

# Sustainability regulations for credit and investment decisions in the Depot A of Landesbank Baden-Württemberg.

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## 1. Introduction

This document provides an overview of the main sustainability regulations that apply to lending and investments in the Landesbank Baden-Württemberg (LBBW) securities account A.

The document does not constitute an independent legal basis, but rather a non-exhaustive summary of rules that must be observed on the basis of existing legal sources outside and within LBBW (e.g. laws, regulations, work instructions, etc.).

LBBW is aware of its responsibility as a financial services provider and is committed to sustainable and responsible business activities. We have therefore developed and published an ESG strategy, and we also use binding internal review processes and comprehensive regulations to ensure that environmental, social or ethical reputational and sustainability risks are identified, analyzed and assessed at an early stage in financing projects and investment decisions. This may also result in the rejection of a corresponding transaction and the termination of the business relationship.

## 2. Financing

### 2.1 Cross-industry guidelines

#### 2.1.1 Human and labor rights

LBBW recognizes the United Nations Universal Declaration of Human Rights as valid for all people in the world. The protection of general human rights and the protection of fundamental labor rights (ILO core labor standards) are of particular importance to LBBW.

We also expect our customers and business partners to adhere to these values. Any kind of discrimination or disadvantage is not accepted at LBBW or in relations with employees, customers, business partners, suppliers or other persons. This applies in particular to discrimination and disadvantages based on skin color, gender, origin, age, religion, disability, marital status, sexual orientation or nationality. Our company regulations prevent discriminatory behavior, promote a climate of partnership and protect it.

We do not tolerate any anti-constitutional content or efforts by organizations that do not respect the above-mentioned values. We exclude cooperation with such organizations and groups of people.

#### 2.1.2 Indigenous peoples and land rights

We pay particular attention to the protection of indigenous peoples, including their cultural heritage, when financing projects. If transactions have an impact on indigenous peoples, LBBW ensures that human rights are respected, the ecological impact on the affected region and land rights are considered, among other things.

If resettlement is unavoidable, we expect our customer companies to abide by national laws and regulations and - where applicable - the International Finance Corporation's (IFC) Performance Standard PS 5 ("Land Acquisition and Voluntary Resettlement").

For project and export finance where we can identify potential impacts on indigenous peoples, we expect our customer companies to abide by the goals and requirements set out in IFC Performance Standard PS 7 ("Indigenous Peoples"). We require that free, prior and informed consent (FPIC) is obtained from the affected groups and that they are actively involved in decision-making and implementation processes. This applies above all to the areas of land, natural resources and the environment (territory), equal legal treatment including the right to culturally adapted education and healthcare, political participation and self-administration.

LBBW also attaches great importance to ensuring that companies that it finances or in which it invests do not carry out or support any settlements in occupied territories in accordance with international humanitarian law.

## 2.2 Sector-specific principles

### 2.2.1 Review process for critical industry-country combinations

For the identification, analysis and assessment of potential sustainability-related reputational risks in international financing projects, an additional review process applies to particularly critical business activities (mining (including deep-sea mining), bioenergy production, synthetic fibre and plastics production, pesticide and fertilizer production, tobacco cultivation and textile production) in certain regions.

Financing projects in a combination of sectors and countries classified as critical are subject to a careful risk assessment process. This does not apply to financing covered by the Federal Government or another state export credit agency belonging to the OECD, as these have already undergone an environmental/social assessment. Documentary foreign business is also excluded from the review process (e.g. letters of credit, guarantees and sureties), where the bank merely acts as an intermediary between the importer and exporter.

### 2.2.2 Bioenergy

Financing in the bioenergy sector is subject to the existing regulations on critical sector-country combinations, see 2.2.1 .

### 2.2.3 Coal mining and coal-fired power plants

Absolute thresholds and a reduction path for existing obligations apply to coal mining and coal-fired power plants. New financing requires the company to present a transformation plan for phasing out coal. Exceptions apply to certain modernizations.

Absolute thresholds:

- No financing of energy suppliers with an annual coal mining volume of over 70 million t (prospectively over 50 million t from 2025)
- No financing of energy suppliers with a coal-fired power plant capacity of more than 15 GW

Degradation path (phase out):

- All existing contractual obligations will be honored until maturity. Financing that does not meet the criteria of the regulations will not be extended.
- For all new financing, companies must submit a transformation plan for achieving the coal phase-out target (by 2038 for companies based in Germany and by around 2040 for companies based abroad).

All financing in the renewable energy sector that contributes to the transformation of the customer's existing business model is exempt from the thresholds and the following regulations.

As part of general corporate financing, we accompany and support energy supply companies with the aim of promoting the energy transition towards renewable energies.

However, LBBW does not allow general corporate financing for energy suppliers in the following cases:

- Energy suppliers that build new coal-fired power plants.
- For energy suppliers taken on as new customers where coal makes up more than 20% of electricity production or sales.<sup>1</sup>
- For energy suppliers that are existing customers based in Germany, where coal makes up more than 35% of electricity production or sales.<sup>2</sup>
- For energy suppliers that are existing customers based outside Germany, where coal makes up more than 20% of electricity production or sales.<sup>1</sup>
- Companies that directly engage in "mountaintop removal mining" (coal mining by blasting mountain tops).

Existing general corporate financing, including its refinancing, is still possible with a term until 2030, regardless of the thresholds.

LBBW does not finance any plans/projects (to the extent recognizable to us) in Germany or abroad of

- Energy suppliers for the purpose of
  - the construction of new coal-fired power plants of any type,
  - the capacity expansion of coal-fired power plants
  - other investments in coal-fired power plants;
- Mining companies for the purpose of
  - the construction or expansion of coal mines of any type, except in the case of technical modernization that improves local environmental or social conditions.

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<sup>1</sup> The higher value is decisive.

<sup>2</sup> In order to ensure security of supply due to the halt in gas deliveries from Russia, the limit of 35% set for existing customers based in Germany may be exceeded until further notice.

- particularly destructive mining techniques such as "mountaintop removal" activities (coal mining by blasting mountain tops).

LBBW does not provide export financing for deliveries or services or other financing in/for coal mines (open pit mining or underground mining) or coal-fired power plants.

Export financing in connection with mining methods such as "Mountain Top Removal Mining" is excluded in every case - if recognizable.

#### 2.2.4 Nuclear power

LBBW bases its business behavior on the political framework conditions with regard to the use of nuclear energy as a bridging technology. In Germany, the decision to phase out nuclear energy means that no new nuclear power plants can be built, so there is no need for regulation in this regard. LBBW does not support projects that clearly promote the new construction or expansion (capacity increase) of nuclear power plants abroad.

This means:

- No general corporate financing for energy suppliers that operate nuclear power plants abroad if the share of nuclear energy in the legally attributable power plant output is more than 25%.
- No financing of specific projects by energy suppliers that promote the new construction or expansion (capacity increase) of nuclear power plants abroad.
- Export financing: No financing or security for supplies or services for nuclear power plants outside of Germany if certain thresholds regarding the total investment amount or nominal volume are exceeded.

The financing of safety-related investments (technical modernization) or the decommissioning of nuclear power plants is not restricted.

#### 2.2.5 Agriculture and forestry

The following regulations apply to the agriculture/forestry sector:

	New customers	Existing customers
Soy	<p><b>New customers</b> who are involved in production of soy must be members of the <b>Roundtable on Responsible Soy Association (RTRS)</b> or demonstrate comparable, acceptable standards. In addition, the customer's key production sites must be certified by the RTRS.</p>	<p>For <b>new credit business with existing customers</b> that are involved in production of soy, membership of the <b>Roundtable on Responsible Soy Association (RTRS)</b> must be agreed or comparable, acceptable standards must be demonstrated. In addition, certification of the key production sites by the RTRS must be agreed. Membership and certification must be completed by 2025 at the latest. If membership and certification have not been completed by this time and are not in prospect, no new business or extensions will be approved.</p>

Palm oil	<p><b>New customers</b> that are associated with the production of palm oil must be members of the <b>Roundtable on Sustainable Palm Oil (RSPO)</b> or demonstrate comparable, acceptable standards.</p> <p>In addition, the customer's key production facilities must be certified by the RSPO.</p>	<p>For new lending business with existing customers associated with the production of palm oil, membership of the Roundtable on Sustainable Palm Oil (RSPO) must be agreed or comparable, acceptable standards must be demonstrated. In addition, certification of the main production sites by the RSPO must be agreed. Membership and certification must be completed by 2025 at the latest. If membership and certification have not been completed by then and are not in prospect, no new transactions or prolongations will be approved.</p>
Cotton	<p>We expect <b>new customers</b> who are associated with the production of cotton to align themselves with initiatives such as the <b>Better Cotton Initiative</b>.</p>	<p>For <b>new lending business with existing customers</b> that are associated with the production of cotton, we expect them to align themselves with initiatives such as the <b>Better Cotton Initiative</b>.</p>
Logging	<p><b>New customers</b> that are associated with the production of wood in high-risk countries<sup>3</sup> must be certified by the Forest Stewardship Council (FSC) or the Program for the Endorsement of Forest Certification (PEFC) or demonstrate comparable, acceptable standards.</p>	<p>For <b>new lending business with existing customers</b> that are associated with the production of timber in high-risk countries<sup>3</sup>, certification in accordance with <b>Forest Stewardship Council (FSC)</b> or Programme for the Endorsement of Forest Certification (PEFC) must be agreed or comparable, acceptable standards presented. Membership must be completed by 2025 at the latest. If membership has not been completed by then and is not in prospect, no new transactions or prolongations will be approved.</p>

### 2.2.6 Fisheries and aquaculture

LBBW defines specific regulations for lending to new and existing customers who are active in the fisheries and aquaculture sector in order to sustainably preserve biodiversity in the fisheries and aquaculture sector. LBBW does not finance the following fishing activities or customers who use any of the following practices as part of their fishing activities:

Illegal fishing	Includes IUU fishing (illegal, unrecorded, unregulated)
Poison/Dynamite	Numerous negative side effects (including Environmental and animal damage, hazards for humans)
Marine mammals	Targeted hunting of marine mammals, e.g. dolphins, seals, manatees, sea otters and polar bears
Shark finning	Removal of shark fins and subsequent disposal of the animal in the sea
Whaling	Hunting whales is internationally controversial, many species are threatened with extinction

<sup>3</sup> High-risk countries within the meaning of this guideline are all timber-producing countries that are organized in the International Tropical Timber Organization (ITTO). For all other countries, national legislation is sufficient.

New and existing customers outside Europe who are associated with fisheries and aquaculture must also be certified by the Marine Stewardship Council (MSC) or the Aquaculture Stewardship Council (ASC) or have comparable, acceptable standards. No lending business is possible without appropriate certification.

For new and existing customers within Europe, no additional certifications need to be reviewed due to existing EU legislation.

### 2.2.7 Cattle breeding in South America

As part of its guidelines on environmentally sustainable credit allocation, LBBW also regulates lending business with new and existing customers who are active in cattle breeding in South America. New and existing customers who operate cattle in South America must be members of the Global Roundtable for Sustainable Beef or have comparable, acceptable standards. No lending business is possible without corresponding membership.

### 2.2.8 Mining

For the mining industry in general, the existing regulations on critical sector-country-specific risks apply. Combinations in mining (see chapter 2.2.1 ).

#### 2.2.8.1 Uranium mining

LBBW rejects uranium mining activities without adequate health protection, environmental and safety standards and therefore refrains from business activities that directly involve the mining of uranium (recognizable to us) and from export financing for suppliers of uranium mining companies that do not comply with health, environmental and safety standards.

This means:

- No general corporate financing for companies that engage in uranium mining, generate at least 1% of their turnover with it and do not provide relevant evidence of compliance with health and safety standards (e.g. ISO 14001, OHSAS (Occupational Health and Safety Assessment Series) 18001, ICMM (International Council on Mining and Metals), UN Global Compact, ILO core labor standards, IFC Safety Guidelines, Voluntary Principles on Security and Human Rights).
- no financing of specific uranium mining projects unless there is relevant evidence of compliance with health and safety standards (see above)
- Export financing: no financing or security for suppliers or services that are used in uranium mining and exceed a certain nominal volume, unless there is relevant evidence of compliance with health and safety standards (see above)

### 2.2.9 Crude oil/natural gas

a) General corporate financing:

LBBW excludes general corporate financing (new business) in connection with the extraction and production of oil and gas for new and existing customers in the following cases:

- The business strategy and business model is designed to increase the volume of funding.
- Promotion in protected areas or controversial promotion practices are supported:
  - Oil and gas upstream projects (production of oil and natural gas) in the Arctic<sup>4</sup> and Antarctic region
  - Oil drilling in the Amazon rainforest
  - Fracking for the extraction of oil and gas
  - Mining of oil and tar sands
  - Deep-sea drilling<sup>5</sup> for the extraction of oil and gas
- On average over the last three years, oil and gas companies as new customers generate more than 10 % of their annual revenue from upstream activities.
- Oil and gas companies as existing customers that exceed the defined sales value for new customers cannot provide evidence of a shift to midstream and downstream or alternative models (including a reduction in production volumes in the upstream business).

Index-based transactions (e.g. MSCI World) as well as derivatives, trading lines and quota limits are excluded from the directive. These do not represent corporate financing in the traditional sense.

#### b) Project financing:

LBBW does not participate in project financing in connection with the extraction and production of oil and gas (upstream). This also eliminates controversial oil extraction practices such as drilling for oil or natural gas in the Arctic<sup>4</sup> (Arctic Drilling), oil and tar sands extraction, deep-sea drilling, oil drilling in the Amazon rainforest and fracking (oil and gas drilling under high pressure, e.g. to extract shale gas).

#### c) Export financing:

Gas is used in many countries as a bridging technology to reduce dependence on oil and coal. Financing in connection with business activities in the gas upstream sector should be possible if (cumulatively)

- ECA cover is available,
- the exporter is an existing customer of LBBW,
- no support is provided in protected areas,
- no controversial funding practices are used,
- no other ESG guideline is violated,
- modernization is carried out as a result of the financing,

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<sup>4</sup> "Arctic" is defined as follows in relation to onshore and offshore areas for the purposes of this Directive. Onshore: Areas located north of the Arctic Circle (66 33'48.43" north latitude); offshore: Marine areas according to the Polar Code of the International Maritime Organization (IMO).

<sup>5</sup> Deep-sea drilling is defined as drilling more than 1,500 m below sea level.

- there is a vote by the ESG Group Transformation department that there is no "high to significant risk".

#### 2.2.10 Defense and security

Extensive inspection processes and strict requirements apply to arms and weapons deals: LBBW does not participate in the financing of specific projects in connection with the production of controversial weapons (anti-personnel mines, cluster munitions, nuclear, biological and chemical weapons), essential components (e.g. plutonium, highly enriched uranium, mustard gas) or enrichment plants. Furthermore, LBBW does not conduct any business with companies that are recognizably involved in the production of anti-personnel mines, cluster munitions, biological or chemical weapons.

General corporate financing of companies involved in the production of nuclear weapons is possible if they are based in an EU/NATO or NATO-equivalent country and are exclusively suppliers to NATO nuclear weapons programs.

In operational implementation, we ensure that the checks are carried out using various lists that are regularly updated on the basis of the ISS ESG data desk, the sustainability rating department of Institutional Shareholder Services (ISS):

- Exclusion list for companies involved in the development, maintenance, production, storage, testing and transportation of cluster munitions and/or anti-personnel mines. This is applied throughout the Group at LBBW and all subsidiaries in which LBBW holds a majority interest and is integrated into the Bank's automated embargo monitoring system.
- Transaction checklist for nuclear weapons and biological/chemical weapons within LBBW for companies that are demonstrably linked to the production of NBC weapons.

LBBW also excludes financing for projects relating to fully autonomous weapons (no human intervention). For the financing of so-called dual-use products (e.g. drones, special security systems, global positioning satellites), LBBW ensures extended due diligence in accordance with the GWG for exports to military agencies.

For the delivery of war weapons (in accordance with the Annex to the War Weapons Control Act (KrWaffKontrG), e.g. warships, tanks, bombs) to foreign countries and for the export of other military equipment (which does not fall under the War Weapons Control Act, in accordance with the export lists of the Federal Office of Economics and Export Control (BAFA), e.g. guns, ammunition) are subject to strict regulations and restrictions.

LBBW only participates in the financing or hedging of war weapons exports and military equipment if the following conditions are met:

- The end customer is a government entity and
- a state extradition license (BAFA or comparable state authority from the EU/NATO or a state deemed NATO-equivalent by the Federal Government) exists for the supplied state and
- the country in question is not on the list of excluded countries exporting arms and war weapons.

These include, among others:

- Countries with a fragile state
- Countries that seriously violate human rights
- Countries subject to a UN or relevant multilateral arms embargo

#### 2.2.11 Pornography

LBBW excludes financing in connection with the production and distribution of pornographic products, the operation of brothels and providers of sex tourism and pornographic telephone hotlines and the like.

#### 2.2.12 Gambling

LBBW excludes financing for controversial forms of gambling.

### 3. Investments in securities account A

#### 3.1 Applicable guidelines

In addition to defined exclusion criteria for countries (see section 3.1.1 below), further requirements as well as cross-sector and sector-specific guidelines defined in this document in sections 2.1 and **Fehler! Verweisquelle konnte nicht gefunden werden.** apply to investments in LBBW's Custody Account A<sup>6</sup>. This means that the guidelines that apply to lending also apply to proprietary investments.

##### 3.1.1 Exclusion criteria for own investments

Exclusion criteria, both for countries and companies, have proven to be a tried and tested approach for carrying out a sustainability assessment and minimizing risks arising from sustainability issues. For this reason, LBBW excludes countries from investment that meet the following exclusion criteria:<sup>7</sup>

- Countries ranked in the bottom 20 percent of countries in Transparency International's Corruption Perceptions Index
- States that have not ratified the Nuclear Non-Proliferation Treaty
- Countries that have not signed the Biodiversity Convention
- Countries that have not ratified the Paris Agreement
- States that have not ratified the Biological Weapons Convention (1972)
- States that have not ratified the Chemical Weapons Convention (1992)

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<sup>6</sup> Excluded are products outside the sphere of influence of the LBBW Group, e.g. index products and ETFs.

<sup>7</sup> The exclusion criteria b), e) and f) described below do not apply to the State of Israel.

## 4. Further links and publications

Further information and detailed explanations on specific topics can be found in other publications and on the LBBW website:

- [Code of Conduct](#)
- [Sustainability report 2023](#)
- [ESG Strategy 2025+](#)
- [Sustainable Finance Framework](#)
- [Tax strategy of LBBW](#)
- [UK Tax Strategy](#)
- [Political decision-making](#)
- [LBBW policy statement on the Supply Chain Due Diligence Act](#)
- [Statement by LBBW \(Bank\) on the UK Modern Slavery Act](#)
- [Annual report 2023](#)
- Disclosure report in accordance with CRR II / CRD V
- [Remuneration report 2023](#)
- [Guidelines Advice for private and business customers of BW Bank](#)
- [Information on data protection at LBBW](#) and [Data protection at BW Bank](#)
- [Information security at LBBW](#)
- [LBBW Green Bond Framework](#)
- [LBBW Social Bond Framework](#)

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