

REPORT REVIEW

Landesbank Baden-Württemberg Green Bond Report

Landesbank Baden-Württemberg Allocation and Impact Reporting

5 April 2023

VERIFICATION PARAMETERS

Type(s) of reporting	<ul style="list-style-type: none"> Green Bond Allocation and Impact Reporting
Relevant standard(s)	<ul style="list-style-type: none"> Harmonised Framework for Impact Reporting (HFIR), updated June 2022, as administered by International Capital Market Association (ICMA) Landesbank Baden-Württemberg Allocation and Impact Report (as of April 5, 2023) Landesbank Baden-Württemberg Green Bond Framework as of March 28, 2022 Bonds identification: <ul style="list-style-type: none"> DE00LB1P9C8 : 6/27/2018 - 6/27/2023 (€ 500 million) DE00LB2CHW4 : 5/24/2019 - 5/24/2024 (€ 750 million) DE00LB2CLH7 : 7/29/2019 - 7/29/2026 (€ 500 million) DE00LB2CQX3 : 2/3/2020 - 2/3/2025 (£ 500 million) DE00LB2CU83 : 10/8/2020 - 12/8/2025 (£ 250 million) DE00LB2V7C3 : 7/21/2021 - 7/21/2028 (€ 500 million) DE00LB2ZTL3 : 2/24/2022 - 2/24/2025 (\$ 750 million) DE00LB2ZV93 : 7/28/2022 - 2/28/2028 (€1 billion)
Scope of verification	
Lifecycle	<ul style="list-style-type: none"> Post-issuance verification
Validity	<ul style="list-style-type: none"> As long as no changes are undertaken by the Issuer to its Allocation and Impact Reporting as of April 5, 2023

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SCOPE OF WORK

Landesbank Baden-Württemberg (“the Issuer” or “LBBW”) commissioned ISS Corporate Solutions (ICS) to provide an External Review¹ on its Allocation and impact Reporting by assessing:

1. The alignment of the LBBW’s Allocation and Impact Reporting with the commitments set forth in LBBW’s Green Bond Framework (as of March 28, 2022)².
2. LBBW’s Allocation and Impact Report benchmarked against Harmonised Framework for Impact Reporting, updated June 2022, administered by the International Capital Market Association (ICMA).
3. The disclosure of proceeds allocation and soundness of reporting indicators – whether the impact metrics align with best market practices and are relevant to the Green Bonds issued.

¹ A limited or reasonable assurance is not provided on the information presented in Landesbank Baden-Württemberg’s Allocation and Impact Report. A review of the use of proceeds’ allocation and impact reporting is solely conducted against ICMA’s Standards (Green Bonds) core principles and recommendations where applicable, and the criteria outlined in the underlying Framework. The assessment is solely based on the information provided in the allocation and impact reporting. The Issuer [or LBBW] is responsible for the preparation of the report including the application of methods and internal control procedures designed to ensure that the subject matter information is free from material misstatement.

² The Framework was assessed as aligned with the Green Bond Principles as of March 28, 2022.


ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part 1.</p> <p>Alignment with the Issuer's commitments set forth in the Framework</p>	<p>The LBBW's Allocation and Impact Report meets the Issuer's commitments set forth in the Green Bond Framework. The proceeds have been used to finance Renewable Energy and Green Buildings in accordance with the eligibility criteria defined in the Framework.</p>	<p>Aligned</p>
<p>Part 2.</p> <p>Alignment with the Harmonised Framework for Impact Reporting (HFIR)</p>	<p>The Green Bond Allocation and Impact Report is in line with ICMA's Harmonised Framework for Impact Reporting (HFIR). The Issuer follows core principles and where applicable key recommendations.</p> <p>The Issuer provides transparency on the frequency of expected Reporting, aligned with best market practices. LBBW has reported within the next fiscal year after the issuance of the Green Bonds, illustrated the environmental impacts or outcomes, provided transparency on ESG risk management, and transparency on the currency used.</p>	<p>Aligned</p>
<p>Part 3.</p> <p>Disclosure of proceeds allocation and soundness of reporting indicators</p>	<p>The allocation of the bond's proceeds has been disclosed, with a detailed breakdown across different eligible project categories as proposed in the Framework.</p> <p>The LBBW's Green Bond Framework has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculations methodologies and granularity reflecting best market practices.</p>	<p>Positive</p>



REPORT REVIEW ASSESSMENT


PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN BOND FRAMEWORK³

The following table evaluates the Green Bond Allocation and Impact Report against the commitments set forth in LBBW's Framework, which are based on the core requirements of the Green Bonds Principles as well as best market practices.

HARMONISED FRAMEWORK FOR IMPACT REPORTING (HFIR)	OPINION	ALIGNMENT WITH COMMITMENT
<p>1. Use of Proceeds</p>	<p>LBBW confirms to follow the Use of Proceeds' description provided by LBBW's Green Bond Framework. The report is in line with the initial commitments set in the LBBW's Green Bond Framework:</p> <p>Proceeds are 100% allocated to (re)financing of projects in the following categories:</p> <p>Renewable Energy:</p> <ul style="list-style-type: none"> ▪ On -and offshore wind energy projects ▪ Solar photovoltaic and solar thermal energy projects <p>Green Buildings:</p> <ul style="list-style-type: none"> ▪ Buildings built before 31 December 2020 with EPC label ≥ "A" ▪ Buildings built before 31 December 2020 belonging to the top 15% of the national building stock ▪ Buildings built after 31 December 2020 with energy performance at least 10% better than the threshold for Nearly Zero-Energy Buildings ("NZEB") in the local market ▪ Buildings that have been refurbished, resulting in a relative improvement in primary energy demand ≥ 30% in comparison to the performance of the building before the renovation. Reductions through renewable energy sources are not taken into account 	

³ The LBBW Green Bond Framework was assessed as aligned with the GBP (as of June, 2021) as of March 29, 2022.

	<ul style="list-style-type: none"> ▪ Buildings that have been refurbished meeting the criteria for major renovations under applicable building regulations. <p>The Issuer’s green categories align with the project categories and are in accordance with the eligibility criteria set in LBBW’s Green Bond Framework. Environmental benefits at the category level are described and quantified.</p> <p>The Issuer describes the total amount of proceeds to be allocated by project category at pre-issuance.</p>	
<p>2. Process for Project Evaluation and Selection</p>	<p>LBBW confirms to follow the Process for Project Evaluation and Selection description provided by LBBW’s Green Bond Framework. The report is in line with the initial commitments set in the LBBW’s Green Bond Framework.</p> <p>The projects selected are defined and structured in a congruous manner. The Issuer ensures compliance with the Eligibility Criteria. ESG risks associated with the project categories are identified and managed through an appropriate process.</p> <p>The Issuer’s Green Bond Committee involves members from the following departments: Corporate Customers Energy/Infrastructure and Real Estate, Export Finance, Real Estate International Investments, Domestic Real Estate Commercial Investments, Domestic Real Estate Residential Investments, Risk Management Northern America, Infrastructure and Transport Finance, Sustainability and ESG and Asset & Liability Management (Treasury).</p> <p>The Issuer also engaged external stakeholders: CarbonTrust provided impact assessment and reporting for Renewable Energies, and Drees & Sommer provided impact assessment and reporting for Energy-Efficient Real Estate.</p>	
<p>3. Management of Proceeds</p>	<p>LBBW confirms to follow the Process for Management of Proceeds description provided by LBBW’s Green Bond Framework. The report is in line with the initial commitments set in the LBBW’s Green Bond Framework.</p> <p>The proceeds collected are equal to 100% of the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>	

4. Reporting	<p>The LBBW Impact Report is coherent with the Reporting description. The report is in line with the initial commitments set in the LBBW Green Bond Framework.</p> <p>The sections “Allocation Reporting” and “Impact Reporting” of the Green Bond Allocation and Impact Reporting comply with the pre-issuance commitment expressed in the framework. The report is intended to be publicly available on LBBW’s website: www.lbbw.de/green-bond</p> <p><i>Further analysis of this section is available in Part III of this report.</i></p>	
5. Verification	ISS ESG has provided a Second Party Opinion (SPO) on LBBW’s Green Bond Framework on March 29, 2022.	

PART II: ASSESSMENT AGAINST THE ICMA HARMONISED FRAMEWORK FOR IMPACT REPORTING (HFIR)

Reporting is a core component of the GBP and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of an annual reporting. Green bonds Issuers are required to report on both the use of Green Bonds proceeds, as well as the environmental impacts at least on an annual basis until full allocation or maturity of the bonds. Harmonised Framework for Impact Reporting (HFIR) has been chosen as the benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates LBBW's Green Bond Allocation and Impact Report against ICMA Harmonised Framework for Impact Reporting (HFIR).

CORE PRINCIPLES		
ICMA HFIR	GREEN BOND ALLOCATION AND IMPACT REPORT	ASSESSMENT
Reporting on an annual basis	LBBW published its first version of Green Bond Framework in January 2018 and Green Bonds have been issued every year since 2018. LBBW has reported within one year from issuance and all the proceeds have been fully allocated. The report will be available on LBBW's website ⁴ .	✓
Illustrating the environmental impacts or outcomes	The assessment and measurement of the impacts generated by LBBW Green Bonds covered the following areas: <ul style="list-style-type: none"> a. Avoided emissions in tCO₂ b. Annual final energy saving in MWh/year c. Avoided emissions per million EUR invested in tCO₂e/M EUR 	✓
ESG Risk Management	LBBW confirms that the risk has been identified and managed at a company level. LBBW prepares risk strategies as part of suitable and effective risk management, e.g. by using checklists during its lending process.	✓
Allocation of proceeds - Transparency on the currency	The Issuer reports the cash flows related to the Green Bonds and the allocations to the projects in EUR, GBP and USD. All the amounts have also been converted to EUR using FX exchange rates according to ECB reference rate as of December 30, 2022.	✓

⁴ Refer to www.lbbw.de/green-bond

RECOMMENDATIONS		
ICMA HFIR	GREEN BOND ALLOCATION AND IMPACT REPORT	ASSESSMENT
Define and disclose period and process for Project Evaluation and Selection	<p>The entirety of proceeds has been allocated to Green Assets. Two buildings were identified as not eligible by the audit of external consultant and not included in the Allocation and Impact Reporting.</p> <p>The Issuer followed a transparent process for selection and evaluation of Eligible Green Projects. Projects financed and/or refinanced through the Green Bonds issued under Green Bond Framework were evaluated and selected based on compliance with the Eligibility Criteria as laid out in the Framework. The Green Bond Committee has been set up and convenes monthly to oversees the entire Green Bond process.</p>	✓
Disclose total amount of proceeds allocated to eligible disbursements	A total of EUR 5,298,171,469 has been raised through Issuer's Green Bonds. 100% of the proceeds has been allocated to Green Assets.	✓
Formal internal process for the allocation of proceeds and to report on the allocation of proceeds	The Issuer followed a transparent process for the allocation of proceeds as committed in the Green Bond Framework.	✓
Report at project or portfolio level	The Green Bond Allocation and Impact Reporting includes the total amount of proceeds allocated per eligible project category on a portfolio level.	✓
Describe the approach to impact reporting	The Issuer reports on a portfolio level and clearly defines, for each project category, the number of assets, signed amount, share of total portfolio financing and eligibility for Green Bonds.	✓
Report the estimated lifetime results and/or project economic life (in years)	The Issuer reports on the average portfolio lifetime (in years) for both the eligible project category. The average portfolio lifetime for Renewable Energy project category is 15.1 years and for Green Buildings project category is 5.2 years.	✓
Ex-post verification of specific projects	There is no ex-post verification of specific projects.	N/A

<p>Report on at least a limited number of sector specific core indicators</p>	<p>LBBW reports on the following core indicators:</p> <p>Green Buildings</p> <ul style="list-style-type: none"> ▪ Annual final energy savings, MWh/year ▪ Annual CO₂ emission avoidance, tCO₂/year ▪ Avoided annual CO₂ emissions per million EUR invested, tCO₂e/M EUR <p>Renewable Energy</p> <ul style="list-style-type: none"> ▪ Production of all projects (MWh) ▪ Avoided emissions (tCO₂) ▪ Avoided annual CO₂ emissions per million EUR invested, tCO₂e/M EUR 	<p style="text-align: center;">✓</p>
<p>If there is no single commonly-used standard, Issuers may follow and disclose their own calculation methodologies</p>	<p>The Issuer reports on actual energy generation data for 67.2% of the total Renewable Energy portfolio. The remaining portfolio has used P50 estimation. For each asset, LBBW recorded the annual energy generation in the given year through actual production figures where available or based on P50 estimates. P50 estimation is, according to the Issuer, typically used for assessing the underlying project risk. In case LBBW does not finance the entire project, the capacity, production and avoided emissions are adjusted by the share of financing attributable to LBBW, in line with the PCAF standard.</p> <p>The final energy saving of the energy efficient real estate portfolio is calculated using the difference between the top 15% and the national building stock benchmarks.</p>	<p style="text-align: center;">✓</p>
<p>Disclosure on the conversion approach (if applicable)</p>	<p>The Issuer elects to convert units reported for individual projects based on a standard conversion factor and includes appropriate disclosure of the conversion approach in the report (multiplying the final energy savings with the carbon emissions intensity for energy efficient real estate portfolio).</p>	<p style="text-align: center;">✓</p>
<p>Projects with partial eligibility</p>	<p>All projects are 100% eligible for green bonds.</p>	<p style="text-align: center;">N/A</p>
<p>When the expected impacts of different project components</p>	<p>The impact of eligible projects is reported separately per category on an aggregated basis.</p>	<p style="text-align: center;">N/A</p>

may not be reported separately, Issuers may use (and disclose) the attribution approach

OPINION

*LBBW **follows** the Harmonised Framework for Impact Reporting (HFIR)'s core principles and key recommendations. The Issuer provides transparency on the level of expected reporting as well as on the frequency, scope and duration, aligned with best practices.*

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Use of Proceeds Allocation

Use of Proceeds allocation reporting is key to put the impacts into perspective with the number of investments allocated to the respective Use of Proceeds' categories.

The Use of Proceeds allocation reporting occurred within one year from the issuance, after full allocation of the proceeds

The proceeds collected are equal to 100% of the amount allocated to eligible projects, with no exceptions

Proceeds allocated to eligible projects/assets

The proceeds' allocation is broken down at the use of proceed category level. The Issuer has provided details about the type of projects included in the portfolio. LBBW allocated the proceeds of the Green Bonds to a portfolio of loans that meets the eligibility criteria for use of the proceeds and follows the evaluation and selection process.

The report provides information about projects which were removed from the allocation register. Two buildings were identified as not eligible by the audit of external consultant and not included in the Allocation and Impact Reporting.

The allocation report section of the Green Bond Allocation and Impact Reporting of LBBW aligns with best-market practices by providing information on:

- The total amount of proceeds in EUR
- The percentage of net proceeds allocated to eligible green project portfolio
- The number of eligible assets
- The total amount of eligible green projects in EUR, and breakdown per project category

Impact Reporting Indicators

The table below presents an independent assessment of the Issuer's report and disclosure on the output, outcome, and/or impact of projects/assets using impact indicators.











ELEMENT	ASSESSMENT
<p>Relevance</p>	<p>The impact indicators chosen by the Issuer for this bond are the following:</p> <p>Green Buildings category:</p> <ul style="list-style-type: none"> ▪ Estimated annual energy consumption (ex ante) in kWh/m²/a or source energy savings in MWh ▪ Estimated annual GHG emissions reduced/avoided in tons of CO₂ equivalent

	<ul style="list-style-type: none"> ▪ Avoided annual CO₂ emissions per million EUR invested, tCO₂e/M EUR <p>Renewable Energy category:</p> <ul style="list-style-type: none"> ▪ Production of all projects (MWh) ▪ Avoided emissions (tCO₂) ▪ Avoided annual CO₂ emissions per million EUR invested, tCO₂e/M EUR <p>These indicators are quantitative and material to the Use of Proceeds categories financed through this bond and in line with the Suggested Impact Reporting metrics for Green Building Projects by the ICMA Harmonized Framework for Impact Report for Environmental and Social Bonds. This aligns with best market practices.</p>
<p>Data sourcing and methodologies of quantitative assessment</p>	<p>For the impact indicators, the Issuer uses internationally recognized impact indicators relevant to each of its Use of Proceeds categories, which are in line with the core indicator proposed by the ICMA Harmonized Framework for Impact Reporting (for Green Bonds). The data is processed by Carbon Trust and reviewed by the Issuer. LBBW may appoint specialized consultants to develop a methodology for the estimation and calculation of the impacts that were made publicly available.</p>
<p>Baseline selection</p>	<p>The impact data is compared with relevant baseline data since regional, national, or internationally recognized standards are providing important baselines against which the Green Buildings category and Renewable Energy category can be benchmarked. The Renewable Energy category can be benchmarked against the Global GHG Accounting and Reporting Standard for the Financial Industry, the IFI GHG Accounting for Grid Connected Renewable Energy Projects, the Voluntary Process Guidelines for Issuing Green Bonds, the ICMA Harmonised Framework for Impact Reporting and the GHG Protocol. The final energy saving of the energy efficient real estate portfolio is calculated using the difference between the top 15% and the national building stock benchmarks. In this sense, the report is in line with the suggestion of the ICMA Harmonized Framework for Impact Reporting</p>
<p>Scale and granularity</p>	<p>The impact data is presented at the Use of Proceed project category level for the indicators.</p>

High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the Issuer's Allocation and Impact Reporting, the impact indicator(s) adopted by LBBW for its wind projects, solar projects, renewable energy projects, renewable energy projects under construction, and green

building projects can be mapped to the following SDGs, according to the ICMA “A High -Level Mapping to the Sustainable Development Goals”⁵.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
Estimated annual energy consumption (ex ante) in kWh/m ² /a or source energy savings in MWh	 
Estimated annual GHG emissions reduced/avoided in tons of CO ₂ equivalent	 
Totally installed capacity in MW of renewable energy	 
Avoided GHG emissions based on actual/P50 production	 
Annual GHG emissions reduction in tons of CO ₂ equivalent	 

OPINION

The allocation of the bond’s proceeds has been disclosed, with a detailed breakdown across different eligible project categories as proposed in the Framework and the LBBW’s Green Bond Framework has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculations methodologies and granularity reflecting best market practices. Besides, the impact indicators used align with best market practices using ICMA’s HFIR recommended metrics.

⁵ [ICMA’s Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds](#)

DISCLAIMER

1. Validity of the External Review (“External Review”): As long as no material changes are undertaken by the Issuer to its Allocation and Impact Reporting as of April 5, 2023.
2. ISS Corporate Solutions, Inc. (“ICS”), a wholly-owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells/distributes External Reviews which are prepared and issued by ISS ESG, the responsible investment arm of ISS, on the basis of ISS ESG’s proprietary methodology. In doing so, ISS adheres to standardized procedures to ensure consistent quality of responsibility research worldwide. Information on ISS’s methodology is available upon request.
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ANNEX 1: Methodology

Review of the post-issuance Reports

The external review of post-issuance reports provides the Issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced. On the basis of the information provided by the Issuer, the alignment of the report is assessed with recognized market guidelines, the metrics chosen by the Issuer and the soundness of process and methodology of reporting. The metrics are analyzed based on specific sets of indicators using proprietary method referring to common market guidelines.

High-level mapping 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 based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent to the Issuers reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

SCOPE

LBBW commissioned ICS to compile an External Review on its Bond Report. The External Review process includes verifying whether the Bond Report aligns with the Issuer's Green, Social and Sustainability Bond Framework and the respective market standards, i.e. the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines and to assess the robustness and completeness of the reporting methodologies.

CRITERIA

Relevant Standards for this Report Review:

- ICMA Green Bond Principles
- ICMA Harmonized Framework for Impact Reporting
- ICMA A High -Level Mapping to the Sustainable Development Goals

ISSUER'S RESPONSIBILITY

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

- Green Bond Allocation and Impact Reporting
- Green Bond Framework
- Proceeds Allocation
- Reporting Impact Indicators
- Methodologies, and assumptions for data gathering and calculation
- ESG Risk Management

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 External Review has been conducted by following the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with LBBW took place from January to April 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 External Review

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

We assess alignment with external principles (e.g. the ICMA Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines), analyze the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent External Review 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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