

# ESG-strategy and implications for the Trade Finance business

Matthias Öffner, Chapter Lead Trade & Export Finance  
ITFA GRC Webinar “ESG in Trade Finance” , June 2021

“We support our customers in their transformation to greater sustainability as a partner, consultant and financier of progress (#Fortschrittsfinanzierer!)”

Stephan Winkelmeier,  
CEO

# BayernLB takes an active approach to sustainability

Incorporation of environmental, economic and social aspects in the BayernLB Group

## Own operations

- › Conservation of resources and prevention of negative impacts on the environment
- › Treating employees responsibly
- › External auditing and transparent reporting
- › Carbon-neutral since 2015

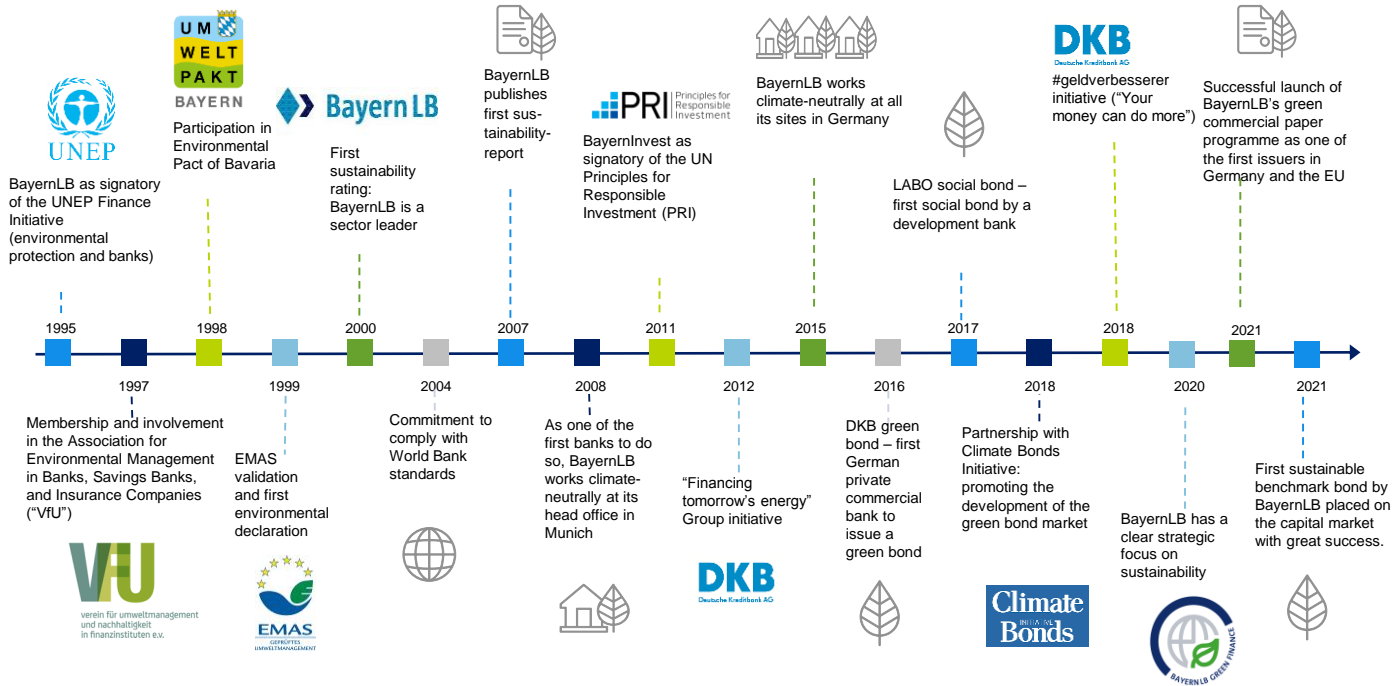


## Selected business partners/transactions

- › Compatibility with recognised environmental, ethical and social standards
- › Application of overarching business principles
- › Ensuring compliance with the processes and guidelines we have drawn up



# BayernLB has a history of sustainability dating back more than 25 years – that obliges and motivates!



# Mandatory check of policies & sanctions screening

We have dedicated policies and a screening system, to minimize rep risk and to avoid sanction breaches



## Policies

- Oil & Gas Policy
- Coal Policy
- Forest Policy
- Food Policy
- Gambling-Policy
- Defence-Policy
- Offshore-Policy

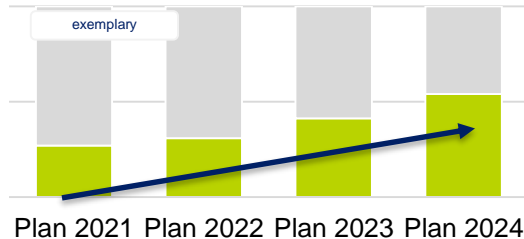


## Sanctions Screening

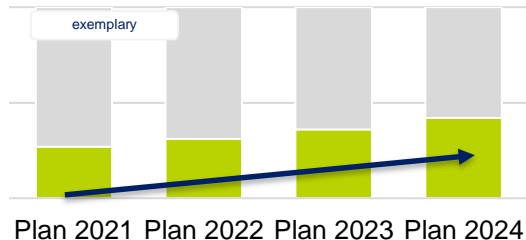
- › on countries, companies and individuals
  - pre-transaction phase
  - repetitive portfolio check

# Target is a significant higher portfolio-share in regards to sustainability

## ESG-aligned share of new transactions



## ESG-aligned share on total credits

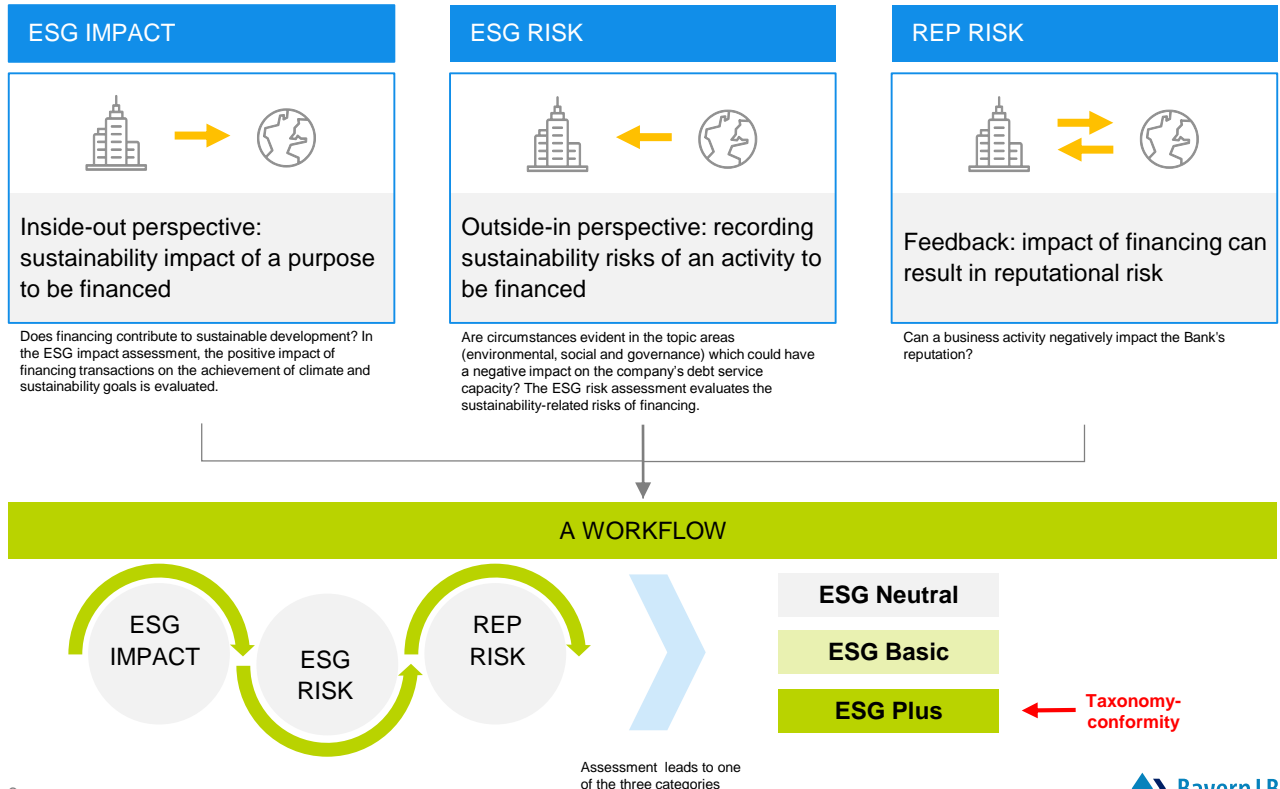


## Our way to get there:

- + Reach **Transparency** by measuring the existing portfolio
- + **Target setting** incl. Management Board approval
- + **Incentivising** of ESG-aligned transactions
- + **Support of Sales Activities** (strengthen existing ESG-structuring knowledge)
- + Active **portfolio management** (incl. existing & new businesses)

# Process to assess transactions and clients established

Opportunities and risks are examined and rated more precisely



# Supply Chain Law sets new regulatory requirements

*The German „Lieferkettengesetz“ to be applied*

2023: Staff of >3000

2024: Staff of >1000

*Should achieve*

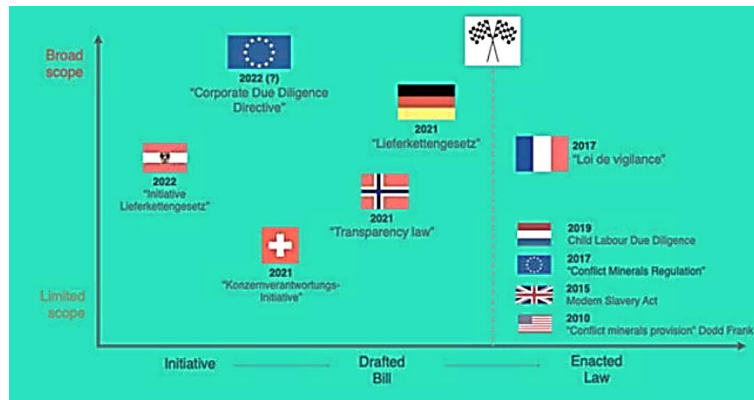
- application of Human Rights and work safety along the value chain
- transparency

*Forces companies to*

- Install Risk Management System (detect & prevent)
- Immediate eliminate violations
- Install Complaint / whistleblower system

*In Case of Breach*

- Significant fines can be levied; exclusion from public tenders



*Supply Chain Laws in comparison*

(Source: Prewave – Whitepaper, 06/2021)

# Some Challenges to apply Bank's ESG-Due-Diligence Process on Trade Finance products

Open for discussion

Characteristics	Challenges	Ideas
High number of transactions	Differentiation between <ul style="list-style-type: none"><li>• small &amp; large transactions</li><li>• consumer goods vs. capital goods</li></ul>	Compliance certificates within Doc-presentation to safeguard minimum standards
Short time to react	Lack of information on buyer side	Standard questionnaire to be presented before L/C opening
Abstract nature of Trade Finance Instrument vs. KYCC	<ul style="list-style-type: none"><li>• Banks do not want to get involved into supplier contract</li><li>• Banks don't know exact supply chain and required technical aspects</li></ul>	Use of certification of customers supply c



Thank you  
for your attention.

Kontakt:

Matthias Öffner

matthias.oeffner@bayernlb.de

+49 911 2359-271



Wir finanzieren Fortschritt.