https://unglobalcompact.org/what-is-gc/participants/126681-Landesbank-Baden-W-rtemberg>

<sup>17</sup> Sustainable Practice at LBBW, [https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-practice-2022\\_ae45jn91ci\\_m.pdf](https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-practice-2022_ae45jn91ci_m.pdf)

<sup>18</sup> Statement of LBBW on Human Rights and the Environment, [https://www.lbbw.de/konzern/nachhaltigkeit/2023/lbbw\\_statement-on-human-rights-and-the-environment\\_20230801\\_agw3frh7n3\\_m.pdf](https://www.lbbw.de/konzern/nachhaltigkeit/2023/lbbw_statement-on-human-rights-and-the-environment_20230801_agw3frh7n3_m.pdf)

<sup>19</sup> LBBW Statement on UK Modern Slavery Act, [https://www.lbbw.de/konzern/nachhaltigkeit/2023/lbbw\\_statement-on-human-rights-and-the-environment\\_20230801\\_agw3frh7n3\\_m.pdf](https://www.lbbw.de/konzern/nachhaltigkeit/2023/lbbw_statement-on-human-rights-and-the-environment_20230801_agw3frh7n3_m.pdf)

<sup>20</sup> LBBW Whistleblowing System: [https://www.lbbw.de/rechts-und-kundeninformationen/20221213-lbbw-rules-of-procedure\\_afv7jhsuqy\\_m.pdf](https://www.lbbw.de/rechts-und-kundeninformationen/20221213-lbbw-rules-of-procedure_afv7jhsuqy_m.pdf)

## PART IV: LINKING THE TRANSACTION(S) TO LBBW'S ESG PROFILE

### A. CONSISTENCY OF POOL WITH LBBW'S SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the Issuer*

LBBW introduced sustainability strategy management in 2022 and has displayed a sustainability strategy management roadmap in 2023 in Sustainability Report 2022<sup>21</sup>. The bank is committed to achieve the following six sustainability goals:

- Implement sustainability as an integral component of business policy by focusing on projects, products, and services with a positive impact on sustainability.
- Offer sustainable investment products to all customer groups in all asset classes. Treat customers fairly, collaboratively, and respectfully, and also ensure data protection and transparency, and provide high-quality advice.
- Promote health and performance of LBBW's employees by ensuring a good work-life balance and promote diversity and equal opportunity.
- Optimize the use of resources to reduce the CO<sub>2</sub> emissions generated through less energy usage and business-related travel. LBBW will also aim to apply sustainability criteria while selecting products and service providers.
- Adding value to society through acting as an active donor and sponsor, and also supporting education initiatives and various other social projects.
- Inform stakeholders about LBBW's commitment to sustainability and engage in constructive dialog with them.

LBBW has outlined projects that will support the six sustainability goals by projects, purpose, timeline, and the responsible business unit in its Sustainability Report 2022. In addition, LBBW has disclosed a €300 billion sustainable business volume target which includes €75 billion in sustainable financing by 2025. Also, LBBW has a climate strategy<sup>22</sup> outlined in April 2023 and disclosed a target to reduce CO<sub>2</sub> emissions for 2023 to a maximum of 10,500 metric tons. For interim targets, LBBW aims to reduce emission intensity by 15% in the cement sector, 25% for aircraft financing, 20% for steel sector, and 57% for commercial real estate by 2030. In the long run, LBBW aims to achieve net zero emissions by 2050. Furthermore, LBBW applies the International Energy Agency's Net Zero Emissions Scenario (NZE) as a benchmark pathway, which is aligned with the Paris Agreement to limit global warming to a maximum of 1.5 degrees by 2100 compared to the pre-industrial level.

LBBW is a signatory to the Principles for Responsible Banking by the United Nations Environment Programme Finance Initiative (UNEP FI), UN Global Compact, Women's Empowerment Principles, and Principles for Responsible Investment. LBBW has disclosed a sustainability management structure in its Sustainability Report 2022, with a Board of Managing Directors Sustainability Committee and Sustainability Committee acting as steering committees. LBBW reports sustainability metrics

<sup>21</sup> LBBW's Sustainability Report 2022, [https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-report-2022\\_agvcqjsysv\\_m.pdf](https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainability-report-2022_agvcqjsysv_m.pdf)

<sup>22</sup> LBBW Sustainable transformation, Our path to net zero, April 2023, [https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainable-transformation-our-path-to-net-zero\\_afevaknnhg\\_m.pdf](https://www.lbbw.de/konzern/nachhaltigkeit/2022/lbbw-sustainable-transformation-our-path-to-net-zero_afevaknnhg_m.pdf)



according to the Global Reporting Initiative (GRI-Standards) and publishes Progress Report according to the requirement of Principles for Responsible Banking.

LBBW has financed environmental and climate protection projects and has currently an outstanding green bond of EUR 5.3 billion as of December 31, 2022. LBBW has also financed social and community projects using social bonds and has a volume of EUR 3.1 billion as of December 31, 2022.

### *Rationale for issuance*

This Pool framework corresponds to LBBW's financing focus in promoting climate-friendly projects and technologies, which is identified as a material topic under LBBW's double materiality assessment in 2022. In addition, LBBW is committed to contribute to the EU Green Deal by reducing Green House Gas (GHG) emission in both the energy generation and commercial real estate sector by 50% and 57% in 2030 compared to a 2021 baseline. The Pool Framework is also aligned with LBBW's product strategy to improve the amount of green, sustainable, and ESG-linked products' transactions in sustainability program 2023.

**Opinion:** *The key sustainability objectives and the rationale for issuing structured bonds (EU-Taxonomy) are clearly described by the Issuer. All taxonomy activities financed are in line with the sustainability objectives of the Issuer.*

## B. LBBW'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the Issuer's industry*

The Issuer is classified in the Public & Regional Banks industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Business ethics
Labour standards and working conditions
Sustainable investment criteria
Customer and product responsibility
Sustainability impacts of lending and other financial services/ products

### *ESG performance of the Issuer*

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

### *Sustainability impact of products and services portfolio*

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

Using a proprietary methodology, ISS ESG assessed the contribution of LBBW's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the company's production process. ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs

### *Breaches of international norms and ESG controversies*

#### At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

#### At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Public & Regional Banks industry are as follows: Sexual harassment in the workplace, Financial market irregularities, and Failure to respect the right to just and favorable conditions of work.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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## ANNEX 1: Methodology

The ISS ESG SPO provides an assessment of labelled transactions against international standards using ISS ESG proprietary methodology. For more information, please visit:

<https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

### EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Pool Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2023).

The evaluation shows if LBBW's financial activities are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by LBBW (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

## ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

## ANNEX 3: Quality management processes

### SCOPE

LBBW commissioned ICS to compile a structured product (EU-Taxonomy) / Pool Product SPO. The Second Party Opinion process includes verifying whether the Pool Framework aligns with market standards and to assess the sustainability credentials of its Pool products, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- Market standards
- EU Taxonomy

### ISSUER'S RESPONSIBILITY

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

- Pool Framework
- Eligibility criteria

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG 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.

This independent Second Party Opinion of the Green Bond to be issued by LBBW has been conducted based on a proprietary methodology and in line with market standards.

The engagement with LBBW took place from August to September 2023.

### ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior 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 SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles, analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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