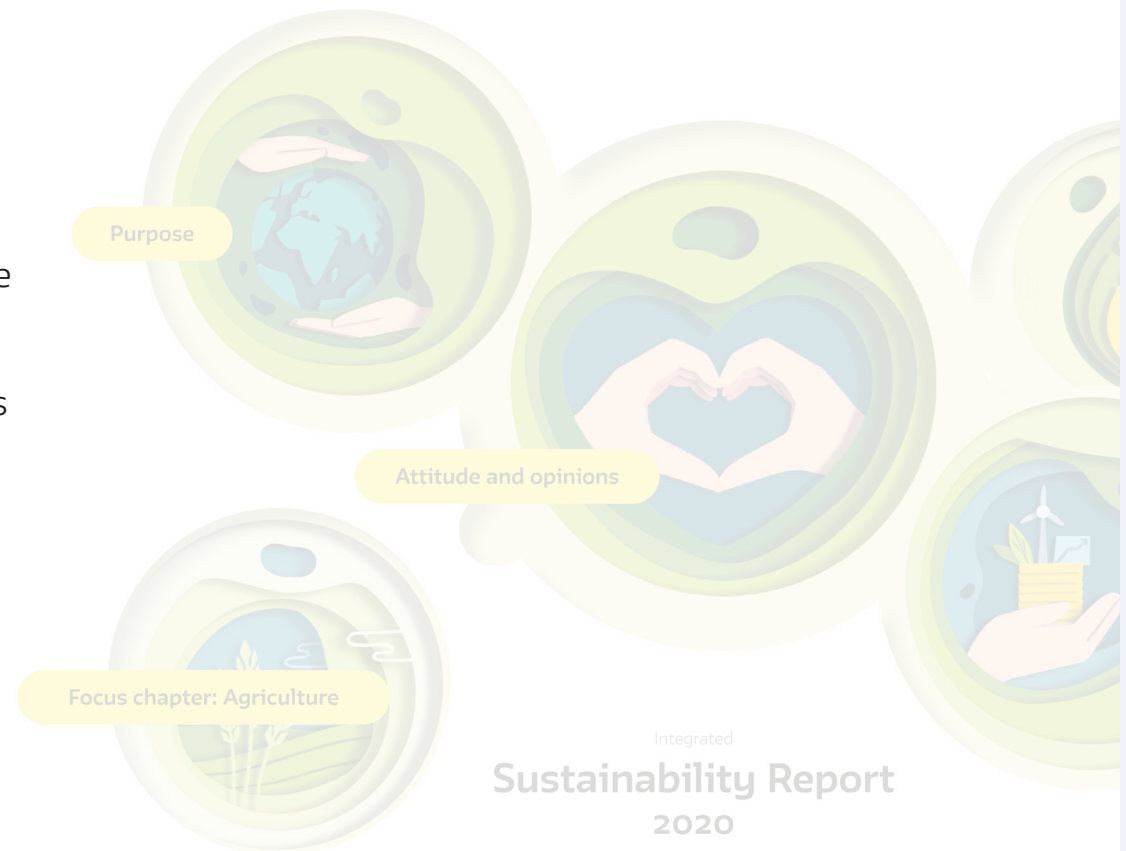




## The problem of conventional sustainability reporting

Traditionally sustainability reports are an accumulation of data points on, for example, CO<sub>2</sub> emissions, water consumption data or the work environment. However, this data is seldom contextualized so as to tell us how sustainably the company is operating.

For example, publishing CO<sub>2</sub> emissions alone does not tell us whether the company is within the 1.5 degree target or not. Our new and improved GLS sustainability report, measures success by whether our social-ecological impact is within defined boundaries and ideal conditions.



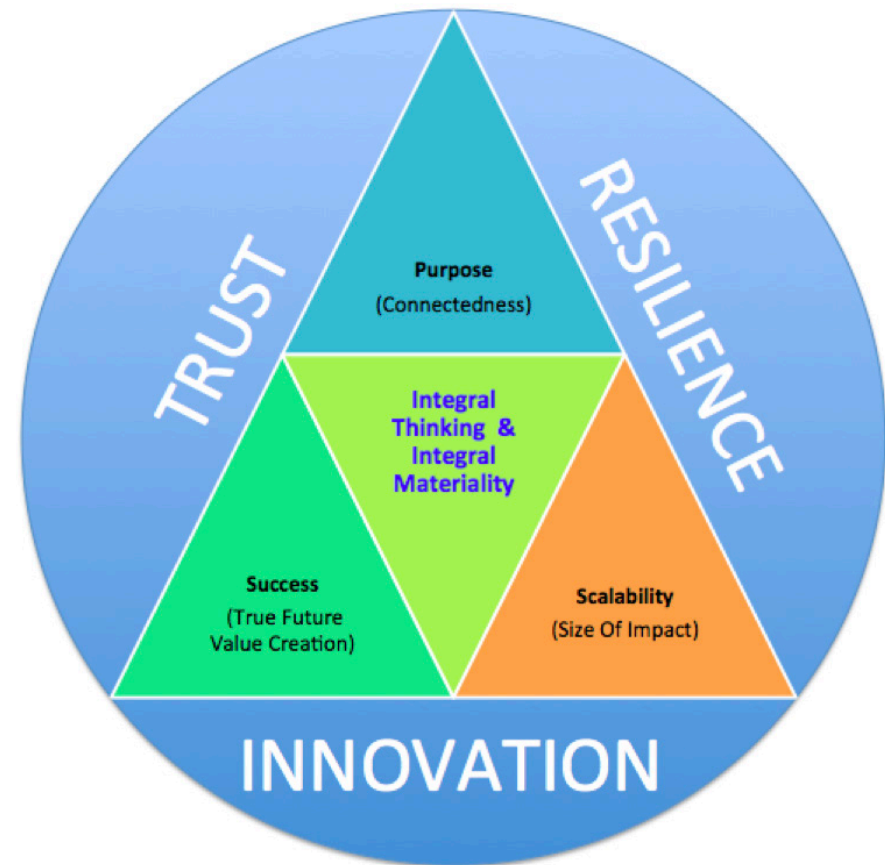


To ensure the greatest possible comparability of our report, we have mainly followed the recommendations of the 'Reporting Blueprint' from r3.0.

According to r3.0, reports should convey an all-round complete understanding of sustainability in the interest of the reader, reporting on the core areas of „Purpose,“ „Success“ and „Scalability“.

By adhering to these principles, companies can contribute to the sustainable development of society through their reporting.

By being clear about their vision and their understanding of impact and success, companies foster trust in their company, as well as its innovative capacity and resilience.



Thurm, R. (2017): Blueprint 1. A principles-based approach to reporting serving a green, inclusive & open economy. Reporting 3.0.

**Conventional companies limit their measurement of success to the maximization of profit (mono-capitalism).**

- This sole focus on growth and profit as the benchmark of the economy has led to the exploitation of people and nature for the benefit of financial capital.
- It is the reason for environmental destruction, human rights violations and also for the climate crisis.

**The logics of capitalism do not allow non-financial values to be included in economic decisions.**

- In doing so, however, companies are biting the hands that feed them: They destroy the resources on which they depend the most. e.g. workers or raw materials and ecosystem services from nature.

**GLS Bank has been living the solution to this problem since its founding.**

- Economic success must not be the only goal, but a consequence of positive social-ecological action.
- Values such as nature, humans, relationships and knowledge have always been more important to us than money.
- Our impact on our prioritised values is the focus of this report - and certainly of interest to many companies.

**Changing the way companies measure their success.**

- Integrate much more important values than money such as nature, humans, relationships, attitude and knowledge
- This creates transparency about a company's impact.

**GLS Bank solution: Developing our own categories of values, which we need for our work and on which our success depends:**

- **Humans**
- **Nature**
- **Relationships**
- **Knowledge**
- **Money**
- **Attitude**

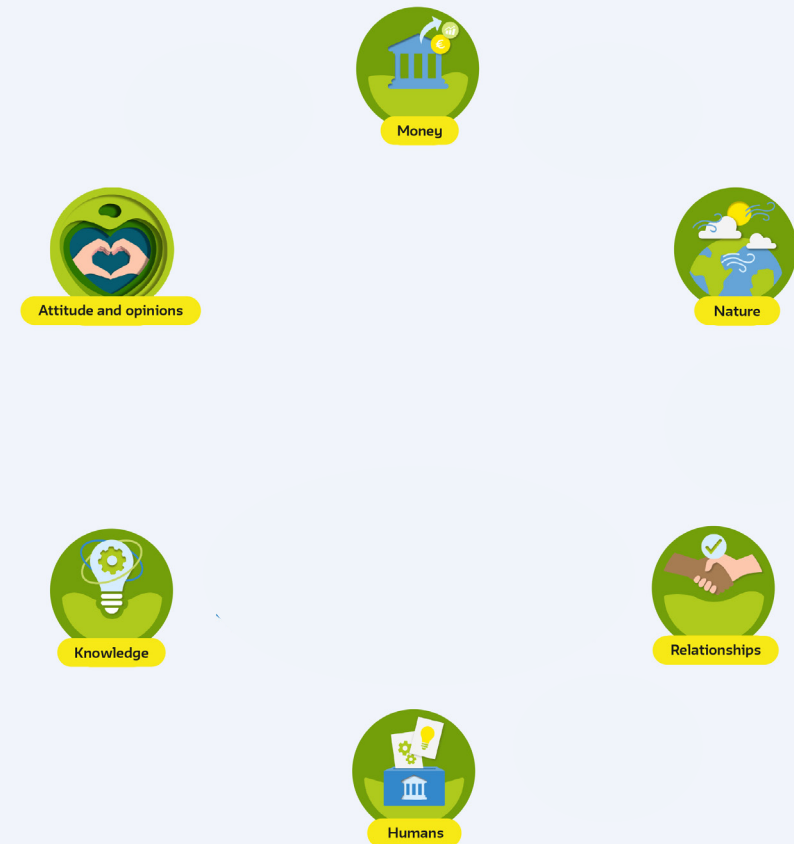
We have deliberately decided against the terms „natural capital“, „human capital“ etc..

For us, living beings and nature, just like humans, already carry their value within themselves. This value is independent of their usefulness for human or economic purposes.

Instead, we speak of „value categories“.

## The theory of the report

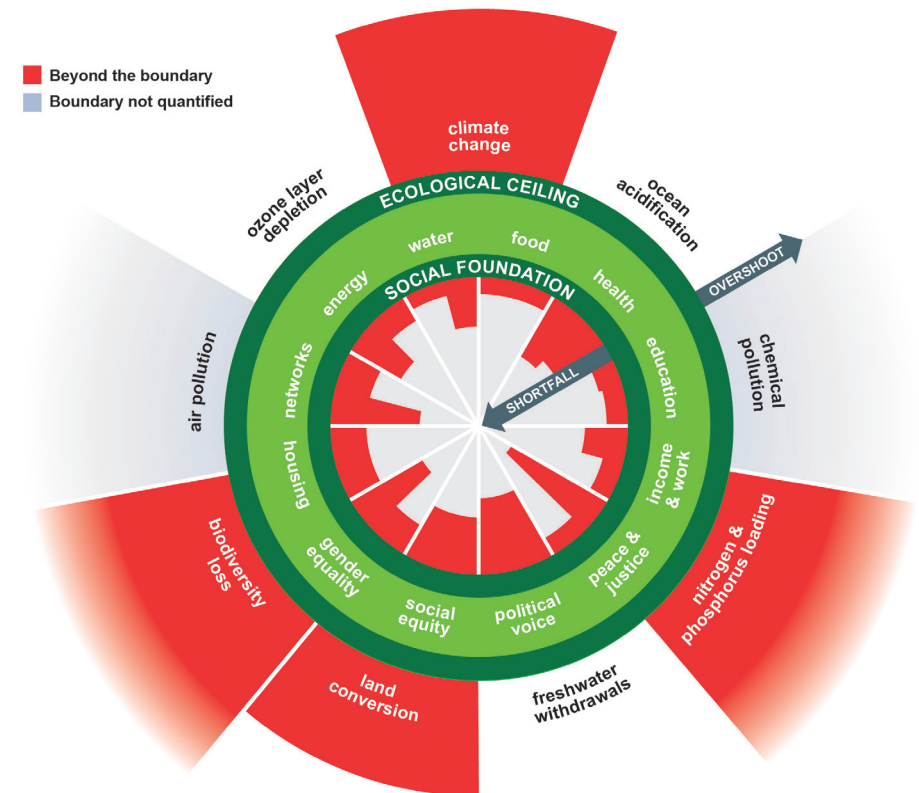
Our interpretation of the multicapital approach



To determine our impact and whether it is positive, we need to define targets in each of the value categories.

To put them in perspective we look at each value on a global scale and are guided by ecological budgets we should stay within and socioeconomic states which should be maintained.

This is discussed in the international (also scientific) debate under the term 'Carrying Capacities'.



DoughnutEconomics (2017). available online at <https://commons.wikimedia.org/wiki/File:Doughnut-transgressing.jpg>  
This file is licensed under the Creative Commons Attribution-Share Alike 4.0 International license.



**Challenge:**

**How can companies report on sustainability?**

- Large number of standards
- Problems with data acquisition
- What are the ecological budgets and socio-economic ideal states?

**UNRISD's solution:**

**Sustainable Development Performance Indicator (SDPI)**

- 83 Indicators
- 3 tiers
- Contextualization of the indicators
- Definition of ideal states and budgets
- Indicators between 0 and 1

### **SDPI Project – Example: water**

In order to maintain the quality and availability of clean water, certain limits on freshwater withdrawals must not be exceeded. In addition, the quality of the available water must be ensured. Water use can thus be divided into the following two aspects.

As a bank, we are responsible for two forms of water consumption: first, the water consumption that occurs at our sites and which we can influence directly and the water consumption of our borrowers that we enable through issuing loans.

To approach this topic, we first assessed and reported our water consumption at the main site in Bochum with the help of UNRISD (United Nations Research Institute for Social Development). Parallel to this we are developing tools to determine the water consumption we enable through financing our customers.

Net water consumption must not exceed facility-specific fair and proportional allocations of locally available renewable resources.

The two indicators were calculated. Any value below 1 means that actual use is below the fair and proportionate share of the facility's available resources.

For both, our water use has a value well below 1.

### SDPI Project – Example: water

- Water use accounts for water withdrawals that are not returned to the watershed in any way. Since we feed our consumptive water back into the local network, our consumptive water use indicator is 0.0.
- Yet we withdraw water from our watershed. The fact that water is withdrawn at all places a burden on the environment, even if it is returned to the basin. To determine the sustainability of this type of water use, a method was used that relates usage to the number of employees working at the Bochum site. Our result for 2020 is 0.18.

So we are within our allotted amount of water to be withdrawn. But we also know that in 2020, very few people worked in the bank. The majority worked mobile from home, which could not be included in the calculation.

The sustainability indicators or thresholds we define for a facility for both scores (i.e., water allocations) are based on hydrological knowledge about what the maximum allowable water use should be to avoid endangering natural resources (ecosystems and species). This information is our basis for deriving future in-plant targets. Since these ideal conditions apply to all companies, we also use them to seek dialog with our customers and accompany them in the transformation to even more sustainable business models. In the concrete design, we continuously adapt to scientific findings.

(Source: United Nations Research Institute for Social Development (UNRISD), 2021. The Sustainable Development Performance Indicators (SDPI) Manual: Pilot-Testing Version for For-Profit Enterprises (FPEs). Geneva: UNRISD.)

## PURPOSE

We are pioneers in sustainable banking and put our customers money to good use. Find out what we mean by the purpose of our work in our sustainability report.

- **Mission**
- **Presentation of the bank**
- **Sustainability management**
- **Visions of change**

A stylized illustration featuring a central globe of the Earth, colored in shades of blue and green. The globe is held gently by two hands, one above and one below, rendered in a soft, pinkish tone. This central scene is framed by several concentric, layered circles in various shades of green, creating a sense of depth and focus. A yellow speech bubble with the word 'Purpose' is positioned to the left of the globe, pointing towards it.

**Purpose**

## ATTITUDE AND OPINIONS

Our attitude describes the basis on which we make decisions. Find out which criteria form our attitude and opinions are based on and how we make sustainable banking tangible.

- Mission statement
- Core values
- Lending principles
- Investment and financing principles
- Understanding of sustainability
- Qualities of money
- Sustainability in own investments
- Transparency at all levels
- Reporting
- Impact transparency
- United Nations Principles for Responsible Banking



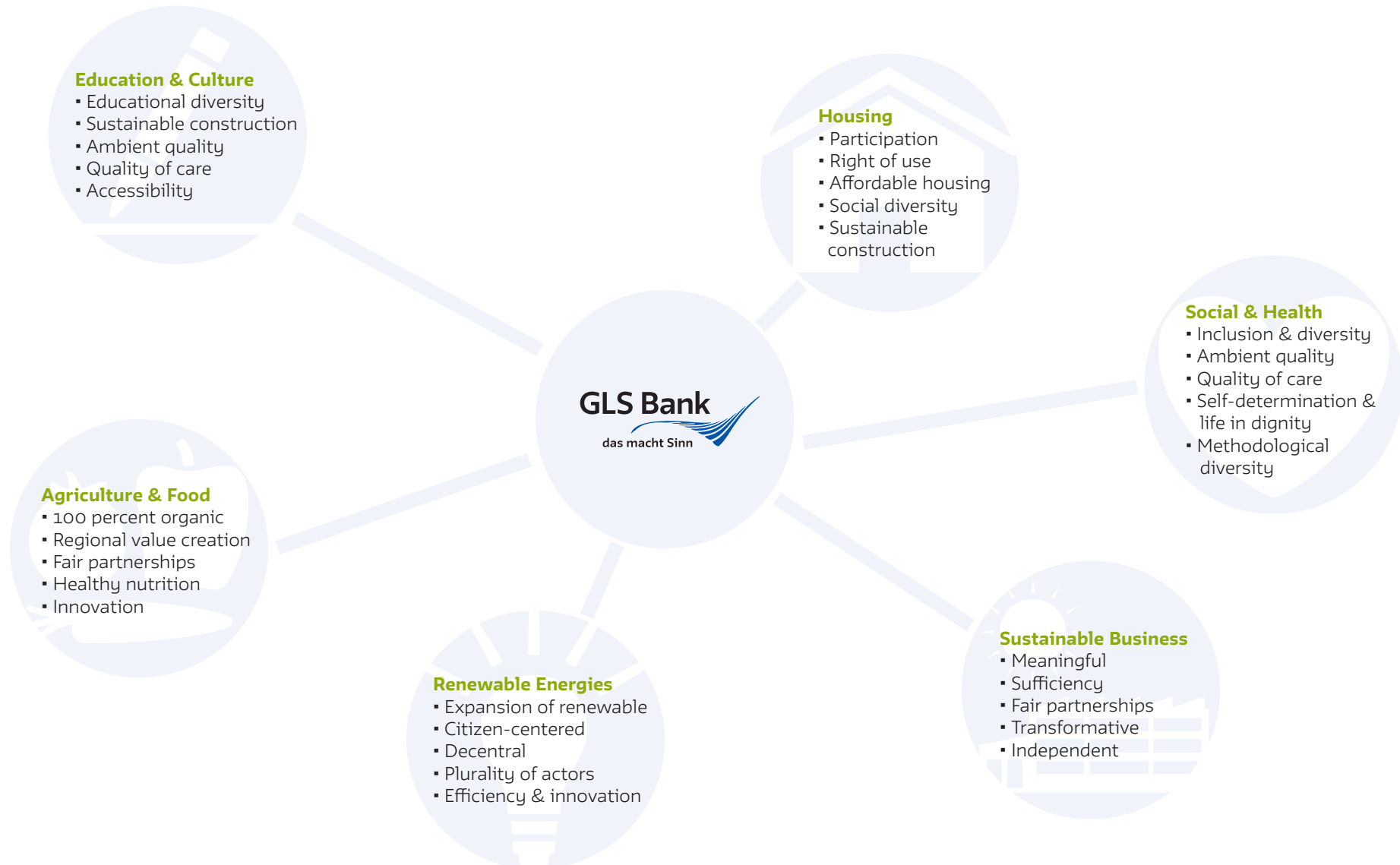
Attitude and opinions

## **SUCCESS – GLS Impact Transparency**

Impact measurement is at the heart of our transparency. In our vision statements, we have defined the goals we are pursuing in our six sectors. In the chapter „Impact Transparency,“ we describe how we impact these visions in socio-ecological terms through our lending activities.

- **Renewable Energies**
- **Agriculture & Food**
- **Housing**
- **Education & Culture**
- **Social & Health**
- **Sustainable Business**





## SUCCESS – Values instead of profit

We have based the structure of our reported values on stock-and-flow models.

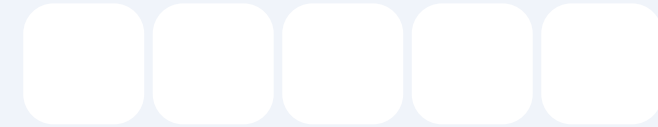
Accordingly, we break down our values into their main components - in other words their **stocks**. In order to then present our influences on the values in a next step, we have first subdivided the stocks (where necessary) into more detailed **elements**.

On the one hand, these elements are influenced by us as GLS Bank. On the other hand, external factors also influence the elements and require a reaction on our part.

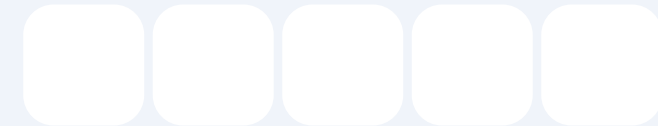
With this distinction, where the system boundaries also become blurred, we try to integrate the idea of double materiality into the report and take both an inside-out (the bank's effect on the outside) and an outside-in perspective (the effect from the outside on us as a bank). Influences appreciate or depreciate the state of the elements and therefore the values.

## Values as foundation & compass Theoretical concept of our value categories

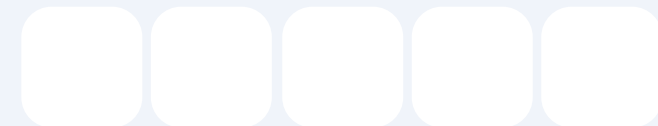
### True (Added Social) Value of GLS Bank



### Stocks



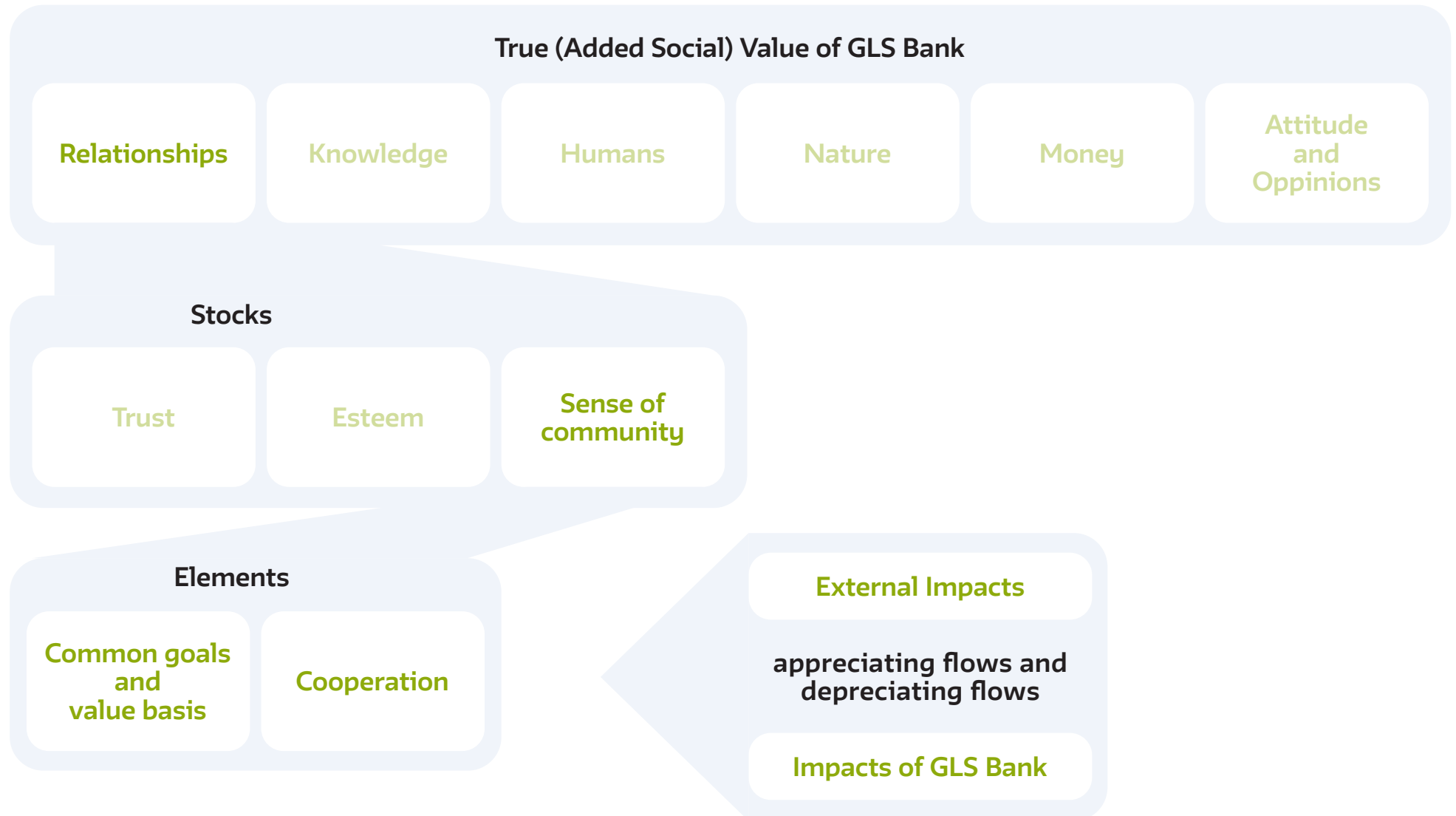
### Elements



### Impacts







The value **RELATIONSHIPS** represents the quality of our relationships with our stakeholders. We have and enter into a wide range of relationships with our members, private customers, corporate customers, companies in our investment portfolio, network partners, the public, and our suppliers. Together we create social-ecological value and build valuable relationships to drive transformation.

We show you how we build and maintain external relationships. We also reported on our employees in the chapter on our value "Humans".



In our sustainability report, we divide the value of relationships into three fundamental elements:

- **Trust**
- **Esteem**
- **Sense of community**

Based on this, we show how relationships contribute to our vision of a socio-ecological transformation and convey it to the world.



**Trust**



**Esteem**



**Sense of community**

In the GLS Bank, we live the cooperative principle of solidarity and work nationally and internationally with banks, customers, associations, NGOs and many more.

This cooperation is based on a sense of community, which is a key element of intact relationships with our stakeholders.

This **SENSE OF COMMUNITY** is important in the relationships with private customers, corporate customers, suppliers, network partners, competitors and the public.

A common basis of values and motivation are a powerful basis for successful cooperation.

We target people who pursue ecological, social or cultural goals and want to help creatively shape our society. Together, we develop new forms of banking that are defined by solidarity and responsibility to our environment.

We work with people and organizations who are as socially active as we are and who take responsibility for themselves and others, regardless of their background or worldview. These relationships are characterized by reliability, inventiveness and a willingness to perform.

Ideally there is absolute agreement on common goals and values but there also needs to be space for alignment when necessary.



## Political Engagement

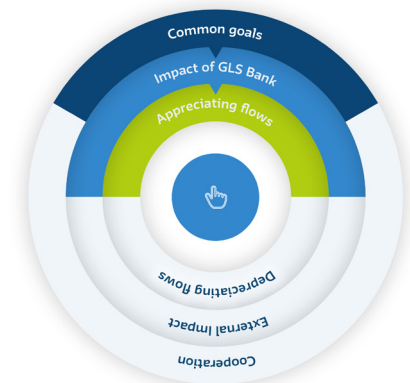
The GLS Bank, in accordance with our mission statement, participates in the political decision-making process, while maintaining a high level of transparency. We do not engage in direct or systematic lobbying to influence political decisionmakers. Participation in political decision-making includes activities within the framework of business associations, discussion groups, working groups, etc. We also publish our political and economic positions. The main topics of our participation in political opinion-forming are the role of finance and money for the benefit of people and for the real economy. We publish our positions on these issues on our website.

The Board of Directors is primarily responsible for relations with the public. It is supported by the Communications and Development department and the Executive Board department. No donations were made to political parties in the reporting period. In general banking matters, we are represented by the "Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V." (BVR).

GLS Bank is also active in numerous associations and campaigns for its corporate goals and the formation of political will.

In order to strengthen and shape our political will formation through our networks, we have set ourselves the following sustainability goals in 2021:

- Raising awareness and networking as well as political work on a levy on sprays and fertilizers with a focus on developing a concrete implementation proposal (by 2021).
- Raising awareness and networking as well as political work on stronger taxation of capital instead of labour income (by 2021)
- Continuation of socio-political activities for the introduction of a fair CO<sub>2</sub> price (ongoing)



### Value connection excludes

Our social-ecological values are the guiding principles for our banking activities and our social commitment. This means that we do not work with people who violate our values.

However, instead of digging trenches, we focus on transparency and clearly communicate the reasons why cooperation is not possible, whether as a supplier or as a company in our credit or investment portfolio.

By highlighting the reasons for exclusion, we create an incentive to meet these requirements and enable future collaboration.



## Developing visions with our corporate clients

Our visions of change help us to define targets and show how we think about the future for each of our areas of business.

For each new loan, the GLS corporate client advisors discuss our future visions with our corporate clients as a first step. They hear both suggestions and criticism. In this way, we form common idea of social impact.

We regularly ask our customers question such as:

- What goals are important for the social-ecological development of your industry?
- What words do we use to describe the will to change?
- Can we define common guiding principles with which we can move toward a new way of doing business?



Considering the flows described before, we know if we operate within the ideal states of

- **Trust**
- **Esteem**
- **Sense of community**



**Trust**



**Esteem**



**Sense of community**



We understand the value **NATURE** to represent all naturally occurring renewable and non-renewable resources. From water to wood to fresh air to breathe, nature forms the basis for all life and all economic activity. In addition to material resources, nature also provides regulating ecosystems or cycles, such as climate regulation, which make life on earth possible. However, by overexploiting natural resources, humanity is endangering the nature's stock: forests are shrinking, oceans are acidifying, soils are degrading and as a result the climate is changing. In its mission statement, the GLS Bank has committed itself to the protection of our natural resources. It fulfills this commitment in particular in its lending, as the core business of a bank, and in the management of its business operations.

We show how our everyday banking operations, including all financing, depend on nature, and what our impact is.



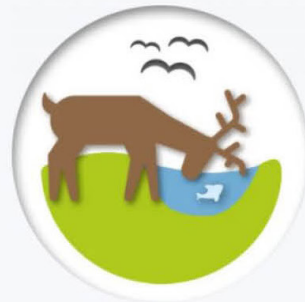
As part of our sustainability report, we first divide **NATURE** into four areas:

- Atmosphere
- Biosphere
- Soil
- Water

This enables us to provide a holistic picture of our impact and dependency on nature and it being intact.



Atmosphere



Biosphere



Soil



Water

The **ATMOSPHERE** is the mass of air that surrounds the Earth like a shell. Through its composition of various gases and particles, it protects us from life-threatening radiation and regulates the climate on Earth. It also provides pollination for plants through winds or nourishment for soils through precipitation.

Without the protective atmosphere and the natural greenhouse effect, our planet with an average temperature of minus 18°C would not be habitable for humans at all! Climate regulation is sensitively influenced by humans: In particular, the burning of fossil fuels increases the concentration of CO<sub>2</sub> in the atmosphere, which disrupts climate. The earth warms and the natural greenhouse effect intensifies.

In our sustainability report, we focus on our impact on the ecosystem performance of climate regulation, as the threat of climate collapse is one of the most threatening crises of our time and requires special attention.



The average temperature on Earth has risen by more than 1°C since the beginning of industrialization. In Germany, it is already 1.5°C. If we do not drastically reduce greenhouse gas emissions, the average temperature will rise by up to 4.1°C by the end of the century. But human life is only possible in the current climate.

At 4.1°C warming, life as we know it would no longer be possible. In order to preserve our livelihoods, we must therefore make every effort, collectively and internationally, to limit global warming to 1.5 or an absolute maximum of 2°C.

197 countries have committed to this goal by signing the Paris Agreement on climate protection. The agreement requires us to reduce our greenhouse gas emissions worldwide to zero as quickly as possible. The rule is: the sooner, the better. The later, the more drastic.

## Budget

To ensure that the ecosystem service **CLIMATE REGULATION** is not disrupted by the man-made greenhouse effect, we humans may only emit a certain budget of greenhouse gases. In order to meet the 1.5°C target, the Intergovernmental Panel on Climate Change specifies a budget of 420 gigatons of CO<sub>2</sub> that we are still allowed to emit.

If we continue as before, the budget of the 1.5°C target will be used up in seven years. These figures make it clear: We must act! Therefore, as GLS Bank, we are striving to reduce our emissions from banking operations and lending. While our banking operations are carbon neutral, we are working to take further steps to avoid emissions.

In addition, we are politically committed to more climate protection.



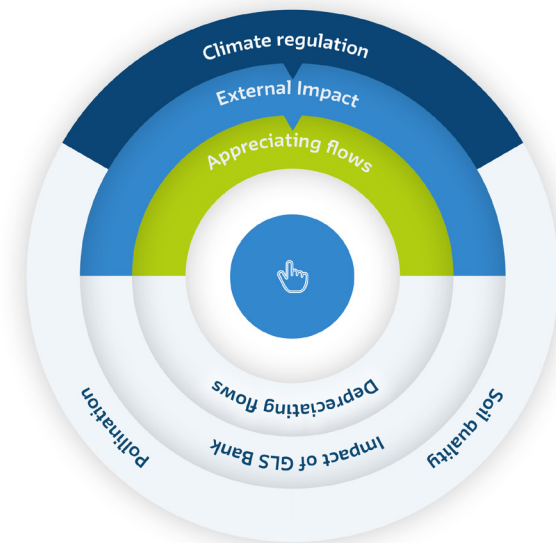
### Regulatory requirements when considering climate risks

Across Europe, banking regulators and central banks are calling on financial institutions to consider sustainability and especially climate risks in their risk management. After all, climate change poses significant physical risks to borrowers and businesses by destroying assets through extreme weather events.

Likewise, transitory risks as conversion costs to a climate-friendly economy threaten emissions-intensive business models in particular. The risks that companies face as a result of an increased CO<sub>2</sub> price, technical retrofits, changes in consumer behavior or technical innovations must be quantified and integrated into existing risk management systems. For banks, risks pose the danger of accumulating in their investment and loan portfolios.

Financial institutions, including GLS Bank, need to develop methods to measure climate risks and incorporate them into existing risk processes.

In 2020, we started with an initial survey on how our sectors are affected, which will be expanded in the further course to a holistic view of sustainability risks taking into account different scenarios. Using the real estate sector as an example, we are identifying relevant risk drivers and their impact on real estate value as well as our risk management. In parallel, we are developing a consulting approach for climate risks for our clients.



## 1.5°C compatibility (XDC) of the loan portfolio and the climate fund

In 2019, GLS Bank decided to make its entire investment and loan portfolio 1.5°C compatible by 2022. This means that global warming could be limited to this level if all companies operated in the same way as those in GLS Bank's investment and loan portfolio.

Our climate fund and loan portfolio achieved an XDC of well below 2 degrees for 2019 and 2020. This is a very positive result, especially as the value was the result of a conservative calculation. This gives us scientific certainty that our financing and investment decisions are in line with the Paris Climate Agreement. We are financing climate protection.

As soon as it is methodologically possible that a 1.5 degree scenario is deposited in the calculation of the ratio, we can check whether our loan portfolio and our climate fund are 1.5 degree compatible.

On the other hand, this result should make us ask the question: If the GLS Climate Fund, which is composed according to very strict criteria, just manages to limit global warming to below 2°C, what might the value for conventional funds look like?

Currently we are working on extending the collection of the indicator to the GLS Equity Fund, while also bringing it into an annual rhythm for our loan portfolio and the Climate Fund.



### **Emissions resulting from employee mobility**

In 2020, emissions due to employee travel decreased dramatically - the pandemic forced us to consider working remotely and resulted in us equipping and encouraging our employees to use a mobile workplace.

In 2020, we increased the number of employees working at least partially remotely from 150 to 695, reducing travel-related emissions by 49 percent.

This is a change we will keep after the pandemic, we will continue to offer the option of working remotely so that employees can work flexibly from home, saving both time and emissions otherwise resulting from travel.

### **Insufficient climate targets set by policymakers**

The German government's current climate policy seems at best capable of limiting climate change to 4°C. That is too much - the current policy strategy is insufficient.

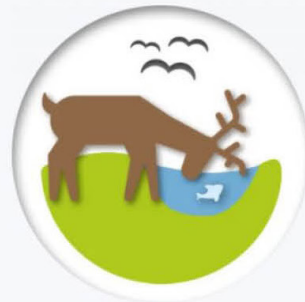
We at GLS Bank are therefore much more ambitious in our commitment to climate protection both in our core business and politically.



Considering the flows described before, we know if we operate within the budgets of the **atmosphere**, **biosphere**, **soils**, and **water**.



Atmosphere



Biosphere



Soil



Water



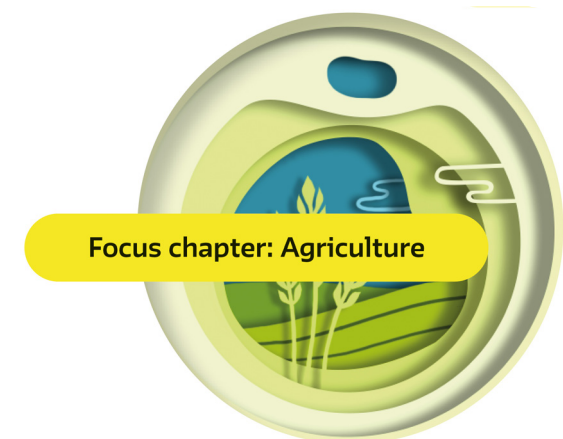
It is not enough for us to change only what we can directly influence. For sustainable development, we need change in society as a whole. In the chapter **SCALABILITY**, you will learn how we get involved politically, how we advocate for social-ecological financial education and in which networks we are active.

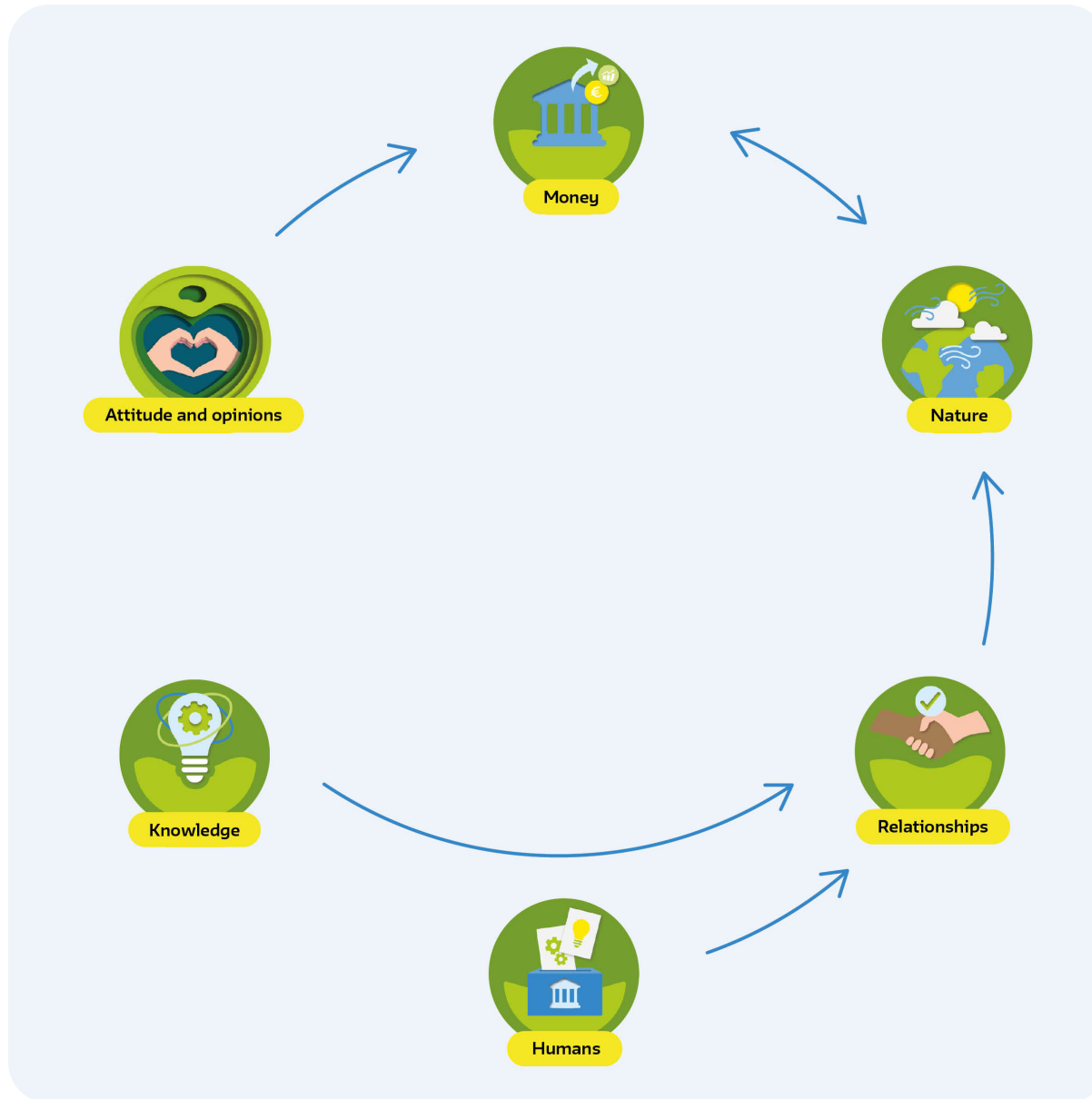
- **Political demands**
- **Education**
- **Working in ecosystems**
- **Events**



Separate from the rest of the report, but nevertheless closely linked in terms of content, is this year's focus chapter on **AGRICULTURE**.

Here you can immerse yourself in the world of agriculture and learn more about our approach to current challenges, opportunities for transformation and the solutions we are working on.





We are looking forward to your questions and feedback. Feel free to contact:

**[nachhaltigkeit@glz.de](mailto:nachhaltigkeit@glz.de)**

You can find the full version of the report in German here:

**[glz.de/nachhaltigkeitsbericht](https://glz.de/nachhaltigkeitsbericht)**