

# IJGlobal ESG Governance Award – BayernLB

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**Angus Leslie Melville**

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BayernLB “has taken the lead in sustainable financing initiatives”, according to one of the judges who voted in favour of the German bank winning the IJGlobal ESG Governance Award.

This is the first time that a lender has won the governance award. Last year it was presented to [Vauban Infrastructure Partners](#), but this year the independent panel of judges was won over by an excellent submission from BayernLB.

One judge said: “The submission evidences efforts to maintain relevance / competitiveness in an evolving ESG market – for example, establishing new product offerings and supporting frameworks, broad reference to ‘integrating ESG criteria in core processes’, operationalising regulatory and strategic requirements.”

Another added: “The transparency of publishing their sustainable lending framework, with clear, no-nonsense language outlining the objective of the framework, and its definition of 'sustainable', is refreshing!”

Yet another judge said: “BayernLB is an early mover on CSRD, which is great to see. It has been proactive rather than scrambling at the last minute.”

BayernLB was one of the first banks in Germany – and indeed Europe – to publish its Sustainable Lending Framework last year (2022), setting the scope for offering sustainable financing.

The submission explains: “We expanded our portfolio of sustainable funding instruments and are continuing steadfastly on this path. In addition, we extended our Sustainable Financing Framework, which serves as the foundation for sustainable capital market issues, to include the categories of rail transport and real estate.

“Our subsidiary, DKB has also continued to pursue its sustainable corporate strategy and has, for example, integrated ESG criteria more closely into its core processes. With a financing volume of over €12 billion in renewable energy, DKB is already a key financier of the energy transition.”

BayernLB initiated the ESG project “Sustainability” in 2021 to operationalise regulatory and strategic requirements and market requirements relating to sustainability, which also addresses the ECB requirements on climate risks and the issues related to climate stress testing.

An additional component of the project will be the requirements on sustainability reporting in accordance with the Corporate Sustainability Reporting Directive (CSRD).

The CSRD was published in the EU’s official journal on 16 December 2022, including regulations to expand the scope of users and the scope of sustainability reporting, as well as the introduction of EU-wide uniform sustainability reporting



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standards (ESRS).

As part of its ESG “Sustainability” project, BayernLB is preparing for the application of the CSRD and the first-time reporting for financial year 2024.

## **Broader ESG commitment**

BayernLB has established a mile-stone plan for the next few years with a view to transforming the bank’s customer portfolio. As a first move, it intends to increase the share of ESG-compliant financing in its portfolio by 2023, compared to 2020 figures – taking a bottom-up approach.

The submission states: “We will achieve this by increasing the sustainable impact primarily in accordance with the EU Taxonomy and by developing adequate risk management with the goal of establishing a well-diversified and manageable ESG risk profile.

“In the first steps, we take a look at the potential dependencies and risks in connection with ecosystem services – for example availability of raw materials, water scarcity, pollution, loss of biodiversity.

“This is particularly important in view of the EU Biodiversity Strategy's target of putting Europe's biodiversity on the road to recovery by 2030.”

The bank is taking a proactive approach to carbon emissions: “When concluding financing and investments whose term extends past 2040, they must comply with the CO2 emissions assigned in the German Climate Change Act (Klimaschutzgesetz – KSG).

“Striving to make our portfolio climate-neutral before 2050 squares with the climate goals of the German government, the EU and the goals of the Free State of Bavaria, is a clear statement that we stand staunchly behind the Paris Agreement.”

## **A final word**

BayernLB won over the judging panel – against stiff opposition – with its ESG direction of travel as well as policies enacted to improve its standing in this space.

The submission states: “We take a systematic approach to the challenges of making our world – and also that of our customers and our group – sustainable, and one of the reasons for this approach is our public mandate.

“Leveraging the individual strengths within our group, we play our part... for example by significantly increasing ESG-compliant financing and focusing on customer groups that make a positive contribution to sustainable development.”

The submission continues: “BayernLB has broadened its own mandate to encompass ESG and has established a strategy, a governance framework that includes a risk policy and – not least – a declaration describing the aspirations we have for ourselves.

“Our general ESG policy is modelled after the 17 Global Sustainable Development Goals of the UN Agenda 2030 and the climate goals of the Paris Agreement. But BayernLB also acts in conformity with the Bavarian Sustainability Strategy, the objectives of the EU Taxonomy Regulation and the German Sustainable Finance Strategy.

“The core BayernLB Bank is pursuing an ambitious objective in assuming responsibility for more sustainability. Its financing portfolio is aligned with the German Climate Change Act and will be climate neutral before 2050.”

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