

Alignment:

a) On the one hand, GLS Bank has a clearly defined mission, strict exclusion criteria for the energy sector (all sectors in general) and well defined positive criteria for both our lending and investment portfolio. We provide full transparency on all our business loans and are only active in six sectors that we consider sustainable. Proof of that can be found e.g. here:

<https://www.fairfinanceguide.de/>

<https://www.gls.de/privatkunden/gls-bank/gls-nachhaltigkeit/>

(See attached file: English Slides.pptx)

On the other hand, we are currently measuring our CO2 emissions for 70 percent of our loan and investment portfolio to calculate our Paris alignment using the [XDC model](#) of our partner right based on science and use the results for management targets as of 2020. Due to our lending focus on six sectors (<https://www.gls.de/geschaefte-firmenkunden/finanzieren/> & <https://www.gls.de/geschaefte-firmenkunden/wo-wirkt-mein-geld/>) and the use of the exclusion and positive criteria mentioned above this has not yet been a priority of our management approach in the past but we want to lead by example, dive into the complexity of measuring CO2 emissions of SMEs from sustainable sectors and show that no excuses can be made when there is a commitment to providing transparency towards stakeholders and align strategy formulation with Paris and other strong sustainability requirements.

b) We never finance or invest in the fossil fuel industry. Exceptions are only made for subsidiaries purely engaged in renewables when the parent company only has a very limited involvement in Gas/Coal and has a credible exit plan. These exceptions are rarely made and always involve a case-by-case discussion by the lending committee composed of lending officers, the sustainability department, back office and issue experts. Our goal is to accompany companies on their transition path and this will always involve in depth scrutiny of the sustainability strategy and quantified exit plans with a clear multiple year track record.

Please also refer to our political claims published in 2017 covering a levy on CO2, a levy on pesticides and fertilizers, universal unconditional income and a stronger taxation of capital to achieve reduced taxation on employment income: <https://www.gls.de/privatkunden/gls-bank/politische-forderungen/>

Impact & Target Setting:

a) We are currently implementing a process on impact transparency to engage in impact dialogues and measurement with all our borrowers. Therefore, we have defined five "visions of change" for each sector we provide finance in and have developed KPIs to measure our contribution to these visions of change. The pilot phase has just ended and we will start the roll-out in September step-by-step to achieve full coverage of all new loans by 01.01.2020. (<https://blog.gls.de/bankspiegel/bs-2019-1-gute-wirkung/>)

A number of other potential negative impacts are already excluded by our loan- and investment principles and our efforts on climate see above. Other examples include measures to minimize negative impacts stemming from the use of buildings of our loan clients. Here, we offer a sustainability assessment of real estate and offer advisory service to our clients. A vast number of other measures can be mentioned but would go beyond the scope of the request. Please be aware that we still try to leverage on the cooperation with our clients to reduce their negative impacts for example by providing R&G on true cost accounting etc. even though all our clients have strict sustainable business models.

b) the most concrete target is the alignment of operational processes, the investment portfolio and loan portfolio with the 1.5° Paris target. As outlined above, the results will be presented by the end of this year and measures will be defined in case we do not yet meet the target. The target can be found in our [GRI report p.91](#). Other targets will follow in due course using the impact transparency exercise described above.

Clients & Customers

- a) We specifically target our peers from the financial sector and cooperative community. Besides this, we actively engage with our clients to increase the level of awareness towards specific sustainability issues. However, please refer to our lending and investment policy as this reflects the strict criteria we apply in our financing and investment processes.
- b) Please refer to the slides above for investment processes. In case of borrowers being identified to breach our criteria no financing will be given or the business relationship will be ended asap in line with regulatory conditions.

Stakeholders

- a) We have a network of multiple partners with whom we engage on various topics, please refer to GRI report 15. Moreover, Urgewald, CRIC, FNG, imug, Fair Finance Guide, BankTrack, Unternehmensgrün, B.A.U.M. e.V. et al.
- b) Please contact myself and Laura

Governance & Culture:

- a) Our CEO Thomas Jorberg who I am reporting to.
- b) Department Impact Transparency & Sustainability. However, all departments are involved in ensuring the continued implementation and innovation of our sustainable business model.

Transparency & Accountability:

- a) Sustainability Report and where necessary additional briefings towards the PRB
- b) All stakeholders can file complaints via phone, letters or email and use our normal channels of communication including social media et al.