



BayernLB Sustainability Report 2015

Regional roots. Global responsibility.



*We take responsibility for
sustainable development –
as a company and a financial
service provider for our customers.*

**Dr Johannes-Jörg Riegler,
CEO**

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Foreword

*Dear customers and business partners,
ladies and gentlemen,*

The past few years have been marked by a plethora of political and economic crises which have become major challenges for the international community. The Brexit vote in the United Kingdom is one example of the increasing scepticism among large sections of the population about the ability to act of organisations which are seeking answers to the challenges at an international level.

Nevertheless, the outcome of the UN Climate Change Conference in Paris in December 2015 shows that the international community is still willing and able to tackle global problems together. Thanks to its decision to comply with the two-degree target, the ground has been laid for the decarbonisation of the economy. The Paris climate protection agreement provides for net emissions of greenhouse gases to be reduced to zero from the year 2050. The means of achieving this includes expanding renewable energy, improving energy efficiency and developing better storage technology for greenhouse gases. As one of the leading commercial banks for large and medium-sized customers, we see it as our task to accompany our customers in this transformation process.

In terms of global sustainable development, climate protection is a central goal, but not the only one. In September 2015, the international community agreed on a list of 17 targets for global development, known as the Sustainable Development Goals (SDGs). They are not only an important guiding framework for policy, but also for companies. We have therefore taken the SDGs as a starting point to determine the key action areas for our Sustainability Management. The topics identified once again show the degree to which aspects of sustainability are anchored in all areas of the company. The design and ongoing development of the structures and processes for dealing with sustainability-related challenges is one of the central tasks of our Sustainability Management.

Just how successful we are, can be seen most notably in the reviews of independent sustainability-rating agencies. On behalf of sustainability-oriented investors, they analyse whether BayernLB satisfies the comprehensive requirements for sustainable corporate management. We are very pleased that the BayernLB Group as a whole, BayernLabo as a development institute for residential construction, and Deutsche Kreditbank AG (DKB), as the largest subsidiary of BayernLB, were awarded the renowned oekom prime status in the current ratings of the agency oekom research. It is given to companies which work particularly hard to achieve sustainable development.

These and other awards from similar agencies also acknowledge the full commitment of our employees to sustainable development. Our Sustainability Report will provide you with information about the many activities our employees have implemented in the past two years with great commitment – to the benefit of our company and society.

Sincerely,

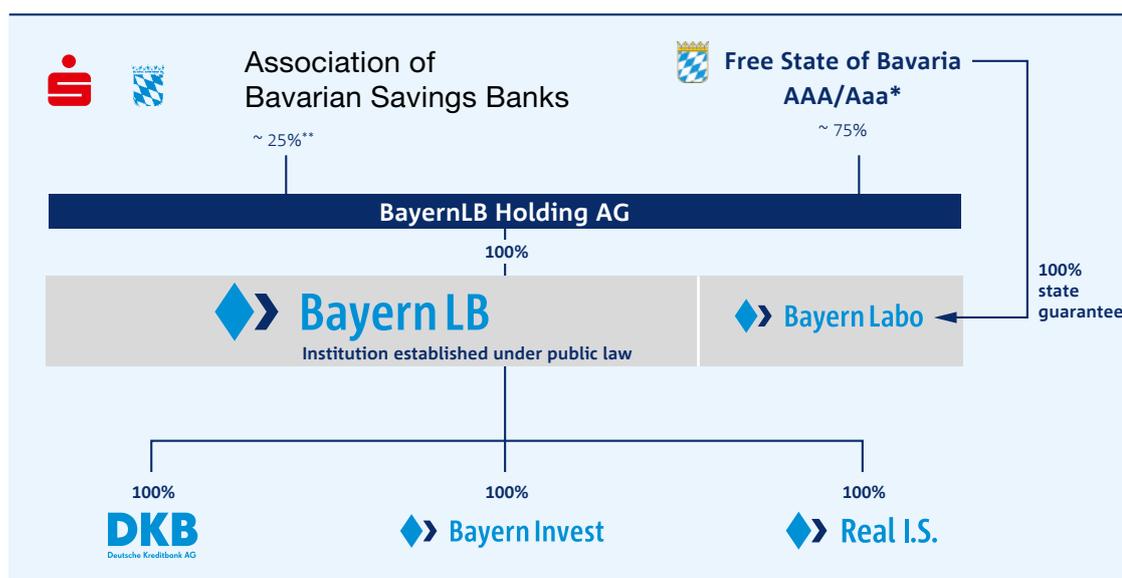
A handwritten signature in blue ink, consisting of a large, stylized 'J' followed by a horizontal line and a vertical stroke, resembling the initials 'JR'.

Dr Johannes-Jörg Riegler
CEO

BayernLB profile

Structure

Bayerische Landesbank (BayernLB), which has its headquarters in Munich, is legally an “Anstalt des öffentlichen Rechts” or institution established under public law. BayernLB’s owners are the Free State of Bavaria, with a holding of around 75 percent in BayernLB Holding AG, and the Association of Bavarian Savings Banks, with a holding of around 25 percent. Important wholly owned subsidiaries of BayernLB are Deutsche Kreditbank AG (DKB), BayernInvest and Real I.S.



* Standard & Poor's, Moody's
** 24.99999994%

Shareholders and important holdings of BayernLB

The **BayernLB Group** serves corporate, real estate and, via the subsidiary **Deutsche Kreditbank AG** (DKB), retail customers. BayernLB is one of the leading commercial banks for large and medium-sized customers in Germany. DKB has more than 3 million retail customers and is the second largest online bank in Germany.

BayernLabo is a legally dependent but organisationally and financially independent institution established under public law within BayernLB. As an organ of state housing policy, it has a statutory obligation to promote housing in the Free State of Bavaria.

BayernInvest, with its offices in Munich and Luxembourg, is the competence centre for institutional asset management within the Group. **Real I.S.** is BayernLB’s asset management-fund service provider for real estate.

As a member of the **Sparkassen-Finanzgruppe (Savings Bank Finance Group)**, BayernLB supplies a wide-range of products to the savings banks in Bavaria, while at the same time, meeting its central bank role in the association.

Locations – close to the customer

Although BayernLB's regional focus is on Bavaria and Germany, it also supports its customers in their world-wide activities. It has its own branches and offices at particularly important locations. In addition to the headquarters in Munich, BayernLB has a branch in Nuremberg as well as offices in Berlin, Düsseldorf, Frankfurt, Hamburg and Stuttgart. In other countries, there are branches in London, Milan, Paris and New York as well as a representative office in Moscow.

The German Centre Shanghai, with a subsidiary in Taicang, is a wholly-owned subsidiary of BayernLB. German Centre Delhi.Gurgaon is a joint venture of BayernLB and LBBW. The Centres help small and medium-sized enterprises to expand into the market.

Key Group financial highlights

Key figures for 2015

Total assets (EUR million)	Profit before taxes (EUR million)
215,711	640
Equity (EUR million)	Earnings after taxes (EUR million)
11,063	490
CET 1 ratio (fully loaded)	Return on equity (ROE)
12.0%	5.8%

Source: 2015 Annual Report and Accounts

Services

Services for our customers and partners

Large German and selected international companies with a German connection

BayernLB maintains long-term relationships with large German and international customers. These include DAX, MDAX-listed and family-owned companies with annual sales of at least EUR 1 billion which operate from their German home market. International companies with a significant connection to Germany are likewise served.

Core competencies are in particular traditional loan financing, such as working capital, capex and trade financing. And when its customers do business abroad, they count on BayernLB's recognised expertise for all their needs, be it currency and interest rate hedging, traditional trade finance, project and export finance, etc. In addition, BayernLB supports its customers on their path to the capital market, for example through bonds or Schuldschein note loans.

Medium-sized customers

BayernLB is the customer bank for the German medium-sized companies, with sales offices in the economic powerhouses of Bavaria, Baden-Württemberg, North Rhine-Westphalia and Hamburg. With its extensive know-how, BayernLB helps medium-sized companies export to new markets – every step of the way. BayernLB is also extremely well positioned in the subsidised loan business.

As a long-term partner, BayernLB offers products that go far beyond traditional credit financing, tailoring them to the needs of its customers in the areas of export and trade finance, documentary business, interest and currency management, derivatives, payment services and leasing.

Savings banks

For BayernLB, the savings banks are both important customers and sales partners and thus form one of the key pillars of its business model. With the Bavarian savings banks, the Bank brings together a collaborative working relationship within the framework of a preferred partnership.

The BayernLB Group acts as a central service provider for the savings banks, performing tasks, which would otherwise be too costly for each of them to do alone. It supplies them with tailored products and services for both their own business and their end customers. These include payment services, assistance in securities, investment and cross-border transactions, syndicated and subsidised loans, as well as foreign notes and precious metal activities. For savings banks outside Bavaria, BayernLB offers a range of products in selected product segments. In addition, the funding from the savings bank is an important source of refinancing of the Bank and for strengthening the liquidity reserve fund.

Real estate

The real estate business includes long-term commercial real estate financing and services. It has a regional focus on Germany and also selectively serves German customers abroad. Rounding out these target customers are international companies with a connection to Germany. In the commercial real estate area, products include financing for real estate assets and portfolios, project developments and housing developers. In the area of managed real estate, the Bank provides financing concepts primarily for hotels, logistics centres, hospitals, clinics and care homes. The Real Estate division also arranges syndicated loans with the savings banks and other partners.

Cooperation with the subsidiaries Real I.S., LBImmoWert, BayernImmo and BayernFM is also being stepped up, so customers can be served even more comprehensively under one roof.

Public sector

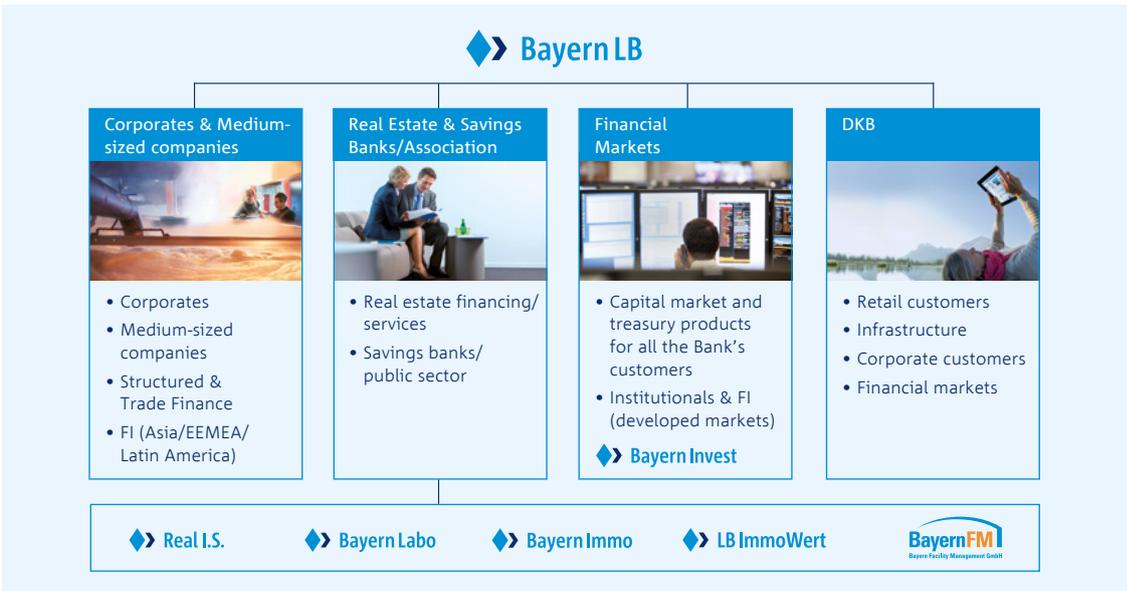
The spectrum of services for state and municipal customers and entities with a legal basis in public-law, includes a wide range of customised financing and investment solutions. The BayernLB Group stands out in this segment thanks to its long-standing experience and its expertise in public-private partnership projects and the renewable energy sector. Liquidity management is another significant service for these customers.

Retail customers

Through its subsidiary DKB, BayernLB serves more than 3.3 million retail customers online, allowing them to conveniently and securely carry out their daily banking transactions, based on the latest technology. At the beginning of the 2000s, it was one of the first banks in Germany to move into standardised business and online banking. Entrepreneurial and sustainable action is important across all divisions of the DKB. For example, it utilises over 80 percent of its total assets as loans, e.g. for the construction of age and family-friendly homes, energy-efficient real estate, health facilities, for construction projects in schools and children’s day care centres, investment in domestic agriculture and for renewable energy projects in the areas of wind, solar, biomass and water.

BayernLB also offers the Bavarian savings banks a comprehensive range of products and services for retail customers.

Our future-oriented business model



Purchased services

Even if the purchasing volume of banks is rather low compared with manufacturing companies, procurement does offer a number of starting points to firmly incorporate sustainability criteria into processes and ensure suppliers meet the corresponding requirements.

BayernLB purchases a range of items, including IT hardware and software, office equipment and materials and consulting and audit services. It calls on its suppliers to comply with environmental, ethical and social standards, including the core labour standards, laid out in the fundamental conventions of the International Labour Organization (ILO). Relevant documents here are BayernLB’s Code of Conduct, the procurement manual and the sustainability agreement for suppliers and

external service providers. BayernLB also expects suppliers and external service providers to provide fair employment conditions and allow employees the freedom of association and the right to collective bargaining, etc. The Bank does not work with business partners or organisations with objectives that are cult-like or hostile to the constitution.

Binding sustainability agreement

The sustainability agreement describes in detail the principles and requirements BayernLB expects of its suppliers and external service providers in terms of their responsibility towards people and the environment. It commits the suppliers and external service providers to meet the requirements themselves and demand the same from their respective suppliers and external service providers. Compliance with the sustainability agreement for outsourcings has been mandatory since 2010.

Compliance with the agreement by suppliers is checked on a random basis annually by BayernLB by means of supplier audits. This is done on the basis of meaningful documentation made available by business partners and searches in external databases, in particular the specialised external RepRisk database. Supplier discussions also take place, and, if necessary, companies are also visited.

The sustainability agreement provides a right to an extraordinary termination of all contractual relationships with a supplier or service provider, if the latter breaches the agreed standards. The company concerned will first get a warning and be given a reasonable period of time to remedy the shortcomings.

Procurement manual: supplier sustainability check

In the procurement manual, the central basis for structuring procurement processes is obtaining a binding sustainability agreement with the suppliers. When purchasing tangible goods with the same value for money, preference must normally be given to products with recognised environmental labels, such as the Blue Angel. Such corresponding products are not recorded separately when purchasing, so their share of the purchasing volume cannot be shown – an exception is paper purchases. The Bank also does not currently collect data on the proportion of local suppliers in the total purchasing volume.

All suppliers and service providers with which BayernLB does not yet have a business relationship, must be checked by Sustainability Management. This is carried out through the RepRisk database and other sources.

Corporate governance

As a institution established under public law, BayernLB has a management and supervisory structure, which is split into two with separate members of staff, in accordance with the Bayerische Landesbank Law.

Board of Management

The Board of Management conducts the business of the Bank. It is responsible for providing BayernLB with a proper business organisation, which, in addition to having suitable internal monitoring processes, is capable in particular of ensuring major risks are appropriately managed and monitored.

The Board currently consists of six persons, whose curricula vitae are published on the company website. Women are currently not represented on the Board. The remuneration paid to the members of the Board of Management is shown transparently in the annual report. BayernLB's Sustainability Management falls organisationally within the Chairman of the Board of Management's area of responsibility.

Supervisory Board

As stipulated by the Bayerische Landesbank Law, the Supervisory Board consists of 11 members. It is composed of 10 shareholder representatives, with at least half being external members, at least three being from the Free State of Bavaria (state representatives) and one representing BayernLB's Staff Council. One Supervisory Board mandate is currently held by a woman. Information on the remuneration of the members of the Supervisory Board can be found in the annual report.

The Supervisory Board resolves upon the appointment of the Members of the Board of Management, the adoption of the annual accounts and the approval of the consolidated accounts. In addition, it supervises and advises the Board of Management. The Supervisory Board resolves upon the formation of committees; the annual report provides an overview of the committees, which currently exist. There is not yet a committee explicitly concerned with questions of sustainability. However, the Supervisory Board deals with numerous issues in which environmental and social aspects play a role.

General Meeting

An additional body is the General Meeting: a meeting of the shareholders, who resolves on fundamental issues. These include, after previous preliminary deliberation by the Supervisory Board, in particular amendments to the Bank's statutes, the allocation of distributable profit, the discharge from liability of the Supervisory Board and, as proposed by the Supervisory Board, the appointment of certified accountants as auditors of the financial statements and the discharge from liability of the Board of Management.

Corporate Governance Principles

The Corporate Governance Principles summarise the corporate management and control regulations that are either legal requirements in themselves or on itself requirements BayernLB has chosen to impose. These have been summarised in the Corporate Governance Principles of the Bank since 2003 and are largely based on the provisions of the German Corporate Governance Code, in so far as these can be sensibly applied to BayernLB as an unlisted public-sector company with only two indirect shareholders. BayernLB's corporate governance principles go beyond the requirements of the German Corporate Governance Code in a number of areas.

Sustainability management

Strategy

Challenges and objectives

After the very successful implementation of the Millennium Development Goals (MDGs) formulated in 2000, which were also well-received by critics, the United Nations agreed in mid-2015 on new common goals for worldwide sustainable development – the Sustainable Development Goals (SDGs). They will form the global political reference framework for sustainable development until 2030. The list of objectives includes 17 goals and 169 targets, from the fight against poverty and the Gender equality right through to the establishment of peace and justice.

BayernLB also aligns itself on this reference framework: It used the SDGs as a basis for defining its main action areas and the objectives of its sustainability management.



UN Sustainable Development Goals | © United Nations

In addition to the SDGs, other advances on a very wide variety of levels are important for sustainability management. So, for example, the decisions of the G7 countries at their meeting in summer 2015 in Elmau and the agreement reached at the Paris UN Climate Change Conference in December 2015 have mapped out a development path towards a decarbonised economy, which will be relevant both for financing and investment in the medium and long term. However, the requirements of the Energy Services Act (EDL-G), whose implementation was mandatory for the first time in December 2015, already define specific requirements for environmental management at BayernLB.

The observation of sustainability-relevant developments at political, legal, social, but also at technological levels and the analysis of the potential effects on the Bank's business are among the core tasks of sustainability management. The goal is to identify at an early stage the opportunities and risks for the Bank and its customers from these developments, and to work together with the

relevant areas within the Bank and external stakeholders to develop and implement appropriate strategies and measures. One such example is the development of new products and services – such as the increased commitment to green bonds – or the formulation of new policies for earmarked financing. For example, BayernLB agreed in the run-up to the Paris World Climate Conference to no longer finance the new construction of power plants running on lignite.

Principles and guidelines

The voluntary renunciation of potential business transactions and the related financial income, in particular during a period in which the financial situation of banks is under pressure in view of the persistently low interest rates, can be controversial. It is therefore of great importance for internal relationships and external stakeholders that BayernLB defines its basic belief in environmental and sustainability issues in the form of principles and guidelines.

The Code of Conduct, the corporate image formulated in 2015, the sustainability policy and the environmental guidelines make up the normative foundation of BayernLB's Sustainability Management and characterise the basic beliefs of the Bank, in terms of its responsibility to sustainable development. The sustainability policy was already adopted by the Board of Management in 2007 and is due to be updated in 2016 in light of the new challenges described.

On a second level, BayernLB has laid down principles and guidelines, which define the concrete guidelines for the structure and limits of the business activities. These include, in particular, theme and sector-specific guidelines for earmarked financing, which are documented in the section "Sustainable financial solutions".

The implementation of the sustainability-related principles and guidelines, as well as the inclusion of Sustainability Management, are definitively regulated in binding operating instructions.

Organisation

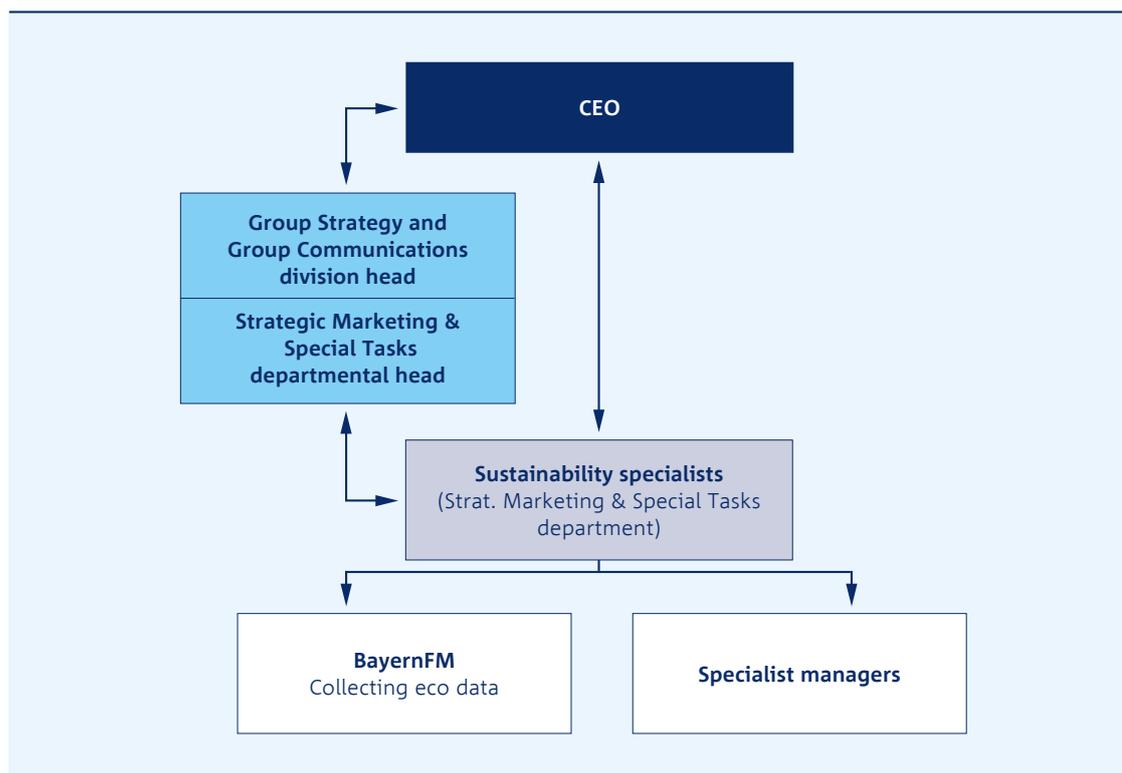
Anchoring of sustainability management

The term sustainability management has a double meaning at BayernLB: It describes the Group-wide management system for dealing with the social, political, environmental and economic challenges of sustainable development, while the team of sustainability specialists is responsible for the design, implementation and further development of the corresponding measures.

Organisational anchoring

Sustainability management is anchored in the Group Strategy & Group Communications Division and is thus located directly in the area of responsibility of the Chairman of the Board of Management of BayernLB. This organisational anchoring underlines the importance that the Bank attaches to the topic.

The sustainability specialists are supported by experts from various areas of BayernLB and by BayernFM (Facility Management). For example, BayernFM is responsible for the collection of environmental data relevant for the management of buildings used. BayernLB's Sustainability Management regularly discuss goals and measures with the sustainability managers of the Group's subsidiaries.



Process anchoring

At least as important as the organisational anchoring of Sustainability Management, is its integration in internal bank processes. This is covered in the various guidelines and operating instructions. In the reporting period, two rules are especially important:

- The new Group Reputational Risk Guideline, adopted by the Board of Management and applicable to the Group, specifies that Sustainability Management must be factored into all transactions where reputational risks could arise in the context of social and environmental aspects. Transactions include all types of business activities along the value chain of the Group.
- In addition to reputational risks, a lack of consideration of social and environmental aspects could also give rise to financial and other risks, for example, construction delays in infrastructure projects resulting from inadequate environmental and labour standards. When assessing these risks, the expertise of Sustainability Management must be sought. The corresponding process is regulated in an operating instruction.

To ensure that social and environmental aspects are considered at an early stage, Sustainability Management is included in decision-making processes in a structured manner and in accordance with the precautionary approach.

Sustainability management enters all relevant queries in a database and performs regular evaluations, e.g. on the nature of the business activity and the sectors, topics and regions concerned. These evaluations are an important basis for ensuring the effectiveness of the existing environmental, social and governance-related standards (ESG) to check and identify issues and sectors in which appropriate rules might be necessary.

Sustainability Management tasks

The management of sustainability issues is a cross-sectional task involving many parts of the company. Sustainability management therefore has a large number of interfaces with other areas and supports them in the processing of relevant questions, for example, on the subject of procurement, the market and staff. At the same time, there is a series of tasks that are directly located within Sustainability Management. Its area of responsibility includes in particular:

- Planning and implementation of the goals, strategies and measures within the framework of environmental and sustainability management;
- Internal consultation when developing new business potential, for example, in the development of services in the field of green bonds;
- Examination of the social and environmental risks including reputational risks from business activities along the value chain;
- Observation and analysis of political and societal developments in social and environmental issues in relation to the possible impact on the activities of the Bank;
- Refinement and on-demand supplementation of the system of guidelines for taking on and structuring business activities, in particular financing;
- Processing the requests of sustainability rating agencies and sustainable investors;
- Engaging with various stakeholder groups, such as environmental associations, and representing BayernLB in sustainability-related initiatives and associations;
- Communication of objectives and measures, inter alia within the framework of the Sustainability Report, the Environmental Statement and BayernLB's company website.

Key action areas

[G4-18]

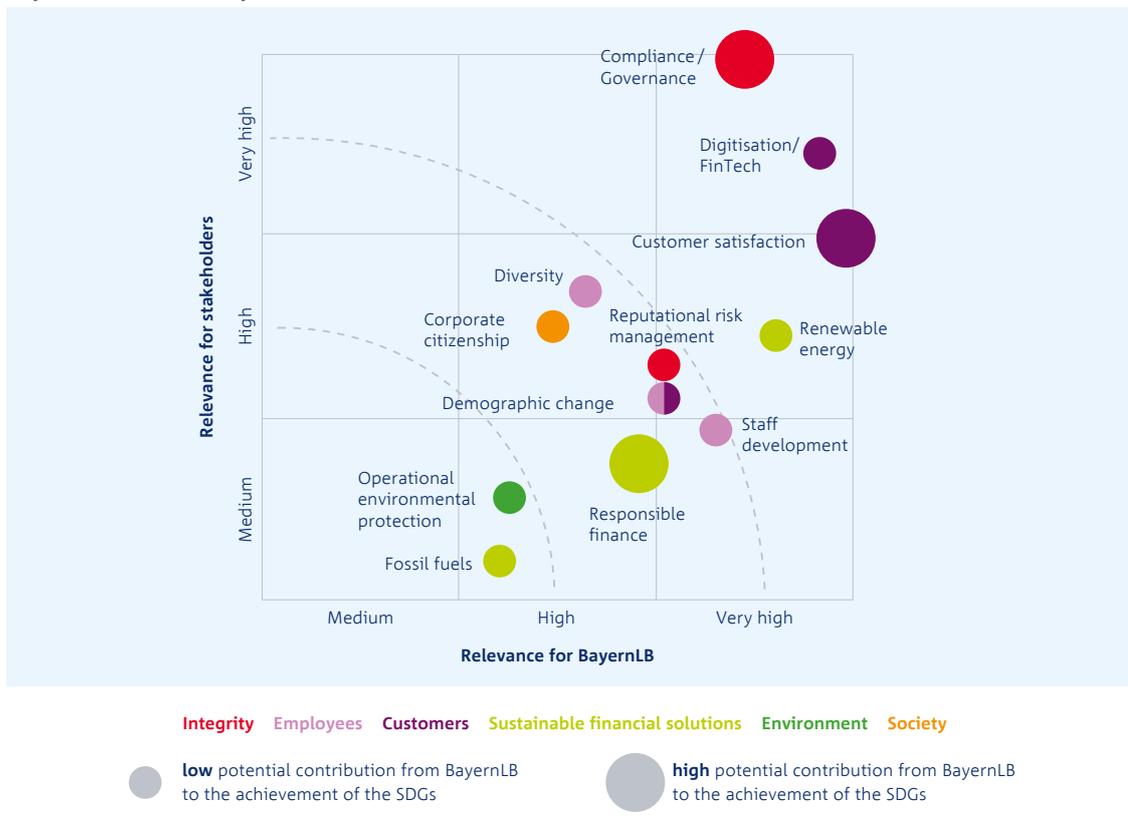
In determining the contents of the report, BayernLB orientates itself on the G4 guidelines of the Global Reporting Initiative (GRI). In a materiality analysis, it identified the sustainability issues that were important and assigned relevant GRI aspects to them.

[G4-18] As indicated, the starting point for establishing the key topics was the UN Sustainable Development Goals (SDGs). Out of a total of 17 development goals, BayernLB identified 10, which within the framework of its business activities, it could make a particular contribution to achieving. From these ten objectives, it then derived 12 corporate-specific action areas for itself. During this process, it took into account the requirements of ESG ratings and the reporting framework as well as industry-specific sustainability challenges.

BayernLB prioritised its defined action areas in a materiality matrix based on three criteria: In order to estimate the expectations that the stakeholders have on the Bank, the intensity of the public debate on sustainability issues in the banking sector was determined in a media analysis. Finally, around 30 representatives from the various specialist divisions and subsidiaries analysed in a workshop what value contribution the action area could contribute to BayernLB’s business success. In the same workshop, they also worked out for all action areas, how much the Bank could contribute to achieving the corresponding SDGs.

The resulting materiality matrix forms both the basis for the Bank’s reporting and the foundation on which the Bank defines the goals for its sustainability programme for the next few years.

Key action areas for BayernLB



The twelve identified action areas are presented in section four of this report, where they are assigned to six higher level sustainability issues. In addition to the issues arising from the materiality analysis, the Sustainability Report also tackles issues, which are of special interest to certain stakeholders, especially sustainability-rating agencies.

Material aspects within and outside the organisation

[G4-19, G4-20, G4-21]

SDG	Action area	Assigned GRI aspects	Significant impact	
			within the organisation	outside the organisation
16	Compliance/Governance	<ul style="list-style-type: none"> Grievance Mechanisms for Impacts on Society Compliance Anti-corruption Public Policy Anti-competitive Behaviour 	All BayernLB companies consolidated in the Sustainability Report	<ul style="list-style-type: none"> Owners Supervisory bodies Media/press Ratings agencies
16	Reputational risk management	<ul style="list-style-type: none"> Audit 	All BayernLB companies consolidated in the Sustainability report	
8	Demographic change	Employee-related: <ul style="list-style-type: none"> Employment Occupational Health and Safety Customer-related: <ul style="list-style-type: none"> Product Portfolio 	All BayernLB companies consolidated in the Sustainability report	Customers
5	Diversity	<ul style="list-style-type: none"> Employment Non-discrimination Equal remuneration for Men & Women Diversity & Equal Opportunities 	All BayernLB companies consolidated in the Sustainability report	
4	Staff development	<ul style="list-style-type: none"> Training and education 	All BayernLB companies consolidated in the Sustainability report	
15	Operational environmental protection	<ul style="list-style-type: none"> Effluents/waste Compliance Emissions Energy Overall Materials Water 	All BayernLB companies consolidated in the Sustainability report	<ul style="list-style-type: none"> Public Ratings agencies

[G4-19, G4-20, G4-21]

SDG	Action area	Assigned GRI aspects	Significant impact	
			within the organisation	outside the organisation
12	Responsible finance	<ul style="list-style-type: none"> • Active ownership • Grievance mechanisms with regard to labor practices, Human Rights and Environmental Aspects • Investment • Product Portfolio 	All BayernLB companies consolidated in the Sustainability report	<ul style="list-style-type: none"> • Business partners • Investors • Customers • NGOs • Public • Ratings agencies
13	Fossil fuels	<ul style="list-style-type: none"> • Products & Services • Product Portfolio 	All BayernLB companies consolidated in the Sustainability report	<ul style="list-style-type: none"> • Business partners • Investors • Customers • NGOs • Public • Ratings agencies
7	Renewable energy	<ul style="list-style-type: none"> • Product Portfolio 	All BayernLB companies consolidated in the Sustainability report	<ul style="list-style-type: none"> • Business partners • Investors • Customers • NGOs • Public • Ratings agencies
9	Digitisation/FinTech	<ul style="list-style-type: none"> • Product Portfolio 	All BayernLB companies consolidated in the Sustainability report	<ul style="list-style-type: none"> • Customers
12	Customer Satisfaction	<ul style="list-style-type: none"> • Product and Service Labeling • Marketing Communications 	All BayernLB companies consolidated in the Sustainability report	<ul style="list-style-type: none"> • Customers
10	Corporate citizenship		All BayernLB companies consolidated in the Sustainability report	<ul style="list-style-type: none"> • Public

In addition, the aspects of “economic performance” and “procurement” are also reported on.

Stakeholders dialogue

Stakeholder approach

[G4-24, G4-25, G4-26]

As an active part of society, BayernLB is engaged in regular exchanges with numerous social groups with different, partly conflicting expectations and demands on the company. BayernLB’s Group Reputational Risk Guideline defines as a stakeholder group or a stakeholder, a group (or person) with a legitimate interest in the business practices of BayernLB, who – depending on how they react to events in the BayernLB Group – may have an influence on its reputation. Stakeholder groups are divided into two categories: material and relevant other:

BayernLB stakeholders



* material stakeholder groups
 ** other relevant stakeholder groups

A number of areas are responsible for engaging with the different stakeholders. For example, the Human Resources Division is the point of contact for employees, the business areas are responsible for contact with the customer, Investor Relations for the cooperation with the investors and ratings agencies, and the Press Department for media contacts.

[G4-26, G4-27] Sustainability Management supports the areas where there are sustainability-relevant issues, and also engages directly with selected stakeholders, in particular with non-governmental organisations (NGOs), environmental associations and sustainability-rating agencies.

A focal point in the communication with the NGOs in 2015 in the run-up to the Paris World Climate Conference was BayernLB's commitment in the area of fossil fuels. BayernLB has for some years had strict guidelines on funding earmarked for coal, oil and gas. In the course of the discussion with the NGOs, the existing rules on project-related funding with respect to lignite were supplemented at the end of 2015 (see "Sustainable financial solutions" section).

Dialogue with sustainability-rating agencies

Dialogue with the sustainability-rating agencies has significantly intensified over the past few years. These rate, on behalf of investors, the quality of sustainability management of companies based on a comprehensive list of criteria. The sustainability ratings are inter alia taken account of by institutional investors, such as insurance companies and foundations as well as asset managers, when investing or structuring investment products.

Sustainability ratings are relevant for BayernLB in two ways: The proportion of investors paying attention to the sustainability performance of issuers when making investments is growing. Globally their share is already more than 30 percent, according to the calculations of the Global Sustainable Investment Alliance (GSIA). As BayernLB, BayernLabo and DKB are all active on the capital market, success of a placement also depends on the extent to which the requirements of sustainable investors are met.

And secondly, relevant political, social, legal and technological developments are reflected in the criteria of the agencies. So, for example, the evaluations of environmental associations on individual technologies – e.g. on fracking or mountain top removal – are fed into the criteria architecture, as are the requirements of human rights organisations with respect to the consideration of social standards in the supply chains. In some areas the evaluation framework is formed from recognised social and environmental standards such as the core labour standards, laid out in the fundamental conventions of the International Labour Organization (ILO) or the principles of the UN Global Compact.

BayernLB therefore analyses very carefully the list of criteria of the sustainability-rating agencies, taking them as a "trend radar". A focus is on the changes in the weighting of existing criteria and the introduction of new criteria. BayernLB also uses the sustainability ratings as a basis for the regular strengths-weaknesses analysis of its Sustainability Management: some agencies provide the rated companies with their comprehensive rating results and reports free of charge in return for their input. The Bank uses this transparency in order to identify potential for improvement.

Overall, sustainability management in the BayernLB Group has in recent years been certified as very high quality by various agencies in a peer comparison. Of particular interest, is that the BayernLB Group and, in separate ratings, BayernLabo and DKB have been awarded the renowned oekom prime status by the agency oekom research. It is given to banks which work particularly hard to achieving sustainable development. DKB was separately rated in 2015 by oekom research for the first time.

Rating of BayernLB by selected sustainability-rating agencies

	Oekom	imug (German partner of VigeoEiris)			Sustainalytics
Last rated in	10/2015	01/2016			07/2013
Rating	C	8.00%			65 points
Ranking/ investment status	"Prime"	Unsecured bonds: "neutral" (C)	Public Pfandbriefs "positive" (BBB)	Mortgage Pfandbriefs "positive" (B)	18 out of 73
Sector average	D	6.91%			57 points
Rating range	A+ to D-	-100% to 100%			0 to 100 points
Benchmark	84 "Public & regional banks"	23 inter/national issuers from the savings bank sector			73 "retail banks"

Politics & lobbying

As a public-sector bank, BayernLB is almost 75 percent-owned by the Free State of Bavaria and its tasks are defined in the Bayerische Landesbank law. Under section 20 of the law, BayernLabo has a public mandate *"to financially promote the plans of natural persons and legal entities under private or public law as well as other measures to improve and strengthen Bavaria's housing and settlement structure within the context of its housing policy and in line with the aid provisions of the European Union."*

Party donations

BayernLB bars donations to political parties. On this matter the Code of Conduct states that: *"We do not make donations to individuals, for missionary purposes, or to political parties, electoral groups or bodies which are cult-like or hostile to the constitution."*

Lobbying

The Bank has not posted any employees to state or federal ministries, has no representatives in Berlin or Brussels and did not make any payments to external lobbying service providers in the reporting period.

Memberships

Due to its corporate form and its business model, BayernLB is active in various associations and federations. In addition to banking and economic organisations such as the German Savings Bank Association (DSGV), the European Association of Public Banks (EAPB), the Association of German Public Banks (VÖB) and the Association of German Pfandbrief Banks (vdp), it is also a member of associations and federations, which focus on sustainability issues.

The extent of the commitment ranges here from supporting local initiatives through regional agreements, such as the “environmental pact of Bavaria”, to supporting global initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI) and the CDP (formerly Carbon Disclosure Project). BayernLB uses its memberships in particular to exchange experience with other members and to develop joint strategies and approaches in light of the sustainability challenges.

Specifically, BayernLB is active here in the following federations and associations (in alphabetical order). More information on the objectives and projects of the individual organisations can be found – if available – on the respective websites.

- Arbeitskreis Energie-Einkauf und Energie-Effizienz (energy procurement and energy efficiency working group)
- German Sustainable Building Council (DGNB) (www.dgnb.de)
- CDP (www.cdp.net)
- Principles for Responsible Investment (PRI) (www.unpri.org)
- Wirtschaft weiß-blau (business white-blue) (www.wirtschaft-weiss-blau.de)
- Umweltcluster Bayern (environmental technology cluster Bavaria) (www.umweltcluster.net/de/)
- Umweltpakt Bayern (environmental pact of Bavaria) (www.umweltpakt.bayern.de)
- UNEP FI (www.unepfi.org)

Sustainability themes

Integrity

The following action areas from the materiality analysis are particularly relevant with respect to integrity:

Compliance/governance

Maintaining full compliance with the relevant legal and regulatory requirements as well as continuously upgrade systems and processes to ensure corporate management is rated “good/respectable”.

Reputational risk management

Actively dealing with reputational risks through the definition and continuous further development of guidelines and processes

Challenges

The regulatory environment banks operate in has significantly changed in the past few years, not least as a consequence of the financial crisis. The EU banking regulation and banking directive, Basel III and the Minimum Requirement for Eligible Liabilities (MREL) are just a few examples. At the same time, the sector has in recent years been confronted with allegations of and proceedings for illegal and illegitimate transactions. Whereas illegal activity involves violations of existing laws and regulations, illegitimate activity involves cases that are not prohibited by law, but perceived by the general public to be controversial. Both types of transactions could potentially damage the reputation of banks and destroy confidence in them. But confidence is the basis for the partnership with the various stakeholders.

Against this background, the observance of rules, regulations and standards as well as the fulfilment of expectations of stakeholder groups has gained in importance. BayernLB already responded to this issue many years ago, both on an organisational and procedural level, and set up Group Compliance as a separate area. It is responsible for compliance with statutory and regulatory requirements, protecting BayernLB against unlawful acts and, since February 2016, also is key for the management of reputational risks within the BayernLB Group. In the case of the latter, an important contribution is made from the opinions of Sustainability Management on ecological and social risks.

The focus here of the measures taken to ensure compliance with regulatory requirements and expectations of society are the individual staff members themselves. All employees have a duty to ensure they are aware of the relevant legal obligations, instructions, guidelines and framework relating to their area of activities and responsibility and to comply with them. They are fully supported by the Group Compliance as well as other areas such as the Legal Services Division and Sustainability Management.

Principles and guidelines

To ensure ethical corporate management is maintained in this respect, a series of interlocking principles and guidelines are in place, ranging from basic statements about values and goals right through to specific operating instructions.

Corporate mission and corporate image

BayernLB has summarised its core statements on tasks, values and responsibility in its corporate principles, which it has published on its company website. Since 2015, the mission has been supplemented by BayernLB's corporate image.

Code of Conduct

As a risk prevention, management and communication tool, *“the Code of Conduct is intended to serve as a standard guideline in our daily activities. All employees have to apply propriety and judgement to maintain a corporate culture that discharges our social responsibility and allows us to move ahead in a sustainable manner.”* The Code of Conduct stands for compliance with all statutory regulations and guidelines as well as for the voluntary commitments and values of the Bank; it provides guidelines and gives information about acting in a legal, ethical and responsible manner.

The policy applies to all business areas and central areas of BayernLB, to all employees and members of the Board of Management and Supervisory Board and rolled out correspondingly to all Group companies. All of these are obliged to comply with the Code of Conduct and check and align their actions on the basis of the principles. Breaches of the Code of Conduct will, depending on their severity, be prosecuted under employment law or reported to the authorities.

The Code of Conduct contains regulations on various areas, including data protection and confidentiality, competition law and intellectual property protection, insider knowledge, sustainability and ethics, responsibility for employees, and the fight against money laundering, financing of terrorism and financial crime.

All new employees are sent the Code of Conduct together with the employment contract. The Code of Conduct is available to the public on the company website – also in English. The management, implementation and monitoring of the implementation of BayernLB's Code of Conduct is carried out by Group Compliance.

Other guidelines and external voluntary commitments

The requirements in the Code of Conduct must be viewed as minimum standards, which are supplemented and specified by a wide range of guidelines and by voluntary commitments, some external. For example, the following topics are governed by internal guidelines or external voluntary commitments, some of which are looked at in another part of this report:

- Responsible corporate management: Corporate Governance Principles, Management Principles, Group Reputational Risk Guideline
- Sustainability: Sustainability policy, environmental pact of Bavaria, UNEP FI declaration
- Equal opportunities for employees: Diversity charter
- Product responsibility: World Bank environmental and social standards, sector-specific guidelines
- Sustainability in purchasing: Sustainability agreement with service providers and suppliers
- Whistleblowing

At working level, the above guidelines are spelt out in greater detail by operating instructions.

Organisation

The key tasks for Group Compliance are to avoid, investigate and punish breaches of regulations. It gives advice on compliance in a broader sense in order to safeguard BayernLB's reliable market image, which is shaped by compliance with statutory and regulatory requirements, and to protect the whole Bank and corporate group against illegal actions. Another objective of the division is to support and implement legal, corporate, social and ethical guidelines and values within BayernLB.

The area is directly subordinate to the Board of Management and regularly reports to the Board of Management and the Audit Committee of the Supervisory Board on the compliance report dealing with the relevant topics. Group companies and foreign locations have their own compliance units.

Group Compliance is also responsible for reputational risk management for the further implementation of the Group Reputational Risk Guideline, which was introduced at beginning of 2016. It is supported here by its own reputational risk management located in the individual divisions and subsidiaries. For reputational risks in connection with social and environmental issues, an opinion from Sustainability Management must be regularly obtained in addition to the reputational risk process.

The objective of all measures in compliance and reputational risk management is to comply with statutory and regulatory requirements and to make a significant contribution to protecting the Bank's reputation.

The importance of the issue of compliance, the related risks and the resulting measures are continuously reported on within the framework of training courses and the regular internal communication.

Key action areas and key figures

BayernLB's Code of Conduct provides an overview of the variety of topics which are relevant to the integrity of BayernLB. Besides data protection and discrimination, which are focused on in the "Customers" and "Employees" sections, it addresses the following issues in particular.

Combating money laundering, financial crime and the financing of terrorism

Combating the financing of acts of terror is a key ingredient in the fight against international terrorism. The contribution that BayernLB can and wants to make to doing this, as well as to combating money laundering and financial crime, is laid out in the Code of Conduct among other places. It states, for example: *“We check the identity, intent and credit standing of our clients and business partners. We conduct regular due diligence to ensure we are not being abused for unlawful business purposes such as the financing of terrorism, money laundering or other criminal acts”.*

BayernLB is bound by various German and international regulations and implements new measures promptly and in full. Money laundering and financial crime is combated in line with Group-wide rules. The risk analyses prepared at least once a year for the Bank and the Group analyse the risk in each business area and all relevant subsidiaries and form the basis for the measures required. The most important objective is to protect customers, employees and the Group against losses caused by financial crime activities. The first prerequisite for this is gaining an overall picture of the customer, his business and (economic) environment, in the sense of “Know your customer (KYC)”

A new customer approval process and constant monitoring of existing customer relationships and transactions ensure that UN, EU and German rules on monitoring of embargoes and sanctions are fully complied with. The processes for checking these are automated to the greatest extent possible. Bank units use information from both internal IT systems and external sources to conduct checks and also work with negative lists for particularly critical countries, primarily based on experience.

All staff members are regularly informed about current issues through face-to-face and online training and via the intranet. All employees of the bank must take part in appropriate training. Not only applicants prior to their entry into the bank, but also the staff of the Bank are regularly checked for reliability with regards to money laundering prevention. The staff council fully upholds the measures required.

When purchasing goods and services, BayernLB precludes establishing business relationships with companies that have become conspicuous, for example, as a result of fraudulent acts or for supporting war criminals.

Conflicts of interest and the fight against corruption

The prohibition on accepting or granting benefits at BayernLB applies to both direct financial gifts and other benefits which call into question the official independence of the employee. Any gifts, invitations or benefits which could limit the personal independence of the recipient or raise doubts among the public about the integrity of BayernLB or the recipient are not permitted. Further details can be found in the instruction “Regulations on accepting and granting gifts and invitations”.

As a further tool for managing conflicts of interest, the binding “Guidelines for staff transactions” are issued to all employees. Accordingly, employees may not buy or sell financial instruments they deal with professionally and furthermore staff transactions must not conflict with the interests of customers or with BayernLB’s own interests. Breaches of these guidelines may involve steps being taken under employment law. Any profits not produced in accordance with the guidelines must be donated to charitable or non-profit organisations.

The Group does not conduct business with persons who are convicted of corruption, or companies headed by such persons. Corruption risks are monitored by the relevant Compliance units. They have taken extensive precautions to prevent corruption and regularly carry out appropriate risk analyses. The corresponding system covers all domestic and foreign business locations and thus all employees. The existing guidelines and procedures for combating corruption are regularly the subject of internal training for employees. No confirmed cases of corruption are known to have occurred in the reporting period.

Competition law

BayernLB is committed to fair competition and provides no advantages to customers, suppliers and competitors in an unfair manner. In doing so, BayernLB complies with competition law. In the reporting period there were no proceedings conducted on the basis of illegal competitive behaviour, or the creation of cartels or monopolies.

As a result of the international financial crisis, BayernLB received extensive financial support from the Free State of Bavaria in 2008 and 2009 to stabilise the Bank. In accordance with European competition law, these measures qualified as state aid and required approval by the European Commission. On 18 December 2008, the European Commission initiated EU state aid proceedings in relation to the financial support provided by the Free State of Bavaria to the Bank in 2008 and 2009; it approved the aid subject to conditions. BayernLB continually reports on the implementation status of the conditions, both to the European Commission and in its financial publications.

Taxes

Compliance with tax issues is part of the Bank’s services in many of its business activities, in its own interest and the interests of its customers, and is anchored in the internal guidelines by means of the applicable laws and regulations. The Code of Conduct states the following: *“We obey financial sanctions imposed by international and national agencies and organisations and the provisions of foreign trade law and tax law. We also seek to ensure that we avoid unlawful transactions of tax evasion and tax levies.”* This is specified in the Group Reputational Risk Guideline: *“The Group is not involved in transactions that serve to evade the payment of taxes in its own or a foreign country. The employees of the BayernLB Group act such that their assistance or advice does not result in unlawful transactions, the avoidance of taxes and levies or the concealment of tax-relevant information.”*

Managing complaints

Critical questions and complaints from internal and external stakeholders are an important basis for improving the structures and processes of the Bank. As a rule, responsibility for handling complaints at BayernLB is organised locally.

In the sales area it must be noted that BayernLB deals almost exclusively with business customers. For them, their relationship manager is the first point of contact for any complaints, and solutions are reached here through direct discussion. Because of the diversity of business activities in the various areas of the sales units, there is no cross-division recording of complaints received.

In the capital market area, the Securities Trading Act (WpHG) requires banks to have effective and transparent procedures to promptly and appropriately resolve complaints from retail customers. This requirement is met in full by the Bank.

To settle disputes with the Bank, consumers have the option of contacting the Public Banks Ombudsman. If the complaint concerns a dispute that falls under the payment services law (sections 675c and 676c of the Civil Code), customers who are not consumers can also call on the services of the Public Banks Ombudsman. More details can be found in the "Rules of procedure for the arbitration of customer complaints falling within the purview of the Association of German Public Banks (VÖB)".

With regard to project financing under World Bank standards and the Equator Principles, there are defined complaints mechanisms for social and environmental issues. BayernLB has not so far conducted a thematic evaluation. Sustainability Management is the contact for enquiries from environmental organisations and other NGOs which are often connected with such project financing and the regulations applicable to it. Enquiries are answered promptly by Sustainability Management, if necessary in coordination with other affected areas. There are currently an insufficient number of cases as a whole for a meaningful statistical evaluation of the environmental aspects and impact on society.

For employees, the Human Resources Division is the central contact point. A complaints and arbitration body was set up for complaints in connection with the General Equal Treatment Law (AGG). The body did not receive any complaints during the period under review.

Employees

The following action areas from the materiality analysis are particularly relevant with respect to employees:

Demographic change

Taking account of the effects of demographic change on employees, e.g. in relation to the staff recruitment

Diversity

Using the opportunities resulting from a mix of people with different personal, cultural and social backgrounds for the company and workforce

Staff development

Promoting personal and professional development of employees, also against the backdrop of the evolving requirements of the banking business

Challenges

High demands are being placed on the qualifications, continuous further development and commitment of employees not only as a result of increasing regulatory and social requirements, but also due to a market environment characterised by low interest rates and a marked intensification in competition, the increasing digitalisation of business processes and other dynamic changes to the banking business. Given these circumstances and also in view of demographic change, it is a key task of human resources (HR) policy to attract and retain qualified employees. At the same time, it is important to encourage the professional and personal development of employees so they are qualified to meet the changing requirements of the banking business.

However, BayernLB is facing the challenge of implementing the cost-cutting programme (KSP) in connection with the EU's restructuring plan for the Bank, which envisages a significant reduction in administrative costs by the year 2017. In connection with this, the workforce will be reduced by approximately 440 employees by the end of 2016. Given the significant downsizing of the Bank in terms of its total assets and risk positions and the associated loss of sources of earnings, an appropriate adjustment in the cost base is required. The KSP is an important part of the overall planning of BayernLB for meeting its financial goals and the reimbursement schedule to the Free State of Bavaria.

Principles and guidelines

The foundations of HR policy and employee management are defined in various principles and guidelines. They include the Code of Conduct, which includes two chapters on the topics of "Individual rights and protection from discrimination" and "Responsibility for employees". Key aspects of employee management are laid down in BayernLB's "Management principles". Both documents are published by the Bank on its company website.

In 2015 the Bank refined its corporate image and communicated it to all employees. A key component of this corporate image is the six corporate values: professionalism, dedication, team spirit, reliability, responsibility and motivation. In total, in the course of the year about 150 workshops were held in order to anchor the corporate image at BayernLB.

Various relevant individual aspects are regulated in binding guidelines. For example, the principles governing interaction between women and men were defined in the “Directive regulating cooperative behaviour”, which was published in the middle of 2015 and communicated in the Bank via the intranet.

The framework conditions of HR policy ultimately also include legal rules, such as the General Act on Equal Treatment (German abbreviation: AGG) and external voluntary commitments such as the Germany-wide “diversity as an opportunity – the diversity charter for companies in Germany” initiative, which BayernLB has supported since 2010. By signing the charter the Bank acknowledges its commitment to an open corporate culture that recognises, respects, encourages and uses the diverse talents of its employees. One of the objectives of implementing it in the Bank is to create a working environment that is free from prejudice.

Organisation

Responsibility for human resources policy issues is held by BayernLB’s Human Resources Division. The HR strategy developed there supports the business areas and central areas meet their strategic and economic goals. As part of the annual strategy process, the Human Resources Division checks the extent to which the HR strategy is aligned to the Bank’s overarching business strategy, and, if necessary, it is updated.

A key tool of staff management and development is the staff appraisal. On the basis of the objectives agreement reached at the beginning of the year, all employees are given feedback each year in the staff appraisal on the degree to which targets were achieved as well as guidance to enable them to determine where they currently stand in terms of their personal development and to reconcile their career and personal development objectives. Individual development planning shows perspectives and development fields. The potential assessment ensures that the employees can make optimum use of their skills, while functioning as a basis for potential development and talent management to advance and foster career development in a targeted way from among the Bank’s own ranks.

In 2010 and 2013 employees gave feedback to their line manager on their management performance using the “Manager Feedback” tool. For 2016 it is planned to supplement the procedures with feedback of the manager’s manager, a self-assessment, peer feedback and an evaluation of the framework conditions.

Key action areas and figures

Development of employees' number and structure

Number of employees

As at 31 December 2015, a total of 7,082 staff were employed by the Group. In comparison with the previous year, the number of personnel in the BayernLB Group had thus increased by 240 employees (+ 3.5 percent), which is due to the consolidation of Bayern Card-Services GmbH on 1 January 2015. Otherwise there would have been a further reduction in the Group.

Headcount

	31 Dec 2015	31 Dec 2014	Change in %
BayernLB Group	7,082	6,842	+3.51

In relation to staffing the picture as at 31 December 2015 was as follows: the BayernLB Group had a total of 6,455.90 full-time equivalents (FTEs) at its disposal (2014: 6,262.42 FTEs). This corresponds to an increase of around 3.1 percent. In calculating FTEs, account is taken of the timescale the Bank employee are available for. For example, two half-time employees equal one full time equivalent.

Full-time equivalents at the BayernLB Group

	31 Dec 2015	31 Dec 2014	Change in %
BayernLB core Bank	2,704.44	2,803.93	-3.55
BayernLabo	199.84	213.50	-6.40
Banque LBLux S.A.	45.85	109.70	-58.20
BayernInvest KAG	169.53	168.01	+0.90
DKB	2,937.57	2,831.51	+3.75
Bayern Card-Services GmbH	252.62	0.00	0.00
Real I.S. AG	146.05	135.77	+7.57
BayernLB Group	6,455.90	6,262.42	+3.09
• of which full-time	80%	82%	-2.26
• of which part time	20%	18%	+10.19
• of which men	50%	51%	-1.26
• of which women	50%	49%	+1.30

At BayernLB Bank (BayernLB core Bank and BayernLabo), which is the main focus of this Sustainability Report, a total of 2,904.29 staff (FTE) or 3,186 employees (headcount) were employed as at 31 December 2015. Staffing levels at the BayernLB Bank have thus fallen by 3.74 percent or 112.94 FTE over one year.

Staffing levels (FTE) at BayernLB Bank

	31 Dec 2015	31 Dec 2014	Change in %
Germany	2,716.15	2,783.89	-2.43
• of which full-time employees	2,115.00	2,242.00	-5.66
• of which part-time employees	601.15	541.89	+10.94
• of which men	1,567.70	1,599.26	-1.97
• of which women	1,148.45	1,184.63	-3.05
• of which junior employees	91.00	98.00	-7.14
Abroad	188.14	233.34	-19.37
• of which full-time employees	185.00	232.00	-20.26
• of which part-time employees	3.14	1.34	+134.33
• of which men	109.50	141.25	-22.48
• of which women	78.64	92.09	-14.61
BayernLB Bank	2,904.29	3,017.23	-3.74
• of which full-time employees	2,300.00	2,474.00	-7.03
• of which part-time employees	604.29	543.23	+11.24
• of which men	1,677.20	1,740.51	-3.64
• of which women	1,227.09	1,276.72	-3.89

Age structure

Against the backdrop of demographic change, which is accompanied by a lack of qualified junior staff and an increase in the share of older workers, it is important to gain an overview of the age structure of employees at BayernLB.

The average age of permanent staff at the core bank in Germany and abroad was 44.32 years as at 31 December 2015 (2014: 43.99 years). The increase is the result of few new “younger” employees being taken on in light of the ongoing reductions in the workforce and very limited external recruitment.

As before, the largest share at 44.8 percent (2014: 47.1 percent) is from the 40-49-year age group. This was due to the fact that BayernLB experienced strong growth during the 1990s and ushered in a particularly large number of trainees and young professionals.

Average age at BayernLB core Bank (permanent staff) as at 31 Dec 2015

Headcount	m	f	Total	in %
Up to 19 years	0	0	0	0.0
20 to 29 years	103	121	224	7.8
30 to 39 years	264	254	518	18.1
40 to 49 years	688	594	1,282	44.8
50 to 59 years	468	309	777	27.2
More than 59 years	36	24	60	2.1

Junior staff

A total of 39 junior staff were recruited to BayernLB in 2015. The Bank opted for a mix of dual-trained professionals and academics. The overall number of junior staff has fallen over the past few years as the Bank has been adjusting its training capacity to the reduced demand.

35 junior staff at BayernLB (more than 80 percent), who completed their training in 2015, accepted an offer to become an employee. The Bank attaches importance to providing its former junior staff with further qualifications; 59 former junior staff take advantage of the opportunity, after they finish their apprenticeship, to undergo professional training while working as employees.

Recruitment of junior staff in 2013–2015 at BayernLB Bank

	2015	2014	2013
Trainees	11	11	20
Dual students	14	13	20
Apprentices	14	16	17
Total	39	40	57

Staff movements

Intake

Only some of the new intake for 2015 were junior staff. Intake includes all HR measures resulting in an increase in the workforce. A distinction is made between “real intake” (e.g. new appointments) and staff returning to active employment (e.g. after parental leave).

In 2015, BayernLB reported a total intake of 35 people (excluding junior staff) and thus exactly as many as in the previous year. Most of this was in Germany (29). The vast majority were men (28), with a particularly strong representation in the 30-50-year age group (22) as professionally experienced employees were recruited in addition to the junior staff programmes.

**Total number and rate of employee intake in 2015 by age group, gender and region
(core Bank permanent staff headcount)**

	2015	2014	2013
Total employees (average number of employees)	2,763.5	2,909	2,958
related intake ratio (number of intake divided by average number of employees)	1.27%	1.20%	2.23%
Total intake	35	35	66
Germany	29	32	61
Europe excluding Germany	2	2	5
America	4	1	0
Male	28	25	37
Female	7	10	29
Age group under 30 years	7	5	20
30-50-year age group	22	25	40
Age group above 50 years	6	5	6

Departures and turnover

In 2015, a total of 341 employees left BayernLB. The vast majority is due to the reduction in personnel under the KSP programme. By the end of 2015 a reduction of nearly 85 percent (approx. 370 of 440) of the targeted staffing level had been contractually agreed. These reductions were primarily achieved through the use of part-time models, by not filling open positions and mutually agreed severance agreements and retirement.

The turnover rate takes into account only the number of employee resignations (outside KSP). It stood at 1.99 percent in 2015. The banking industry is not subject to seasonal variations, which affect, for example, the tourism sector.

**Total number and rate of staff turnover in 2015 by age group, gender and region
(core Bank permanent staff headcount)**

	2015	2014	2013
Total employees (average number of employees)	2,763.5	2,909	2,958
related turnover rate (number of employees resignations divided by average number of employees)	1.99%	1.93%	2.06%
Total fluctuation	55	56	61
Germany	47	49	47
Europe excluding Germany	4	6	9
America	4	1	5
Male	30	34	36
Female	25	22	25
Age group under 30 years	8	10	12
30-50-year age group	41	40	43
Age group above 50 years	6	6	6

Types of employment contracts

At the end of 2015, 96.8 percent of the employees at BayernLB Bank had a permanent employment contract, with 3.2 percent on a fixed-term contract. These include the trainees, who, at the end of their education, are initially offered a fixed-term contract in most cases.

Proportion of full-time equivalents with permanent/fixed-term employment contract (BayernLB core Bank, BayernLabo and TMAP; in %)

	fixed-term	permanent
Male	1.8	55.9
Female	1.4	40.9
Total	3.2	96.8

Temporary employees (indirectly employed staff) are used only to a very limited extent by BayernLB Bank. The banking business is essentially “knowledge-based”, and customer relationships are reliant on personal and trusted contacts. It therefore makes very little sense to use temporary workers and the options for utilising them are very limited.

BayernLB is a member of the “Fair Company” initiative, which champions the responsible treatment of interns. Interns are almost always students who are enrolled at a university and are completing a study-related internship.



Further training and skills-upgrading programmes

The increase in customer requirements, technical and organisational changes and increased demands on sales mean employees must undergo a continuing learning process. The objectives of further training are based to a large extent on current operational requirements. In 2015, the education and further training budget was funnelled into supporting the Bank’s realignment in particular. For example, a clear focus was placed on sales development. The budget for this was increased significantly on the previous year.

In 2015, the Bank invested a total of EUR 2.8 million on further training and qualification measures. The head office in Munich registered 5,914 bookings of employees for 566 internal and 328 external measures over 7,357 further training days.

Further training days by gender and employee category (permanent staff Germany)

	2015	2014	2013
Number of participants	5,914	4,494	7,160
Number of measures	894	849	1,402
Further training days	7,357	5,084	9,492
• of which men	4,707	3,205	4,976
• of which women	2,650	1,879	4,516
• of which with management responsibilities	1,430	1,036	1,266
• of which without management responsibilities	5,927	4,048	8,226
Budget in EUR million	2.8	2.7	3.1

The development measures can be divided into those taken “on the job” (e.g. taking responsibility for projects), which predominate in accordance with the Bank’s learning approach, and those taken “off the job”(e.g. seminars, training courses etc.). As well as traditional seminars and workshops, the latter may include part-time, longer-term training, often leading to the academic degree of a Bachelor or Master’s. More than 100 employees per year take part. They are subsidised by the Bank on a performance-related basis. These opportunities for development are backed up by experiential learning (coaching, mentoring and learning networks).

Further training days to improve the skills and knowledge of employees (permanent employees Germany)

Further training measures by specialist area	2015	2014	2013
Management training	1,623	1,257	1,432
Specialised and sales training	3,411	2,122	2,313
IT training	237	540	2,230
Methods and soft skills training	229	178	680
Language training	112	64	182
Health management	25	41	0
Conferences	277	292	323
Total seminar bookings:	5,914	4,494	7,160
• of which internal seminar bookings	5,248	3,917	6,293
• of which external seminar bookings	666	577	867

Managers are actively involved in the qualification and development process as responsible officers and mentors and therefore make a major contribution to the development of their employees. To secure the success of the development measures, a preliminary talk with the manager is held for each measure to discuss the individual development goals. Furthermore, the measure is supported by the manager through coaching and with the aid of a follow-up meeting.

As mentioned, individual development and training objectives are the subject of the annual appraisal, where appropriate further training measures are agreed. Besides a performance assessment, career development is discussed by the manager and the employee and development objectives agreed.

It is also BayernLB’s aim to identify, promote and encourage employees with potential at an early stage. For this it has a systematic talent management process. Each organisational unit holds annual performance reviews in which talent is identified. Thanks to this BayernLB has in the last few years been able to meet its need for specialists and executives mainly from its own ranks.

In the case of periods of restructuring, secondments and similar events, training measures take place when needed. The same applies in the case of systematic succession planning for retiring staff and employee departures. These measures are included in education and further training programmes.

Equal treatment of women and men

Proportion of women in management positions

As at 31 December 2015, women accounted for 50 percent of the total workforce of the Group, and 46.2 percent of that of BayernLB Bank Germany. At the same time, 20.4 percent of management positions at BayernLB Bank Germany were held by women. Of the 66 new appointments to management positions in the course of the restructuring of the Group between 1 January 2015 and 31 December 2015, 23.5 percent were of women. At the end of 2015, of the 17 seats on the Board of Management and the Supervisory Board, one was represented by a woman (5.9 percent).

BayernLB Bank has set itself the target of increasing the proportion of women in management positions to 25 percent by the end of 2018 and to 30 percent by the end of 2020. At the same time, women are also set to also be represented in the top positions of the Bank.

Measures to advance women

To promote the employment and equality of women, the following (and other) measures have been implemented in the past few years:

- Since 2013, seminar measures specifically for women working in the Bank have been offered. They should foster stronger networking among women in the Bank.
- To raise the awareness of managers, the issues of “equality” and “advancement of women” have been actively addressed in management seminars.
- Before making a new appointment to a vacant position, it is checked whether there are any requests to increase part-time hours to full-time employment. If necessary, the requests are given preference over a new appointment.
- When annual training budgets are disclosed, managers are encouraged, when selecting participants for training events, to give places to women at least in proportion to their share of their own respective area.
- The annual reporting for the seminar measures indicates the participation of men and women separately to identify at an early stage undesirable developments in this area.
- Measures to reconcile work and family life (workplace and working time flexibility (including for managers), Elder Care, famPlus and child care) will be continued.

Equal treatment for salaries and promotions

The principle of “equal pay for equal work” is one of the purposes of the collective agreement applying to BayernLB. Classification in the salary structure depends exclusively on the function and the degree of completion and not on gender. The relevant Human Resources Division verifies the salaries paid, even outside the collective agreement, at regular intervals. The object of the review includes the amount of time spent on a salary level, which is also an indicator of whether women have the same opportunities for salary advancement as men.

In the course of implementing the “Institution Remuneration Ordinance” which applies to the Bank, a remuneration officer was appointed at BayernLB to internally monitor the appropriateness of the remuneration system for employees in respect of regulatory requirements.

The measures to ensure the equal treatment of women and men in respect of salaries and promotions (and other areas) are the subject of the report on equality published by BayernLB Bank every five years.

Reconciling work and family life

Career opportunities are often influenced by the extent to which it is possible to reconcile the starting of a family with professional responsibilities. In addition, caring for elderly family members is becoming a challenge for ever more employees. To promote the compatibility of career and family, BayernLB has implemented a whole series of measures.

Parental leave

Employees of BayernLB Bank have the option of extending parental leave beyond the statutory minimum, by a further six months unpaid. The Bank has compiled a list of all rights and regulations in a special brochure.

Selected indicators on the use of parental leave (permanent staff headcount)

	2015	2014	2013
Employees with entitlement to parental leave	2,759	2,855	2,960
• of which men	1,506	1,569	1,616
• of which women	1,253	1,286	1,344
Employees who have used parental leave	104	124	128
• of which men	52	48	46
• of which women	52	76	82
Employees who return to the workplace after the end of the period of parental leave	116	108	102
• of which men	55	48	52
• of which women	61	60	50
Employees who return to the workplace after the end of the period of parental leave and are still in employment 12 months after their return	109	95	93
• of which men	54	44	48
• of which women	55	51	45

It is to be made easier for employees given parental leave or leave for family reasons to maintain a connection with the company. To this end

- an information event has been held at least once a year since 2014 to provide details on the developments and changes at BayernLB.

- the option of further training measures within the staff development programme is to be made available also during the period of absence.
- a premature return from parental leave period or leave for family reasons is to be accommodated, provided no urgent business concerns stand in the way.

Part-time working and teleworking

As at 31 December 2015, part-time staff accounted for 28.2 percent of the workforce (777 out of a total of 2,759 employees), compared with 24.8 percent in 2014. The increase is due to the push towards part-time working with the implementation of KSP.

Number of employees in part-time work in respect of permanent staff – BayernLB-core bank in Germany and abroad

	2015	2014
Male	180	143
Female	597	565
Total	777	708

The basis of the organisation of working time is the “variable working time regulation and time recording operating instruction”. This gives BayernLB employees the opportunity to structure their weekly and daily working time in line with operating requirements. The directive provides for, inter alia, the use of “dispo days” by the staff. When applying for dispo days, corresponding time credits are not required; an advance is possible.

The Bank offers the possibility of teleworking jobs. At the end of 2015, approximately 8.8 percent of employees had a corresponding agreement with the Bank. In addition, a third of all employees have the technical facilities in place to work from home or while travelling regardless of location (mobile teleworking).

Percentage of employees with a teleworking agreement (permanent staff)

	2015	2014
Percentage of employees with teleworking agreement (in %)	8.76	7.98

Other measures

To achieve a better balance between work and family life, BayernLB has also set up parent-child work rooms and offers holiday care for children during the summer holidays and school holidays.

Another part of the family is increasingly in need of care and support: the parents of the employee. Here BayernLB provides nursing support for family members in need of care through its cooperation partner Workers’ Welfare Association (AWO).

Diversity

The diversity approach takes into account not only gender, but also other differences between employees and aims to use existing diversity constructively. In addition to externally observable characteristics such as gender, age and disability, other differences such as sexual orientation, religion or life style are also relevant. The goal of Diversity Management is not only to tolerate individual diversity, but also to exploit it in a targeted manner for personal interaction and achieving corporate success. A prerequisite for this is cooperative conduct with no discrimination. Consequently, BayernLB has incorporated the principles of cooperation in the Code of Conduct. For example: *“Any form of discrimination or harassment on the grounds of age, gender, religion, ideology, race, ethnic or social origin, handicap or sexual identity or orientation is unlawful and will not be tolerated.”*

BayernLB supplemented these principles in 2015 with a “Directive regulating cooperative behaviour”, which defines unwanted and illegal behaviour in this sense and sets out complaints procedures and sanctions. Since the introduction of this Directive, no such discrimination incidents have been documented.

Disabled employees

As at year-end 2015, BayernLB Bank employed a total of 83 employees with a severe disability. This corresponds to 2.6 percent of the total workforce.

Remuneration and pensions

Remuneration system

The collective agreements for the private banking sector and the public banks apply to around 30 percent of the workforce, while around 60 percent are remunerated outside this framework. In addition, service agreements concluded with the staff representatives (General Staff Council and local staff councils) apply to all employees in Germany.

In 2015, detailed negotiations were held between BayernLB and the General Staff Council for refining the remuneration system, while taking into account regulatory requirements. Although the overall agreement on the remuneration system is still pending, transitional solutions have been reached in some areas. For example, a new service agreement on variable remuneration for “risk takers” was agreed for 2015 and the rules for appraisals were amended in line with new regulatory requirements.

A service agreement to reward outstanding service was also concluded for the first time. After consultation with the bank supervisory authorities, employees were paid variable remuneration to reward their performance for financial year 2014.

In light of the Bank’s economic situation, a budget in the amount of 50 per cent of the guidelines values was made available, corresponding to a total distribution payment of approximately EUR 22 million.

After the European Banking Authority (EBA) published the new “Guidelines on sound remuneration policies and disclosures” in December 2015, it is likely the BayernLB’s system of remuneration will need to be modified further.

Employees by type of remuneration; remuneration structure refers to all active employees of BayernLB Bank in Germany and abroad (excluding BoM members)

	31 Dec 2015		31 Dec 2014	
	Headcount	in %	Headcount	in %
Training allowance	77	2.4	81	2.5
Bank collective agreement	977	30.7	1,042	31.8
Outside collective agreement	1,888	59.4	1,889	57.6
Local employees abroad	184	5.8	221	6.7
Temporary workers, interns, other	54	1.7	44	1.3
BayernLB Bank employees headcount (excluding BoM members)	3,180	100.0	3,277	100.0

Pensions

The following table shows the distribution of employees in the various systems of the company pension scheme (bAV), in relation to all active employees at BayernLB Bank (excluding BoM members).

Company pension scheme

	31 Dec 2015		31 Dec 2014	
	Headcount	in %	Headcount	in %
Number of employees				
with a direct commitment to civil servant-style pension provision	850	26.7	893	27.3
with provision as per VO2010	1,520	47.8	1,496	45.7
with provision as per VO2005	389	12.2	386	11.8
other (esp. without/with local pension entitlements, incl. probationary period, local empl., junior staff, temporary workers, no offer for VO2010 included)	421	13.2	502	15.3
BayernLB Bank employees (excluding BoM members)	3,180	100.0	3,277	100.0

Occupational health and safety

Companies face the challenge of maintaining and promoting the health of workers. This commitment is emphasised particularly in the Bank’s Code of Conduct: *“It is essential that occupational health and safety and workplace security regulations be observed by all employees. It is one of the management tasks of BayernLB to provide a healthy and hazard-free working environment. [...] In turn, we expect that our employees show a responsible approach to their health and fitness.”*

Integrated health management

The Bank has an integrated health management system. This includes company doctors, nurses and human resources managers specialised in health management. They work closely with the Staff Council, occupational safety officers, BayernLB's sports club and the nutritional specialists for the employee canteen. There is also an occupational safety committee in accordance with occupational safety law, which supports the monitoring of occupational health and safety programmes. Members from the Staff Council and therefore the workforce sit on the committee.

Prevention

To prevent "typical" health problems associated with activities performed mainly while sitting at computer workstations, the health and safety officers pay attention to the ergonomic design of the workstation. The Bank also offers its employees opportunities for sports activities and holds regular Health Days, focusing on topics such as exercise and a healthy diet.

BayernLB offers comprehensive services and support for the issue of mental problems, coping with stress and burn-out. These include, in particular:

- Extensive information in the intranet on topics such as "Stress, burn-out and depression" as well as "Psychology and health"
- Training to raise awareness and provide guidance to employees, e.g. on aspects such as "Psychological problems and reintegration" and "Fit and healthy at the workplace"
- Seminars for employees and managers on topics such as "Stress, burn-out and depression – dealing with employees suffering from mental stress", "Stress management: actively dealing with stress" and "Preventing psychological stress – keeping yourself and others healthy"

Health rate

BayernLB measures and documents the effectiveness of health management using the health rate. In 2015, the figure for BayernLB Bank stood at 95.30 percent. On average, each employee was absent for 11.76 days (2014: 10.85 days) for sickness-related reasons. This corresponds to an increase of 8 percent, and heavily influenced by the flu epidemic in the first quarter of 2015. Overall, sickness-related absence remains at a stable level.



In 2015, there were a total of 58 days of absence due to accidents at work; all of them involved employees of BayernLB Bank Germany. The nature of the injury was not recorded. No work-related deaths were recorded. No activities systematically associated with high rates injury or hazard are carried out at banks.

Customers

The following action areas from the materiality analysis are particularly relevant with respect to customers:

Demographic change

Taking into account the effects of demographic change on customers, e.g. in relation to the range of services

Digitisation/FinTech

Using the possibilities of digitisation in compliance with strict standards, in particular in relation to customer and data protection

Customer satisfaction

Ensuring a high degree of customer satisfaction

Challenges

In the “Megatrends” study, which was published in April 2016, BayernLB Research documented a total of six trends, which could affect the economy and financial markets in the years to come. This includes digitalisation and demographic change, two issues which the Bank identified within its materiality analysis as being particularly relevant for the structuring of customer relationships.

The discussion on the digitisation of the banking business currently focuses heavily on retail customers and services, such as mobile banking and advice provided online or via chat. DKB has comprehensive expertise and offers its retail customers diverse options for the mobile use of its services, for example, with the DKB banking app. But opportunities are also opening up in the corporate customer business to optimise processes and services from a customer perspective, for example, by developing customer-oriented IT solutions. At the same time, digitalisation is leading to increasing requirements on data protection, which BayernLB is safeguarding by means of comprehensive measures.

Demographic change is also affecting the retail and corporate customer business. A population which is older overall is asking for other products and therefore influencing the range of services offered by banks. Many of the over-50s today are not “digital natives”, i.e. they did not grow up in a digital world, which makes it more of a challenge to reach them with new digital services. For corporate customers, this begs the question as to what extent the Bank’s own target groups will change and how this will affect the business model.

Developing solutions to these and other questions from customers and ensuring their satisfaction is right at the heart of the Bank's activities. It has a universal bank-oriented business model with corporate, retail and real estate customers as well as asset management activities. As a lending bank, it has a close relationship with the real economy and thus fulfils its central function as an engine to the economy.

The corporate and retail customer target groups differ significantly both in terms of the services demanded and the conditions for their marketing. To protect retail customers, legislators have in recent years passed a large number of requirements on how they are informed and advised.

Principles and guidelines

BayernLB's Code of Conduct also defines the key points for dealing with customers. Among the issues it addresses are data protection, information, transparency and product design. Besides this internal voluntary commitment, there are, as described, various regulatory requirements.

Organisation

The goals and strategy of market development are defined annually in the business strategy, which, in turn, is adapted more specifically to the individual business areas. The respective areas are responsible for implementing the strategy. They are supported here by Strategic Marketing, which is located within Group Strategy & Group Communications Division.

Key action areas and figures

Responsible sales and marketing practices

Comprehensive information for customers

BayernLB attaches great importance to communicating to its customers in an understandable manner the benefits they would have from purchasing a product or a service and what risks it could entail. The Code of Conduct contains the following voluntary commitment: *"We regard appropriate advice, comprehensible products and services, suitable risk warnings and transparent documentation as essential in our work if our clients are to make informed decisions for themselves. Misleading or deceitful advertising is unacceptable to us."* BayernLB meets all statutory requirements in its product information on financial products.

Responsible product design

BayernLB also sees it as its responsibility to only offer products and services that it can provide under professional standards. This includes holding any necessary licence and having the requisite infrastructure and technical expertise. The Bank does not offer products and services which are prohibited in markets.

Access to financial services

Since 19 June 2016 every adult in Germany has had the right to a basic account. This right also applies to asylum seekers and people who live in Germany with tacit permission. The basic account is managed on a credit balance basis and allows the account holders to participate in cashless payment transactions as well as incoming and outgoing payments. This regulation is implemented by DKB, which is active in the retail customer business, and the savings banks as partners of BayernLB.

The 69 Bavarian savings banks currently trading, with approximately 2,300 branches, provide a wide availability of financial services in Bavaria and also operate in structurally weak and comparatively sparsely populated regions. As an internet bank, DKB's services are available regardless of location.

Data protection

Handling sensitive data responsibly is an important principle at BayernLB when dealing with both customers and staff. The Code of Conduct states: *"It is the duty of all employees to use information gained in the course of their work only as permitted. When passing on information within the company or outside, it is essential to check that the recipient is entitled to be given it."* In other regulations, the Code of Conduct requires a considered and professional approach to be followed, particularly when dealing with personal data and confidential information.

One of the tasks of the data protection officer (DPO) is to work towards ensuring compliance with legal requirements on data protection in order to protect those concerned, such as customers and employees, from data misuse. In accordance with the provisions of the Federal Data Protection Act, the DPO is the sole internal contact person for the issue of data protection. The officer reports directly to the Chairman of the Board of Management of BayernLB and is autonomous when exercising his/her expertise in the field of data protection policy. The DPO may not be disadvantaged for fulfilling his/her tasks and is in any case under special obligations to maintain secrecy.

His/her activities focus on checking the permissibility of data processing and proper treatment of personal data. Data protection can only be implemented effectively if an entire system is secure and must be upheld by all operational functions. To the end, the Bank operates an efficient data protection management system that takes into account all the necessary interfaces. This involves, on the legal side, the Legal Division, and on the technical side, Group IT, IT security and (physical) Security. The data protection management system is regularly checked by Internal Audit and the Compliance Division.

Data protection also forms part of BayernLB's risk management. For the DPO's work specifically, this means rolling out measures and monitoring their implementation as well as constantly promoting awareness of data protection and security by targeted training and specific personal discussions. Furthermore, the rights of data subjects must be sufficiently guaranteed – particularly in the case of specific requests.

The relationship with the Staff Council and the supervisory authority responsible for data protection is also important and must be maintained. The Bank implements these requirements in full in a variety of ways. To safeguard data protection, it has set up a standard procedure governing the observance of detailed, in-depth and regular inspection obligations. A service agreement between the Bank and the Staff Council specifies in detail how to deal with the personal data of employees to protect their interests at all times. BayernLB also monitors external service providers mandated to process data.

To promote the responsible handling of data subject to data protection rules, all employees regularly take part in mandatory training. BayernLB immediately analyses rulings with far-reaching implications under data protection law, such as the invalidity ruling of the Court of Justice of the European Union on the transfer of data to the United States on the legal basis of the Safe Harbor agreement, and takes appropriate measures in order to continue working in compliance with data protection rules. In the example here, the legal basis for the transfer of data to the US lies partly with the corresponding EU standard contracts. To implement the EU General Data Protection Regulation, which was adopted in May 2016, in time for July 2018, an implementation project will be initiated in good time in 2017.

In reporting year 2015, BayernLB examined three data protection complaints, which were all judged to be unfounded. It also examined ten cases of possible data loss. In seven cases in which laptops, smartphones, USB sticks or blackberries were lost, either no personal data was affected or technical security measures (access protection, encryption, remote reset function) were in place preventing a third party from receiving knowledge of the personal data. Two of the cases concerned deliveries to the wrong postal addresses, where customers also received mail not intended for them. The latter case refers to an error in access rights in an internal personnel system. It was, however, established here that no illegal data retrieval took place.

Regular evaluations of customer satisfaction

BayernLB regularly commissions market and customer satisfaction surveys. While the market studies collect information on long-term trends and key issues in the markets relevant for the Bank, the customer barometer captures the attitudes and behaviour of current and potential customers. The subject of the barometers includes the stability of customer relationships, their satisfaction with the Bank's services as well as the perception of the Bank's strengths and weaknesses by the customer. The focus here is on qualitative evaluations of customers and satisfaction indicators. At the same time, some of the analyses enable a comparison with major competitors to be made.

In view of the varying needs of individual customer groups, target-group specific surveys are carried out for the customer barometers:

- The Real Estate Customer Barometer records through individual interviews the expectations and experiences of commercial and residential real estate customers. It was last carried out in spring 2016. Here, BayernLB achieved a total satisfaction score from existing customers of 8.4 on a scale of 0 to 10, which itself was an improvement once again on the previous study in 2012 of 0.5 points.
- The Medium-Sized Companies Customer Barometer is based on personal interviews with representatives of Medium-sized Companies. The survey was last conducted in the winter of 2012/2013, and a new version is planned for 2016.
- For the Savings Banks Customer Barometer, employees, sales managers and BoM members of Bavarian and non-Bavarian savings banks were surveyed. In the current analysis from 2015, the Bank notched up a total service rating of 7.8 on a scale of 0 to 10, even bettering the good result of 7.6 from the previous study in 2013.

The results of the survey play a central role in product, consulting and service development and provide important cues for the design of measures to ensure customer acquisition and loyalty.

Sustainable financial solutions

The following action areas from the materiality analysis are particularly relevant with respect to sustainable financial solutions:

Renewable energy

Actively supporting the energy transition by financing the appropriate facilities as well as the required infrastructure

Fossil fuels

Complying with strict environmental and social standards when financing fossil fuels as a bridging technology

Responsible finance

Taking account of strict environmental and social standards when designing and realising financing/investment products and services

Challenges

Sustainable investment has experienced a significant upturn in recent years. When deciding where to put their assets, more and more private and institutional investors are not only looking at the three classical criteria of investment – risk, yield and liquidity – but are also interested in the sustainability performance of the issuers whose securities they are buying. According to the calculations of the Global Sustainable Investment Alliance, around USD 20 trillion was invested globally at the end of 2013 in accordance with ESG criteria. In the German-speaking area, the corresponding investment volume at the end of 2015 was at least EUR 326 billion, according to the industry association Forum Nachhaltige Geldanlagen (FNG) (forum for sustainable investments).

When it comes to financing by banks, sustainability criteria also play an increasingly important role, for several good reasons. First, economic risks can arise when environmental and social standards are not considered, as might occur, for instance, with infrastructure projects, if, for example, there are delays in completing these projects. Second, even civic organisations accord banks a share of the responsibility for complying with recognised environmental and social standards in projects they finance. So infringements of the relevant standards can, for example, damage the reputation of banks and other companies involved.

Lastly, banks also play an active role in assisting and supporting social projects such as the energy transition.

In light of the above, sustainable financial solutions at BayernLB cover the following areas:

- Compliance with environmental, social and ethical standards in financing and capital market transactions;
- Offering sustainable investment products for retail and institutional investors;
- Financing of companies and projects to address societal challenges such as climate change and the energy transition.

The focus of activities in the reporting period was, on the one hand, on refining existing and creating additional sector and subject-specific guidelines. On the other, the Bank established a process for including Sustainability Management in the evaluation of ESG opportunities and risks in BayernLB's various business activities and to take account of social and environmental aspects in the assessment of reputation risks.

Principles and guidelines

The ESG-related standards defined by BayernLB can generally be divided into three categories according to their range. The first category includes all kinds of business activities in the Group, from procurement to financial services. The second category relates to the overall guidelines for trade and capital market transactions and financing, while further regulations relate to individual sectors or themes.

Overarching ESG standards for all business activities

The first category of the principles, which apply at the BayernLB Group for all types of business activities, include the following rules:

- The Group complies to all embargoes and sanctions imposed by the EU and the UN. Moreover, local regulations also apply insofar as these are required.
- The Group shows zero tolerance towards any potential economic criminal activities against the Group, its customers and its employees and works to combat any form of financial crime.
- The Group does not conduct business with people found guilty of bankruptcy or insolvency offences, corruption, money laundering, financing terrorism or other serious offences. Moreover, the Group refuses to conduct business with companies managed by people found guilty of such crimes.

- The Group does not participate in transactions which serve to aid tax or levy evasion and/or reduction in its own or foreign countries.
- The Group complies with the recommendations of the FATF (Financial Action Task Force) in conducting business with countries which the FATF lists as non-cooperative countries.
- The Group does not conduct any business with those who are implicated in the following issues or business activities: Drug trafficking/smuggling, trafficking/smuggling of people, sexual exploitation, exploitative child and forced labour, slavery, smuggling of migrants, organ trafficking/smuggling, prostitution, pornography and product piracy.

Human rights

The issues of trafficking in human beings, sexual exploitation, exploitative child and forced labour and slavery, which were referred to in the last bullet point above, are relevant in relation to the respect of human rights. The Bank has undertaken in various contexts to protect these rights and take appropriate measures to implement its commitments: Besides the overarching ESG standards, these include the sustainability agreement which requires BayernLB's suppliers and external service providers to protect human rights. This also extends to the supply chain of suppliers.

Violations of human rights and the rights of indigenous peoples are often associated with large mining and infrastructure projects, which is why the specifications for earmarked project financing are of central importance. By applying World Bank standards and the other obligations to respect human rights, BayernLB ensures the protection of human rights when providing project financing as well as in its other business activities.

Guidelines for trading and capital market transactions

With the exception of measures for overall bank management, the BayernLB Group does not conduct trading transactions in its own name or on its own account (proprietary trading). Trading transactions are only conducted when they are initiated by the customer and are thus directly linked to the customer. BayernLB has defined the following guidelines for trade and capital market transactions.

Food

BayernLB does not conduct any speculative transactions in relation to foodstuffs. This means that BayernLB does not invest in agricultural commodities or related derivatives.

Nor does BayernLB provide any investment products in the commodities sector.

In managing its own retail fund, BayernInvest Kapitalverwaltungsgesellschaft mbH declines to invest in agricultural commodities or related derivatives. This exclusion also applies to third-party initiator retail funds managed or administered by BayernInvest.

Controversial weapons

BayernInvest Kapitalverwaltungsgesellschaft mbH declines to invest in companies which manufacture controversial or illegal weapons. This includes anti-personnel mines, nuclear weapons, biological and chemical weapons and cluster munitions. This regulation applies to BayernInvest's actively managed investment volumes in the amount of currently around EUR 49 billion.

BayernInvest ensures compliance with this regulation, in particular through the use of a database established by the sustainability ratings agency oekom – the Controversial Weapons Monitor (CWM)

Active ownership

BayernInvest has rules governing voting protocol at general meetings. It exercises the shareholder and creditor rights associated with the assets of the managed investment assets independently of the interests of third parties and solely in the interests of the investors of the respective investment assets. This is performed in cooperation with a permanent authorised, independent voting representative directed by defined voting rules. The principles for exercising the right to vote stipulate, inter alia, that the Board of Management cannot be absolved in the event of non-compliance, inadequate risk controlling and review procedures. The rules can be viewed on BayernInvest's website.

As a signatory to the Principles for Responsible Investment (PRI) BayernInvest also undertakes to implement its second principle: *"We will be active owners and incorporate ESG issues into our ownership policies and practices."*

Guidelines for financing transactions

BayernLB has also defined detailed guidelines for financing operations. These are typically used for earmarked financing, where BayernLB is aware of its purpose.

World Bank standards

The BayernLB Group has observed the environmental and social standards of the World Bank in all relevant financing transactions since 2004. These are based on the performance standards of the World Bank Group's International Finance Corporation (IFC) and Environmental, Health, and Safety (EHS) Guidelines of the World Bank. The standards include criteria for the observance of human rights, the protection of indigenous peoples, the inclusion and protection of the population affected by the projects as well as the protection of biotopes and habitats.

Sector and topic-specific standards

For particularly environmentally sensitive sectors and themes, BayernLB has formulated policies based on the World Bank standards, which also apply for the Group.

Atomic energy and fossil fuels

One focus is on the use of fossil fuels, which, in the opinion of the Bank, is a bridging technology on the road to broad supply from renewable energy sources. The Bank also defines criteria for financing in the nuclear area. The specifications for fossil and nuclear energy sources include both exclusions and financing under strict conditions.

Exclusions and requirements for earmarked financing in the field of nuclear energy and fossil fuels

Sector	Exclusion	Requirements
Nuclear power	<ul style="list-style-type: none">• New construction of nuclear power plants	
Coal	<ul style="list-style-type: none">• Extraction of lignite• Extraction projects employing mountaintop removal• New construction of power plants running on lignite• Extraction of hard coal and the construction of new coal-fired power plants in protected areas (UNESCO world heritage sites, IUCN-/Ramsar-protected areas)	<ul style="list-style-type: none">• New construction of hard coal-fired power plants only employing state-of-the-art technology.• Modernisation of existing coal-fired power plants provided that this results in higher efficiency/higher effectiveness and/or reduction of climate-damaging emissions.
Oil & gas	<ul style="list-style-type: none">• Arctic drilling• Projects in protected areas (UNESCO world heritage sites, IUCN-/Ramsar-protected areas)• Extraction of tar sands• Use of fracking	

In the nuclear area, the rules permit both the financing of projects targeted at the safety of nuclear power plants currently in operation, and investments in replacements to comply with the highest safety standards. Also permitted are the financing of projects to decommission nuclear power plants, as well as projects for the treatment, intermediate storage and disposal of nuclear waste. By providing financing in the areas of safety and waste disposal, BayernLB is meeting its social responsibilities for dealing with the consequences of the use of nuclear power.

Gambling

At the beginning of 2016, BayernLB formulated a policy on financing in the area of gambling. This states that the Bank does not involve itself with the gambling industry in principle. Exceptions apply if gambling is offered by a state or charitable body or organisation. Various rules must be observed in this case. For example, gambling may be offered only in compliance with the relevant legal framework, e.g. federal and state law, and the protection of consumers must be demonstrably taken into consideration, for example, in terms of addiction prevention and protecting gamblers from reckless loss.

Defence

BayernLB recognises the right of a state to defend itself. On this basis, offering services to defence companies or individual financial transactions for weapons and defence materials is in principle possible within the framework of existing laws. The financing has to be approved following an obligatory case-specific examination and that it is in line with our business model. Processes and criteria are set out in a separate policy. Accordingly, during each review an assessment is made of the defence companies, the purpose of the funding and, where appropriate, the importer, the importing country as well as the current local political and social situation. Sustainability Management must be included in the evaluation of the individual transactions.

The existing policies are continuously monitored in terms of their effectiveness and feasibility and, if necessary, developed. In this vein, for example, BayernLB added new rules to its coal policy in the autumn of 2015 in the run-up to the Paris world climate conference: The Bank is henceforth prohibited from financing lignite coal extraction and the new construction of power plants running on lignite. BayernLB regularly checks whether there are any current developments requiring additional policies.

Organisation

Responsibility for reviewing existing and formulating new policies for the capital market and financing business on the subject of sustainability and reputational risk falls within the remit of Sustainability Management or Group Compliance. For example, the nuclear-fossil guidelines are formulated by Sustainability Management, and gambling and defence guidelines by Group Compliance. All policies were approved by the Board of Management of BayernLB and are valid throughout the Group.

The respective specialist divisions and subsidiaries are responsible for implementing the guidelines and policies. If it is unclear whether a transaction falls within the scope of the policies, Sustainability Management will provide an opinion at the request of the person responsible.

The specialist divisions and subsidiaries are also responsible for developing investment products and financing concepts which take into account sustainability-relevant developments, such as increasing demand in the area of sustainability-oriented investors. Sustainability Management also provides support here. For example, it acted in an advisory capacity to the specialist division which placed the first “green Schuldschein note loan” at the beginning of 2016.

Product portfolio

Sustainable investment solutions

BayernLB offers its customers in the Group – for example via its subsidiary Bayerninvest and DKB – investment products, which satisfy the special requirements of sustainability-oriented investors.

Sustainable fund products and mandate solutions

With the two funds DKB Ökofonds (DKB eco fund) and DKB Zukunftsfonds (DKB future fund), customers can invest primarily in shares companies which meet strict sustainability criteria. Both funds use exclusion and positive criteria when selecting suitable stocks. The sustainability ratings for this are sourced from the sustainability ratings agency oekom research.

Fund volume as at 31 Dec in EUR million	2015	2014	2013
DKB eco fund	13.47	12.27	10.89
DKB future fund	22.05	17.28	15.03

The funds are managed by BayernInvest, which functions within the Group as the centre of competence for asset management. It also offers institutional clients sustainable investment solutions in index-oriented and active fund solutions within the framework of special alternative investment funds (AIFs, formerly special funds).

An indication of the BayernInvest's special commitment to this type of investment is the signing of the Principles for Responsible Investment (PRI). Signatories to the PRI commit themselves to the implementation of six principles, including the incorporation of ESG issues in the analysis and decision-making processes in the field of investment. BayernInvest reports regularly in the "PRI Transparency Report" on the measures taken to implement these principles. The current report is available on the PRI website at www.unpri.org.

Products and services for foundations

For more than 13 years BayernLB Bank has supported and advised charitable foundations from the public and corporate sector with customised financing and investment solutions.

Foundation assets are managed in asset management and special fund solutions through its subsidiaries, Real I.S. and BayernInvest. When investing, particular account is taken of the foundation-specific framework conditions and the foundation's own payout and investment objectives, while sustainability criteria are observed to the desired degree. BayernLB Bank is also open to recent developments in investing, such as "mission investing".

Interested potential donors, in particular from S-Finanzverbund (a national association of savings banks), offer BayernLB bank advice on the conception and creation of charitable foundations.

The Bank is a member of the Association of German Foundations and the Stifterverband für die Deutsche Wissenschaft (donors' association for German science).

Sustainable, fixed-income securities

Green bonds

Green bonds and similar issues have significantly gained in importance in the last few years. They are fixed-income securities whose issue proceeds are used to finance environmental and climate protection projects, for example, in the construction of wind and photovoltaic systems or the improvement of the energy efficiency of buildings. For 2016, BayernLB calculates their issue volume globally to be EUR 65–70 billion.

In the first half of 2016, DKB successfully issued a green bond with a volume of EUR 500 million. The funds raised are being used to refinance loans from the wind and solar energy sector in Germany. In addition, BayernLB participated in the issue of three other green securities, including the world's first green Schuldschein note loans for the wind turbine manufacturer Nordex and the food producer FrieslandCampina. As joint lead manager, BayernLB helped place the sustainability bond from the state of North Rhine-Westphalia. The funds raised are being channelled into projects in education and science, inclusion and integration, climate protection and energy transition. The four green/sustainability issues had an issue volume of about EUR 3 billion.

Bonds of sustainable issuers

In addition to the green bonds, BayernLB also assisted in other issues of particular interest to sustainable investors. These include bonds issued by companies which are regularly given good sustainability ratings, such as BMW AG, and issues from businesses active in sectors particular sustainability importance, notably renewable energy. Overviews of the corresponding issues can be regularly found in BayernLB's interim and annual reports.

Donation bonds

BayernLB developed a concept for the savings banks (Aktion Spendenbonds (donation bond campaign)) that allows private investors to invest in a fixed-income security, while supporting charitable projects at the same time. In this case the savings bank places a bearer bond structured according to their wishes and needs. For each EUR 1,000 invested, the savings bank donates up to EUR 3 to a foundation or a social institution in the region.

So far a total of ten savings banks have created their own donation bonds as a private placement. In addition, BayernLB issued several public bonds, in which well over 50 sales partners were involved, including donations bonds for the children's charity SOS-Kinderdorf e. V., the flood victims in the Balkans in 2014 and aid to refugees in 2015. To date, the Bank has generated total donations in excess of EUR 500,000 using this instrument.

Sustainable real estate investments

Subsidiary Real I.S. provides investment opportunities for sustainability-orientated real estate investors. Real I.S. is one of the leading German providers of real estate investments for private and institutional investors. It manages real estate worth over EUR 5.5 billion in 13 countries worldwide and is represented in four locations in Europe and Australia.

As part of its sustainability-oriented strategy, Real I.S. makes sure that its products meet “green” standards where possible. Real I.S. has been building up national and international experience with real estate certifications for many years now. Several properties in Germany and abroad have been awarded high-quality ratings, for example, the Deutschen Gütesiegel für Nachhaltiges Bauen (German mark of quality for sustainable building) from the German Sustainable Building Council (DGNB), which counts Real I.S. as one of its members. Besides purchases which have already been certified, Real I.S. also identifies assets eligible for certification in its own portfolio and seeks sustainability certification where possible. The company is also committed to improving standards where certification is not desirable or not possible. An overview of real estate that has won awards can be found on the subsidiary’s website.

Financing solutions for renewable energy

BayernLB believes that it is highly important to aim for and promote an energy industry that conserves resources and is climate responsible. Against this backdrop, its goal is also to support its customers in coping with the challenges and leveraging the potential from the energy transition, with an appropriate product and service offering.

In light of this, BayernLB made the financing of companies and projects that are helping to bring about the energy transition a strategic focus several years ago. Here it pursues a cross-industry, three-pronged approach with the following main points:

- Environmentally responsible energy production (e.g. renewable energy, combined heat and power)
- Infrastructure measures (e.g. electricity and heating networks)
- Efficiency measures in the relevant areas (e.g. real estate)

The BayernLB Group is one of the leading providers of financing in the wind, solar, solar thermal and geothermal energy segments in Germany, other European countries and the important North American market. The Group has in the last few years made a significant contribution, in particular, to the financing of renewable energy in Germany.

While BayernLB mainly assists large German and international project developers, companies in the energy sector, plant builders and manufacturers to implement medium and large projects in this area, DKB concentrates on retail customers, companies, local authorities and farmers wishing to realise small to medium-sized projects. Since 1996, DKB has helped realise over 4,650 photovoltaic, wind power and biogas plants and is currently one of the largest financiers of the energy transition in Germany, having lent out EUR 9 billion. At BayernLB, the corresponding lending volume was EUR 3.5 billion at the end of 2015. An overview of current financing projects can be found on BayernLB’s website.

DKB specialised in citizen participation at an early stage and thus supports municipal development. 73 citizens projects have already been implemented since 2004. They allow citizens to financially participate in wind and solar farms, district heating networks, residential and school projects in their region. Its sustainable investment products include “DKB citizen savings” for indirect citizen shareholdings and “DKB citizen participation account”.

Real estate

Residential and commercial buildings account for a large share of energy consumption. In Germany, for example, almost 40 percent of energy is consumed in the building sector. Making buildings more energy efficient and tightening energy standards for new buildings are therefore important elements of national and international climate policy. It is also possible when managing real estate to reduce the environmental impact and therefore often also costs.

Facility management

As an expert in the Savings banks finance Group/Sparkassen-Finanzgruppe in the areas of real estate management, sustainable building, energy efficiency, developmental funding and real estate security, BayernFM assists its customers, for example, in gaining certification from the German Sustainable Building Council (DGNB) through an approved auditor. BayernFM’s many years of experience in facility management range from its inventory of over 3 million square meter in floor space to implementing step-by-step projects to make large building complexes climate neutral. BayernFM also provides comprehensive assistance to companies, financial institutions, investors, public authorities and private real estate owners when optimising real estate holdings, and for new build or renovation projects. An important area for action in 2015 was to assist customers in implementing the requirements of the Energy Services Act (EDL-G).

BayernFM itself is certified under the European eco-management standard EMAS and the international quality management standard ISO 9001 and is the first climate neutral facility management service provider in Germany.

Real estate valuation

LB Immobilienbewertungsgesellschaft – or LBImmoWert for short – is BayernLB’s competence center for real estate valuations and research in Germany, Europe and the US. The company produces per year about 4,000 real estate appraisals in Germany and abroad, and the annual volume of market value assessed in various types of real estate is about EUR 40 billion. The real estate valuations also regularly take into account sustainability criteria.

BayernLabo as an organ of state housing policy

As a public law institution pertaining to housing, BayernLabo’s primary statutory mandate is in the BayernLB Group to promote housing in Bavaria. Its tasks are described in Article 20 of the Bayerische Landesbank Law BayernLabo ensures that its public mission to fund housing is conducted in a competitively-neutral way and it operates only in Bavaria.

The housing development business consists essentially of the state subsidised housing programme, the “trust business”, and the “proprietary business”, where loans are refinanced through the KfW subsidised loan programme and on the capital market and then offered at reduced interest rates. In 2015, the construction of 4,980 homes and 1,064 residential units was subsidised as part of various programmes. To promote the creation of facilities for people with disabilities, EUR 8.5 million in loans and EUR 26.4 million in grants were approved in 2015, allowing a total of 359 residential units to be built. By providing loans in the amount of EUR 19.6 million, BayernLabo helped fund the construction and upgrading of 705 residential units for students in 2015.

Selected key figures for BayernLabo’s subsidised programmes

	2015	2014	2013
Homes/residential units	6,044	6,769	6,186
Residential units for people with disabilities	359	517	571
Residential units for students	705	1286	1,101

In cooperation with KfW as a municipal and development bank for the Free State of Bavaria, BayernLabo also supports Bavarian municipalities with its own subsidised programmes. In 2015, these programmes included Inklusionskredit Kommunal Bayern and Energiekredit Kommunal Bayern. The Inklusionskredit programme subsidises investment by local authorities and special-purpose associations in barrier reduction and the barrier-free expansion of municipal and social infrastructure. Through its Energiekredit programme, BayernLabo supports the financing of investment to make the municipal building stock in Bavaria more energy efficient.

In total, BayernLabo approved loans in the amount of Euro 1.4 billion in 2015. It reports annually on its subsidised programmes and realised projects, which can be viewed on its website.

Subsidised loan business

In addition to the subsidised programme brokered through BayernLabo, a number of other subsidised programmes exist at state, federal and EU level with a social or ecological aspects, such as measures supporting improvements in energy efficiency in residential construction and with commercial investment. BayernLB supports mainly private customers as well as commercial and municipal customers in close cooperation with the Bavarian savings banks by advising on and structuring financing concepts using suitable and optimal funding for each case. Here the Bank handles the complete business transaction with the development institutions for the Bavarian savings banks. In 2015, the subsidised funding advisors of the Bavarian savings banks placed with the assistance of BayernLB approximately EUR 2.9 billion in low-interest loans from public development institutions KfW Bank Group, LfA Förderbank Bayern and Landwirtschaftliche Rentenbank.

Environment

The following action area from the materiality analysis is particularly relevant with respect to the environment:

Operational environmental protection

Continuous reduction in the ecological footprint of business operations

Challenges

An important task for BayernLB's Sustainability Management is to use resources in-house efficiently and sparingly, while keeping the ecological footprint as small as possible. This not only eases the burden on the environment, but it also provides economic advantages, for instance, by lowering expenditure on electricity and heating. Employees are being made aware of the environmental impact of their daily work and can make a direct contribution. Operational environmental protection also strengthens the credibility of the Bank as a provider of environmental and climate-responsible financial solutions on the market.

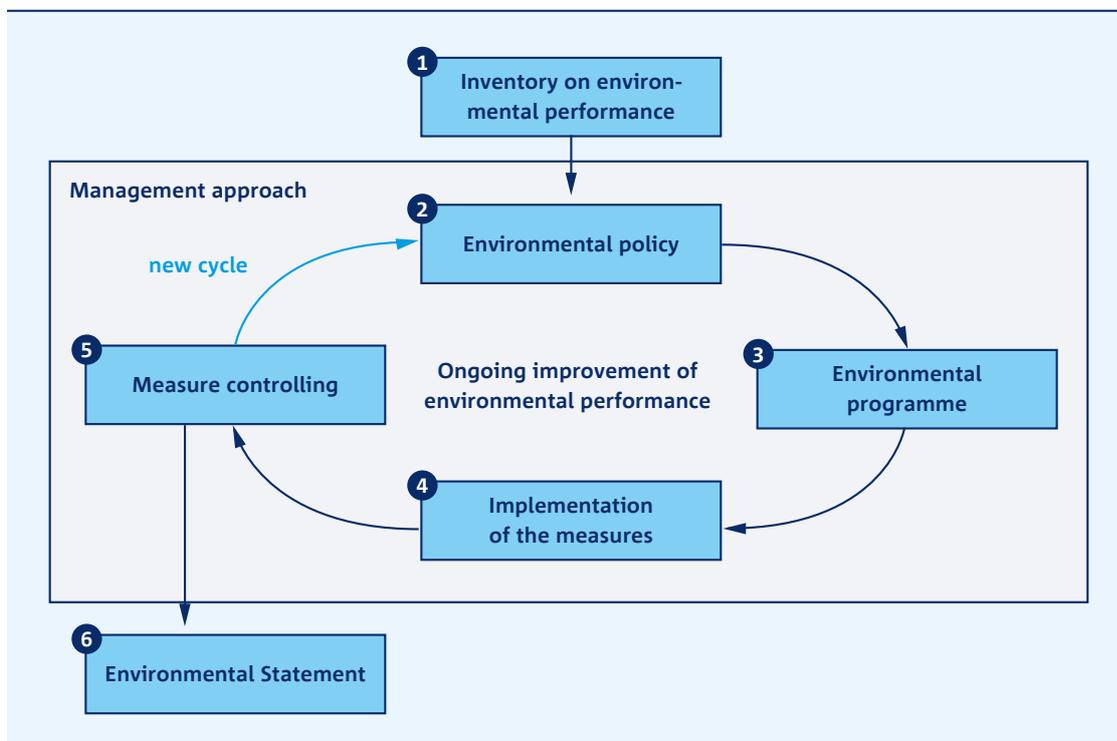
Principles and guidelines

Environmental management – which was the original starting point of BayernLB's active engagement with sustainability issues – is today an integral part of its sustainability management. This is reflected in the fact, for example, that environmental protection is integrated in the guidelines on sustainability management presented in section 3, such as the sustainability policy. The Bank has also defined the cornerstones of its environmental commitment in a formal environmental policy and published them on the company website.

Organisation

The environmental management system at the BayernLB Group is in large part validated by the exigent European Eco Management and Audit Scheme (EMAS) regulation and certified according to international environmental management standard ISO 14001. Other locations within BayernLB have gradually been incorporated into the management system, most recently the Nuremberg location, at Fritz-Haber-Strasse 10, in 2016.

Under the certification, the Bank has undertaken to continually develop and improve the processes in environmental management. This requires a structured management approach. Sustainability Management is responsible for steering this process.



As part of the annual revalidation of the environmental management system by an independent environmental auditor, progress in the system’s development and the implementation of the measures is checked. BayernLB reports regularly on the status and perspectives of the system in its Environmental Statement, which is verified by the environmental expert. The following information and figures are based on BayernLB’s Environmental Statement for 2015, which can be viewed on the company website and contains more detailed information. The subsidiary DKB has a comparable certified environmental management system.

Currently a total of over 60 percent of all employees in the Group work at locations that have an EMAS-certified environmental management system. At BayernLB Bank, the proportion is even higher: at over 90 percent.

Key action areas and figures

Focus on climate protection

Operational environmental management focuses on protecting the climate. In its climate protection strategy, BayernLB follows a three-pronged approach:

1. Avoid consumption of resources

The first and most important step in implementing the climate protection strategy is to consistently avoid operational CO₂ emissions through active energy and resource management. In this context, a wide variety of measures have been initiated and implemented in the last few years – for example, the use of energy-efficient devices or the upgrading of the energy efficiency of buildings.

2. Substitution of CO₂-intensive energy sources

As a second step, conventional sources of electricity have been and are being replaced by renewable alternatives wherever possible. For instance, since 1998 at its Briener Strasse location, BayernLB has been using power from a photovoltaic (PV) plant installed at one of its buildings in Munich. A second PV plant has also now been added. The power generated in this way is not fed into the public grid, but is used internally. The remaining energy needs of the Munich site are covered 100 percent by electricity from certified hydroelectric power.

3. Offsetting unavoidable CO₂-emissions

As a last step, BayernLB offsets the CO₂ emissions caused by the unavoidable use of resources. It buys and cancels emission certificates from different externally verified climate protection projects. In accordance with its purchasing process, the Bank regularly selects a provider for the corresponding high-grade certificates.

By systematically implementing its climate protection policy, BayernLB has been climate-neutral at its Munich site since 2008. This has also been the case for the Nuremberg site since 2010, and climate-neutrality will be gradually extended to other locations after the appropriate reviews have been carried out.

Energy consumption

Electricity

BayernLB was able to reduce its electricity consumption in 2015 by 3 percent year-on-year, from 13,510 to 13,156 MWh. The reduction in consumption was achieved despite an expansion of the area under consideration (integration of the Leipzig, Düsseldorf, Essen, Frankfurt, Hamburg and Stuttgart locations) and the re-use of the Türkenstrasse 4 site in Munich. In the past year there was also an increase in cooling energy consumption of 6,837 to 6,921 MWh (approximately +3 percent) due to the hot summer.

Energy consumption

	Unit	2015	2014	2013
Energy	MWh	26,070.9	26,459.0	28,693.0
of which				
• Electricity	MWh	13,156.2	13,510.0	14,047.0
• Heating	MWh	12,914.7	12,949.0	14,646.0

Besides the efficiency measures implemented, the reduction in energy consumption was achieved by the change in use of Barer Straße 24 and the elimination of the Dornach site from the areas under consideration. In addition, by installing a new plant, the output from the Bank's own PV plants was increased in total from 62 to 64 MWh.

Besides using its own PV plants, BayernLB satisfies its entire remaining electricity requirement at its Munich location from certified hydroelectric power stations on the High Rhine. Long-term contracts ensure that BayernLB will cover the full electricity requirements of its company buildings from renewable energy sources until the end of 2017.

The technical possibilities for further reducing energy consumption are currently largely exhausted, so that additional reductions are increasingly difficult to achieve. At the same time, energy consumption for heating and cooling depends to a large extent on the weather conditions. Nevertheless, the Bank plans to make more reductions, by, for example, modernising the ventilation systems with energy-efficient fans and heat recovery and through the use of LED technology in the lighting for the underground car park.

Steam

BayernLB generates its own steam. It does this using natural gas as a primary energy source, from the supplier Mainova.

Heating

BayernLB's heating energy consumption was 12.915 MWh in 2015, a fall of 34 MWh on the previous year's figure of 12.949 MWh. The biggest reduction in heating consumption took place in Brienner Strasse 20. This led to savings of 370 MWh compared with the same period of the previous year. The expansion in the area under consideration also partly offset the reductions here too. Weather conditions also impact very heavily on heating consumption. As with the year 2014, average temperatures and the resulting heating energy consumption were above the long-term average.

Cooling

BayernLB has for some time sought to record coolant losses in its carbon footprint. Particularly through the efforts of BayernLB in the related VfU internal working groups, the corresponding input fields have now been included in the VfU tool.

Compared with 2014, coolant loss has risen by 3 kg to 250 kg. This was due to leakage from a cooling plant and the piping in another cooling unit at Brienner Strasse 18.

Paper consumption

After a significant reduction in paper consumption in recent years, BayernLB set itself a target of stabilising relative paper consumption per employee and per PC workstation at the level in 2010. This objective was achieved in 2015 and significantly exceeded. All paper (fresh fibre or recycling) used in BayernLB is now either "Blue Angel", FSC or Ecolabel-certified.

Paper consumption

	Unit	2015	2014	2013
Paper	t	122.7	147.7	164.0
of which				
• Recycled paper	t	82.1	114.2	123.0
• ECF/TCF paper	t	40.5	33.4	41.0
• Chlorine-bleached new fibres	t	0.1	0.0	0.0

Absolute paper consumption at BayernLB has also declined markedly on previous years. This was partly accounted for by restricting paper use to only one type at the beginning of 2012, so that a wide variety of printing errors could be avoided. Reducing the volume of paper when printing and copying ultimately also leads to a reduction in toner consumption. However, this is not a matter recorded as part of the eco-management system. Other measures to reduce paper consumption are:

- Switching the major financial publications to electronic form
- Reducing the circulation of PlusPunkt, the internal employee magazine
- Reducing the number of existing office printers and partial conversions to ink jet printers, thereby cutting power consumption and fine dust pollution.
- Enabling black and white and duplex printing as the default setting for printers

In spite of all these activities, paper consumption will probably not decline in the next few years as BayernLB has opened some new locations, which will be showcasing themselves with suitable documentation, including with customers on site.

Water consumption

BayernLB sources heating and drinking water in the city of Munich from energy supplier Stadtwerke München; it generates cold water itself. This is done with cooling units via external air cooling using recooling plants (“free cooling”) and room air conditioning systems.

Water consumption

	Unit	2015	2014	2013
Water	m³	54,332.4	50,905.0	50,829.0
of which				
• Rainwater	m ³	7,337.0	6,884.0	8,875.0
• Ground and surface water	m ³	19,092.0	17,271.0	14,435.0
• Drinking water	m ³	27,903.4	26,750.0	27,519.0

BayernLB’s water consumption has sharply dropped in the past few years as a result of numerous innovations and enhancements: between 2008 and 2015 it fell by around 39 percent to its current level of 54,332 m³. In 2015, there was an arithmetical increase of around 3,427 m³ on the previous year, largely as a result of the addition of a new building. Included in the survey for the first time was the Türkenstrasse 4 property in Munich as well as the Leipzig, Düsseldorf, Essen, Frankfurt, Hamburg and Stuttgart locations. Owing to the warm and relatively dry summer of 2015, some sites also consumed more water than in the previous year.

Grey water is collected from rain water, waste water from water treatment plants and waste water from the cooling towers and used for flushing the toilet facilities. In the BayernLB buildings on Brienner Strasse in Munich, grey water consumption was 7,337 m³ in 2015. This volume of water did not therefore need to be drawn from the public drinking water supply.

Business travel

Business travel is still responsible for a large part of the BayernLB's greenhouse gas emissions. To reduce emissions and travel costs, staff are obliged to check possible travel alternatives before starting their journey, in particular where the trip does not involve customers. The Bank also provides its employees with the technical infrastructure for holding video conferences and conference calls.

Business travel data

	Unit	2015	2014	2013
Business travel	km	13,020,249.0	13,323,536.0	16,265,156.0
of which				
• By road	km	4,015,237.0	4,869,104.0	6,076,408.0
of which				
– own car	km	455,772.0	428,044.0	433,000.0
– rental car	km	718,136.0	533,368.0	396,870.0
– company car	km	2,841,329.0	3,907,692.0	5,246,538.0
• By train	km	1,698,513.0	1,439,266.0	1,737,548.0
• By plane	km	7,306,499.0	7,015,166.0	8,451,200.0
of which				
– below 500 km	km	2,328,534.0	2,293,674.0	2,758,426.0
– above 500 km	km	4,977,965.0	4,721,492.0	5,692,774.0

The objective of reducing the indirect environmental impact of business travel was also achieved in 2015, starting from the 2010 baseline. Road traffic was also reduced despite the opening of new BayernLB locations of BayernLB, especially due to the increased use of rail transport. Other relevant measures in this context were:

- Modifying car policy to promote the appropriate use of rental cars rather than company cars
- Offering the option to employees of free registration with car-sharing providers, which have electric cars in their fleet (and meet other conditions), and charge usage on business trips;
- Participating in carbon-free trips by Deutsche Bahn, the national rail provider.
- Offering “job tickets”

Waste and effluents

Waste

In 2015, BayernLB produced 1,072 tonnes of waste and thus 40.5 per cent more than in the previous year. The largest increase at around 189.5 tonnes or 48 percent was with waste for recovery and recycling: BayernLB's move out of Barer Strasse 24 and exchange of office furniture increased both the amount of disposable metal/scrap metal to 139.9 tonnes and the quantity of waste wood to 51.5 tonnes.

Volume of waste

	Unit	2015	2014	2013
Waste/food waste	t	1,071.8	762.9	986.7
of which				
• For recovery/recycling	t	583.7	394.3	447.6
• For incineration	t	337.3	249.1	371.2
• For landfill	t	47.2	27.9	51.4
• Hazardous waste	t	103.5	91.7	116.5

The quantity of waste for incineration increased in 2015 by 35 percent from 249.1 to 337.3 tonnes. The volume of bulky waste in this category rose in the review period by 78.8 percent to a total of 105.0 tonnes. The reason for this was also the change in the use of Barer Strasse 24.

The amount of waste to landfill increased in 2015 due to the resulting debris from 27.9 tonnes in 2014 to a total of 47.2 tonnes. The increase is largely the result of reconstruction and renovation work in Lorenzer Platz 27 in Nuremberg. The volume of hazardous waste in 2015 totalled 103.5 tonnes, 13 percent more than in 2014. All waste is disposed of in an environmentally responsible manner.

Effluents

The utility Stadtwerke München disposes of BayernLB's effluents in the city centre of Munich.

Greenhouse gas emissions

[G4-22] Calculation basis

For the presentation of key performance indicators as well as for the calculation of the greenhouse gas emissions (GHG emissions) produced, BayernLB uses VfU's updated metrics system (key figures for operational environmental performance in the international version and the version of 27 November 2015). Deviations from the data already announced occur because data were in some cases collected in greater detail than in the previous years, and because the scope of consolidation of the environmental management system was expanded.

The GHG emissions are subdivided into direct, indirect (energy-related) and other indirect categories (Scope 1 to 3) based on the Greenhouse Gas Protocol. The VfU indicators comply with international standards of environmental and climate reporting such as the Global Reporting Initiative (GRI), the CDP (formerly Carbon Disclosure Project) and the Greenhouse Gas Protocol.

A new feature of the VfU survey tool is the distinction between two Scope 2 emission figures:

- The “location based” method quantifies GHG emissions based on average emission factors for a specific geographical region and the activity data (e.g. energy consumption in MWh).
- The “market based” method quantifies GHG emissions based on the emissions of the individual producer, from which the reporting company procures its energy, either combined with or exclusively by means of contract instruments (e.g. RECs – Renewable Energy Certificates). It enables companies to present their emissions according to the contractual agreements and energy consumption. BayernLB uses this method to calculate its GHG emissions.

Greenhouse gas footprint

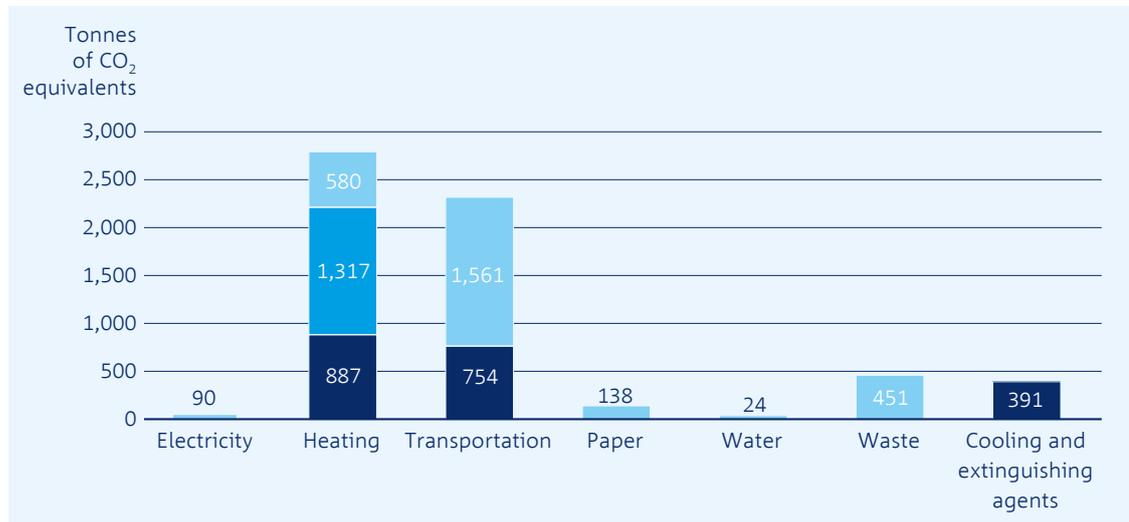
Overview and time series of greenhouse gas emissions

Greenhouse gas emissions	Unit	2015	2014	2013
Absolute greenhouse gas emissions (in tonnes)	t	6,195.0	5,301.0	6,361.0
Greenhouse gas emissions (in kilograms per employee)	kg/employee	2,085.0	1,746.0	2,016.0

In 2015, a total of 6,195 tonnes of CO₂ equivalents were emitted as a result of BayernLB’s business activities. The increase on 2014 was mainly due to the GHG emissions factor for district heating, which has now been increased in the VfU survey tool, and temporary leaks on two cooling generators at Brienner Strasse 18. In order to report its GHG emissions as precisely as possible, BayernLB decided to apply the emissions factor for district heating set by the Stadtwerke München (Munich City Utilities) in its calculations, which is slightly higher than that set in the VfU tool.

Of the total emissions, direct emissions (Scope 1) account for 2,031 tonnes, indirect energy-related emissions (Scope 2 market based) for 1,317 tonnes and indirect GHG emissions (Scope 3) for 2,847 tonnes. The rise in specific emissions per employee is explained by the increase in absolute emissions coupled with a decrease in staff numbers. The GHG emissions are reported as CO₂ equivalents and take into account all greenhouse gases, for which the IPCC (Intergovernmental Panel on Climate Change) defined a global warming potential.

In detail: the greenhouse gas footprint 2015



- Scope 1
- Scope 2 market based
- Scope 3

Core indicators at BayernLB according to the requirements of EMAS III

	Deviation from previous year	2015	2014	2013
Energy efficiency				
• Relative energy consumption (in MWh/employee)	-1%	8.9	9.0	9.4
• Renewable energy share (in %)	-2%	50	51	49
Material efficiency/water				
• Relative paper consumption (in kg/employee)	-16%	41	49	52
• Relative water consumption (litre/employee)	7%	18,288	17,071	16,381
Waste				
• Relative waste generation (in kg/employee)	41%	361	256	306
• Relative generation of hazardous waste (= special waste) (in kg/employee)	18%	36.1	30.7	36.7
Business trips/Biological diversity				
• Business travel (1,000 km/employee)	0%	4.4	4.4	5.2
• Sealed area (in %) The sealed area in % is calculated as not green area/total area	0%	75	75	77
Emissions				
• CO ₂ equivalents (coolants in kg)	>100%	391	3	36
• SO ₂ , NO _x , PM		do not appear directly due to district heating supply		

Society

The following action area arising from the materiality analysis is particularly relevant with respect to society:

Corporate citizenship

Accepting social responsibility, focusing commitment on the areas of social affairs, education, science, art and culture, and Corporate Volunteering.

Challenges

Exercising social responsibility includes a commitment to social and cultural projects that is borne by both the company and the employees at BayernLB. While the Bank primarily provides money and resources for selected projects, the employees mostly invest time and knowledge to support projects they are passionate about as part of the Corporate Volunteering programme.

BayernLB focuses its corporate citizenship on projects in the areas of education, social affairs and culture. In the field of sponsorship, it concentrates on education and scientific collaboration.

Principles and guidelines

The Code of Conduct describes BayernLB's responsibility for its corporate citizenship and contains an overview of the areas the Bank wants to prioritise. Internal bank guidelines apply to donations, sponsorship and memberships. BayernLB precludes donations to individuals, missionary groups, political parties, voters' unions, cults or hostile to constitution institutions.

Instead of dispersing donations broadly, BayernLB has decided to concentrate on selected projects, in particular the partnership with Sternstunden e.V. In addition, the Bank helps with emergencies such as the historic flood in Bavaria in 2013, on an ad-hoc basis and without red tape.

Organisation

Within BayernLB, the Strategic Marketing department is responsible for coordinating donations, sponsorship activities and memberships. The Corporate Volunteering programme is run by the Group Compliance division, which also regularly monitors all donations to ensure they comply with the guidelines.

Key action areas and figures

Corporate citizenship and donations

In 2015, BayernLB spent around EUR 560,000 on donations for charitable and non-profit organisations, memberships of institutions with the goal of promoting art and culture, science and research and on sponsorship of social projects, cultural events, congresses and events with specific reference to banking.

EUR million	2015	2014	2013
Donations, sponsorship, memberships, etc.	0.56	0.45	1.04

Partnership with Sternstunden e.V.

BayernLB's biggest commitment is its support of the charity Sternstunden e.V., which was founded in 1993 to help children in need. As a founder member, the Bank has been a long-standing, reliable partner to the charity right from the word go. It and the other partners have laid the foundations for the charity's work and ensure every single cent donated to Sternstunden is used for the children's aid projects it supports in Bavaria, the rest of Germany and worldwide.

BayernLB supports Sternstunden financially and with many additional benefits in kind. In addition to a fixed subsidy to cover administrative costs, the Bank assumes the costs of printing and postage of donation forms and the Sternstunden annual report, provides office space and equipment and processes payments for the charity.

On top of this regular support, BayernLB and its employees once again got involved to help the non-profit organisation in a variety of other ways during the reporting period. For example the athletes of the BayernLB sports club once more "ran up" donations in the B2Run in 2015. True to the motto "Laufend Gutes tun" (running does good), they raised EUR 1,700 for Sternstunden. On "Sternstudentag" (Sternstunden day), 128 of the Bank's employees manned the telephone lines at the Bayerische Rundfunk donation centre. They were instrumental in processing thousands of donor calls. At the Sternstunden stand at the Nuremberg Christmas Market, around three dozen BayernLB colleagues, mainly from the Nuremberg branch, helped raise EUR 14,517 for children in need.

Donations were also raised by a campaign by the Bank's picture collection. And donations for Sternstunden still keep pouring in via the "Sterntaler" donation boxes – initially installed by BayernLB to collect donations of old German Deutschmarks and foreign currencies. Since the campaign was launched, it has generated more than EUR 2 million for the organisation.

Support for the State School for the Physically Disabled (Bayerische Landesschule für Körperbehinderte)

BayernLB also held its traditional charity exhibition again in 2015. Every two years, students at the State School for the Physically Disabled present paintings and works of art at BayernLB that they have produced in art therapy. The 2015 exhibition went under the motto “BUNTES WUNDER” (colourful wonder) and all exhibits were successfully auctioned off. The proceeds of EUR 30,000 were split equally between Sternstunden e.V. and the Bavarian State School for the Physically Disabled.

Corporate Volunteering

BayernLB’s Corporate Volunteering programme, under the auspices of Group Compliance, entered its fifth year in 2015, in the course of which 203 employees carried out 233 assignments. The volunteers put in a total of 1,519.82 hours or 198.14 days.

	2015	2014	2013
Number of days of Corporate Volunteering	198	156	206

Employees provided support, for example, as mentors for the non-profit organisation JOBLINGE, an initiative to give young people access to the world of work. In a programme lasting around six months, they receive important qualifications on-the-job, train their social skills and work towards an apprenticeship or employment. BayernLB staff provide active help as mentors for JOBLINGE. As a corporate partner, BayernLB has supported the initiative since 2012 by assuming the costs for grants to qualify unemployed young people for an apprenticeship or job and thereby enabling them to start a successful future. Staff continue to work as mentors in the field of education (MyFinanceCoach: basic economic knowledge at hotspot schools and Business@school: more in depth financial knowledge in the final two years of grammar school) and act as mentors for university students at LMU Munich.

Volunteers also helped refugees by distributing clothes donated on behalf of the City of Munich’s welfare institutions and the organisation “Diakonia”. The employees had previously asked colleagues to provide clothes and donations in kind. In cooperation with the welfare institutions and numerous sponsors of charitable institutions, organisational units of the Bank held joint social days, during which the employees’ economic performance was donated to the benefit of the respective institution.

At the end of 2015, six refugees began an internship at the bank. In this way, they gain an insight into working life in Germany and improve their German language skills. This helps integrate people into society.

Since 2013, employees at BayernInvest have also had the opportunity to participate in Corporate Volunteering. For example, in 2015 BayernInvest once again contributed to a cooperative project with the Otto-Steiner school in the Hasenberg district of Munich. The Otto-Steiner school is part of the Augustinum Group and is a support centre focusing on mental development. BayernInvest employees performed handyman tasks in the school and renovated a hallway. There are firm plans to continue these volunteer days. In response to the tense refugee situation, BayernInvest and its employees organised the collection of clothing and material donations and gave them to the City of Munich for distribution, along with a financial donation from BayernInvest.

BayernLabo supports the social project of the association “Schüler helfen Leben e. V.” and in 2015 once again offered young people the opportunity to work at the Bank for a day. Their pay for the day was donated to youth and educational projects in south eastern Europe.

Promotion of education and science

BayernLB supports the elite Finance & Information Management (FIM) graduate studies programme, thereby helping the financial managers of the future to get the practical training and support they need. The programme is offered by the University of Augsburg and the Technical University of Munich.

The primary goal of the Munich Financial Center Initiative (fpmi) is to strengthen and improve the image of Bavaria, especially Munich, as a financial centre and to improve the area’s standing outside the region. The fpmi furthers the interests of all players within Bavaria’s financial sector.

In addition to BayernLB, other participants include companies from the banking and insurance sectors, private equity, venture capital and leasing companies, the Bavarian State Ministry of Economic Affairs and Media, Energy and Technology, the Bundesbank, Munich’s stock exchange, professional bodies, business and trade associations and research institutions linked to universities. As a member, BayernLB supports collaborative projects between Bavarian universities and financial service providers with a practical focus, a career centre for newly qualified talent and the exchange of knowledge and experience at specially organised events, in particular.

Art and culture

Gold from Bavarian rivers – the savings banks in Kelheim, Bamberg and Neumarkt-Parsberg displayed rare and valuable treasures of this precious metal for its customers and visitors in 2015. The BayernLB touring exhibition also features rare alluvial gold ducats, loaned by the Bayerische Landesbank. BayernLB has one of the most extensive collections of these unusual pieces and loans them to saving banks interested in putting them on display.

BayernLB once again sponsored the open-air classical music concert in Munich’s Odeonsplatz in 2015. The well-established summer event attracts around 16,000 guests every year.

Sustainability programme

The sustainability programme includes objectives and measures for all relevant topics and is a key tool for the management and development of BayernLB's sustainability performance. Taking into account the results of the materiality analysis, the relevant specialist divisions at BayernLB have developed a new sustainability programme for the years 2016–2020. It designates objectives, measures and a deadline by which the objectives are to be achieved. Selected objectives and measures are documented on the following pages. In addition, objective monitoring will be used to describe the extent to which the then applicable sustainability programme was implemented by the end of 2015.

Monitoring

The following section determines and describes in detail the implementation status of the sustainability programme defined in the Sustainability Report 2014. Some of these objectives will be pursued in the new sustainability programme for 2016–2020. Since the sustainability programme for 2016–2020 published here is an excerpt of the entire programme, it is possible that rolling objectives are not documented.

Sustainability management and strategy

[G4-26]

Objective	Measures	Deadline	Achievement of objective	Explanation
Adjust the sustainability management system	Check the overall focus, sustainability policy and long-term goals	12/2015	Complete	Completed as part of the materiality analysis and transition of the sustainability reporting to GRI G4.
	Check the climate strategy	02/2015	Complete	Following an internal review, the three-stage climate strategy will be retained.
Expand the scope of consolidation for the sustainability management system	Incorporate the strategic Group subsidiaries into the environmental and sustainability management system and intensify Collaboration	Gradual	Predominantly	Contacts designated at all Group subsidiaries and gradual intensification of cooperation e.g. as part of the materiality analyses
Certification of management systems	Re-accredit BayernLB's environmental management system under EMAS	Annual	Complete	Completed annually
Increase the communication with strategic stakeholders	Increase the interaction with contacts in controversial areas	08/2015	Complete	Regular discussions with customers, suppliers, NGOs, and as part of federations/associations (such as the VfU).
	Conduct regular supplier audits	Ongoing	Complete	Annual supplier audits regarding the sustainability agreement (four audits each in 2015/16).
	Intensify dialogue with ethical investors	12/2015	Predominantly	BayernInvest is an active PRI signatory and active in the BVI working group on sustainable investing.

Sustainable financial solutions

Objective	Measures	Deadline	Achievement of objective	Explanation
Increase funding by SRI investors	Stabilise the results in sustainability ratings at on the basis of 04/2014	Ongoing	Complete	Successful stabilisation or improvement of results of sustainability ratings from oekom research and imug.
Expand sustainable products and banking business	Extend the subsidised loan business for projects with high benefit for the community	Ongoing	Predominantly	Together with the Bavarian savings banks BayernLB is the market leader in the subsidised loan business in Bavaria
	Expand the donation bond to include other areas	12/2015	Predominantly	The idea of the donation bond has been actively implemented by the savings banks when targeting their customers
Expand the management of ESG risks and social challenges	Increase ESG issue management	06/2015	Complete	Continuous monitoring and analysis of NGOs, sustainability rating agencies, competitors; systematic recording of business transactions rated in terms of ESG opportunities and risks.
	Increase efficiency in compliance with environmental and social standards of the World Bank in export financing	12/2015	Predominantly	Needs based sensitisation and training of employees; supplementation of the World Bank standards by topic and sector-specific guidelines.

Employees

Objective	Measures	Deadline	Achievement of objective	Explanation
Increase understanding for sustainability issues among employees	Integrate the issue of sustainability into the training programme	12/2015	Partial	Sensitisation of employees to the topic.
	Give employees product-specific training	Ongoing	Partial	Sensitisation of employees to the topic.
Intensify occupational health and safety	Keep sickness rate below 4 percent	Ongoing	Not achieved	The sickness rate in 2015 was 4.7 percent due to the flu outbreak in the first quarter.

Objective	Measures	Deadline	Achievement of objective	Explanation
Increase the proportion of women in management positions	Continue the cross-mentoring programme	Ongoing	Complete	The programme has been and will be continued. In 2015, three female employees took part.
	Intensify reporting on equal opportunities	12/2013	Complete	Regular reporting (including in the Sustainability Report) has been carried out.
	Collect and monitor other social indicators	12/2016	Complete	In the internal human resources report are communicated annually (in addition to the number of employees, e.g. staff fluctuation).
	Take up the issues of "equality" and "advancement of women" in leadership seminars	12/2017	Partial	Board of Management submission with specific measures is agreed with the Board of Management.

Operational environmental protection

Objective	Measures	Deadline	Achievement of objective	Explanation
Prevent energy and resource consumption	Keep power consumption at the 2014 level	12/2015	Complete	Efficiency measures and changes in usage were implemented. Furthermore, the reduction in consumption was achieved despite the expansion of the scope of consolidation.
	Renew the lighting in the corridors and (screen) workstations	12/2016	Partial	Start of the replacement measures.
	Modernise the heating pumps in the main building	12/2014	Complete	Exchange of various pump motors involved in heating and cooling where economically feasible.
	Reduce the indirect environmental impacts, which are caused by business travel	12/2016	Complete	The objective was also achieved in 2015, starting from a 2010 baseline.
Substitute CO ₂ -intensive energy sources	Extend supply agreement to cover electricity demand from certified hydro-electric power	06/2016	Complete	The agreement was extended to the end of 2017.
Offset unavoidable CO ₂ emissions	Revise the distribution key for CO ₂ levies	12/2014	Not implemented	Following an internal review, the previous distribution key will be retained.
	Check the offsetting of unavoidable CO ₂ emissions	12/2015	Complete	Review has been carried out with the result that the Bank will continue to offset unavoidable CO ₂ emissions.

Sustainability programme for 2016–2020

The sustainability programme for the coming years is divided into the six themes and 12 action areas identified in the materiality analysis.

Sustainability management and strategy

Objective	Measures	Deadline
Expand the scope of consolidation of the sustainability management system	Incorporate the Group's strategic subsidiaries into the sustainability management system and intensify cooperation	Ongoing
Certification of management systems	Revalidate BayernLB's environmental management system according to EMAS	Annual
Increase communication with strategic stakeholders	Intensify engagement with contacts on controversial subjects	Ongoing
	Conduct regular supplier audits	Annual

Integrity

Compliance/governance

Objective	Measures	Deadline
Continuously develop the systems and processes in accordance with the regulatory requirements	Review existing criteria and implementation processes	Ongoing
Refine the Code of Conduct	Comply with stakeholders' values	Ongoing
Align business activities with the organisation's values	Advise Sales units in accordance with Compliance principles and ethical obligations	Ongoing

Reputational risk management

Objective	Measures	Deadline
Establish transparency regarding the reputational risk situation	Report all issues with a material reputation risk to Central Reputational Risk Management (CRRM)	Ongoing
Prepare an action framework for all business activities, which takes into account reputational risks	Adjust or draft conditions/guidelines (e.g. process definitions/policies) in conjunction with all the BayernLB units affected	As needed

Employees

Demographic change

Objective	Measures	Deadline
Ensure the Bank has qualified employees	Continue to develop young talent	Ongoing
	Continue focused staff development, talent management and part-time further study	Ongoing
Intensify occupational health and safety	Stabilise the health level at no less than 95 percent	Ongoing
	Advance healthcare management, e.g. preventative services, psychological risk assessment, campaigns	Ongoing

Diversity

Objective	Measures	Deadline
Increase the percentage of women in management positions to 30 percent	Continue the cross-mentoring programme	Ongoing
	Increase part-time opportunities for managers	Ongoing
	Take up the issues of "Equality" and "Advancement of women" in management seminars	12/2017
Promote a compatibility of career and family	Continue flexible working hours models and the possibility of home office workspaces/mobile devices	Ongoing
	Offer advisory services and immediate help: family service & Elder Care	Ongoing

Staff development

Objective	Measures	Deadline
Provide continuous education and further training	Offer career management incl. Development Centres, talent pool	Ongoing
	Offer part-time further study (on/off the job)	Ongoing

Customers

Digitisation/FinTech

Objective	Measures	Deadline
Meet customer needs	Develop customer-oriented IT solutions	Ongoing
	Establish a modernised online presence optimised for all devices	03/2017
Use new technologies to improve process efficiency	Digitalise processes and customer interaction (e.g. Individualised customer portal as a central access point to BayernLB)	Ongoing

Customer satisfaction

Objective	Measures	Deadline
Improve customer satisfaction	Perform regular market research and survey the key customer groups	Ongoing
	Maintain contact regularly in the form of personal meetings, at selected specialist events and trade fairs	Ongoing
Improve brand awareness and reputation	Proactive PR work in the form of specialist articles, interviews, advertising campaigns	Ongoing

Sustainable financial solutions

Responsible finance – lending

Objective	Measures	Deadline
Comply with, refine and manage high ESG standards mainly in earmarked financing	Check existing policies, assess needs and, if required, develop new policies	Ongoing
	Check and refine the process to comply with international financing standards	06/2017
Train employees to assess ESG opportunities and risks	Build up a keyword directory/FAQs for checking environmental and social compliance in the financing business	06/2017
	Increase employee training on ESG opportunities and risks in the financing business	Ongoing
Increase management of climate risks in financing	Check that initiatives to measure and reduce climate risks are being actively supported	12/2018
Increase sustainable products	Extend the subsidised loan business for projects with a high benefit to society	Ongoing

Renewable energy

Objective	Measures	Deadline
Support for the energy transition	Increase financing of investments in renewable energy	Ongoing
	Finance energy storage solutions, network expansion and manufacturers of relevant technology	Ongoing

Fossil fuels

Objective	Measures	Deadline
Support the dismantling of fossil fuel and nuclear power plants	Develop appropriate financing solutions	12/2017

Responsible finance – investment

Objective	Measures	Deadline
Contribute to the development of the market for green and social bonds	Establish a green bond value chain (origination, sales and research)	Ongoing
Increase the management of climate risks in investment	Check that initiatives to measure and reduce climate risks are being actively supported	Ongoing
Increase sustainable products	Extend the donation bond to include other areas – preferably, as in the past, up to EUR 100,000 per year	12/2018

Environment

Operational environmental protection

Objective	Measures	Deadline
Avoid energy and resource consumption	Consolidate the sharp reduction in power consumption achieved since 2008 in the long run (2014 baseline)	Ongoing
	Stabilise the peak load consumption of electricity at the Munich location to a max. of 4,000 kW	Ongoing
	Increase train travel as a means of transport for business trips instead of flying or driving (2015 baseline)	12/2018
	Increase the use of environmentally responsible follow-on mobility solutions (local public transport, car sharing) (2015 baseline)	12/2018
	Offer carbon neutral taxi journeys (incl. electric/hybrid vehicles)	02/2017
	Reduce paper consumption per employee by 2.5 percent from the 2015 level	12/2016
	Continue using quality labels (e.g. “Blue Angel”, FSC or Ecolabel) for all types of paper	12/2017
Substitute CO ₂ -intensive energy sources	Ensure ecologically responsible power supply	Ongoing
Offset unavoidable CO ₂ emissions	Extend the offsetting of unavoidable CO ₂ emissions to all the Bank’s locations in Germany	12/2016

Society

Corporate citizenship

Objective	Measures	Deadline
Retain and fully exploit the possibilities of releasing employees from their duties to take part in Corporate Volunteering (number of days)	Raise attractiveness by extending the types of cooperation and the cooperation partners	Ongoing
Provide budget for Corporate Volunteering (reimbursement of expenses)	Board of Management resolution	annual
Continuously monitor and refine the donation and funding campaigns	Review the focus of the areas and projects	Ongoing

Appendix

About the report

BayernLB has published a sustainability report since 2007, so far in a biannual cycle. Its most recent publication was the Sustainability Report 2014. For several years the report has been based on the guidelines of the Global Reporting Initiative (GRI). This report was prepared in agreement with the “Core” option in the latest version of the GRI’s G4 guidelines and also takes into account the sector-specific information for financial service providers.

In addition to the Sustainability Report 2015 based on the G4 standard, BayernLB has published a condensed version, which comprises the key content of the Sustainability Report. While the Sustainability Report is only available in electronic form, a limited number of printed copies of the condensed version are available.

The Sustainability Report is supplemented by the Environmental Statement, which must be published as part of the EMAS certification of the environmental management system. Both BayernLB and DKB have relevant Environmental Statements.

The information on offer is rounded off by relevant details on BayernLB’s website (www.bayernlb.com/sustainability). It focuses in part on current reports about activities in sustainability management.

Important company-related changes

As part of the restructuring process to cope with the consequences of the financial crisis, BayernLB has sold various investments in the past few years, such as the Hungarian bank MKB in 2014. As of 1 January 2015, Bayern Card-Services GmbH – S-Finanzgruppe, Munich (BCS) was consolidated into the BayernLB Group.

Entities included

[G4-17]

The content of this report generally refers to BayernLB and its legally dependent institution BayernLabo. Around 45 percent of all the Group’s staff are employed there. Wherever possible and expedient, relevant projects or products of subsidiaries, such as DKB and BayernInvest, are also presented. DKB, which employs around 46 percent of all the Group’s staff, publishes its own sustainability report. Many of the relevant regulations, such as the corporate mission, the Code of Conduct and the guidelines for earmarked financing in fossil fuels, apply for the entire Group. Where this is the case, it is explicitly noted. The 2015 Annual Report (p. 225 et seqq.) provides an overview of BayernLB’s investments.

Delimitation:

BayernLB core Bank: All business areas and central areas, not including BayernLabo

BayernLB Bank: BayernLB core Bank + BayernLabo

BayernLB Group: BayernLB Bank + Group companies (= companies which are included in the scope of consolidation in the balance sheet)

The number of employees at “BayernLB Group” includes all employees with an active employment contract. Inactive employees or those not included are employees taking a gap in their employment (e.g. parental leave), without salary and those with an inactive employment relationship for other reasons.

Permanent staff: all employees with an active employment contract at BayernLB Bank incl. BayernLabo, but not including the Board of Management, managing directors, junior staff, temporary staff and interns.

Core Bank permanent staff: all employees with an active employment contract at BayernLB core Bank (not incl. BayernLabo), but not including temporary staff, the Staff Council, trainees, staff allocated to the Board of Management, or TMAP (banking trainees, BA/cooperative university students, interns, Board of Management).

Full-time equivalent (FTE): occupation rate of the employee.

[G4-22] New depiction of information

For the presentation of key performance indicators as well as for the calculation of the greenhouse gas emissions (GHG) BayernLB produces, the Bank uses the updated metrics system of the Association for Environmental Management and Sustainability at Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten – VfU; key figures for environmental performance in the international version of 27 November 2015). Potential deviations from the data already communicated may arise due to the more detailed data collected and the expansion of the scope of consolidation for the environmental management system.

[G4-23] Important changes in the report

The most important changes in the content compared to the previous report is the application of the GRI's new G4 standard, including the sector-specific information for financial service providers.

The background to the transition from the G3 to the G4 standard is the European Union (EU) directive on the disclosure of non-financial information, which must be applied for the first time for the 2017 financial year and which also applies to BayernLB. By switching to the G4 standard at this early stage, BayernLB is preparing itself for both the new content- and process-related challenges of the reporting obligations. The report was produced in agreement with the “Core” option of the GRI guideline.

A key new feature of the G4 guideline is the definition of the key action areas for the Bank. Section 3 describes how these have been drawn up.

Reporting period

The Sustainability Report 2015 basically refers to the 2014 and 2015 calendar years. This applies particularly to the key figures presented. In line with the designations of the Annual Report, BayernLB has decided to once again name the Sustainability Reports after the reporting period and not, as in the previous report, after the year of publication. The current Sustainability Report therefore has the suffix “2015”. The closing date for submissions for this report was 30 June 2016.

Date of most recent previous report

The Sustainability Report 2014 referred to the 2012 and 2013 calendar years. It was published on 14 January 2015.

Reporting cycle

BayernLB has previously published the Sustainability Report in a biannual cycle. In preparation for the obligation to report on non-financial information and figures, which will come into force from the 2017 financial year and will also apply to BayernLB, the Bank plans to switch to the required annual reporting, starting with the 2015 Sustainability Report. The next Sustainability Report is scheduled to be published in summer 2017.

External verification

The Sustainability Report has so far not been subject to extensive external validation. However, key information for the report is taken from publications that are subject to an external audit. This includes financial information and figures from the Annual Report and environmental information and figures from the Environmental Statement, which are reviewed by an independent environment expert as part of the EMAS certification.

In addition, the GRI has confirmed the placement of the General Standard Disclosures G4-17 to G4-27, both in the GRI G4 Content Index and in the report text by means of a materiality disclosure service. The GRI G4 Content Index displays whether the General and Specific Standard Disclosures were met.

Editorial note

To aid readability, the male form is used for any gender-specific references.

GRI G4 Content Index



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G4-8	Markets served	6/7–9	Annual Report 2015 Separate Financial Statements, p. 51 et seqq.
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G4-27	Report of key topics and concerns raised by stakeholders	20–21	

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G4-28	Reporting period	81	
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G4-34	Governance structure	10/11	Annual Report 2015 Separate Financial Statements, p. 32/33
Ethics and integrity			
G4-56	Principles, corporate values and codes of conduct/codes of ethics	9–10/13–14/ 24/29–30	
Specific Standard Disclosures			
Category: Economic			
ASPECT: Economic Performance			
G4-DMA	Economic performance	67/78	
G4-EC1	Direct economic value generated and distributed	68–70	Annual Report 2015 Separate Financial Statements, p. 76–77
G4-EC3	Coverage of the organisation's defined benefit plan obligations	41	Annual Report 2015 Separate Financial Statements, p. 85
G4-EC4	Financial assistance received from government	27	Annual Report 2015 Separate Financial Statements, p. 12
ASPECT: Procurement practices			
G4-DMA	Procurement practices	9–10/49	
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	10	
Category: Environmental			
ASPECT: Materials			
G4-DMA	Materials	58–60	
G4-EN1	Materials used by weight or volume	61–62	
ASPECT: Energy			
G4-DMA	Energy	58–60/73/77	
G4-EN3	Energy consumption within the organisation	60–61	
G4-EN6	Reduction of energy consumption	59–60	
ASPECT: Water			
G4-DMA	Water	58–60	
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G4-EN10	Percentage and total volume of water recycled and used	63	

GRI designation		Page	Comments
ASPECT: Emissions			
G4-DMA	Emissions	58–60/73/77	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	64–66	
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	64–66	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	64–66	
G4-EN18	Greenhouse gas (GHG) emissions intensity		
G4-EN19	Reduction of greenhouse gas (GHG) emissions	59–60	
ASPECT: Effluents and waste			
G4-DMA	Effluents and waste	58–60	
G4-EN22	Total water discharge by quality and destination	64	
G4-EN23	Total weight of waste by type and disposal method	64	
ASPECT: Products and services			
G4-DMA	Products and services	47–52. 55/72/76–77	
G4-EN27	Extent of impact mitigation of environmental impacts of products and services		There is no data or it is not recorded separately.
ASPECT: Compliance			
G4-DMA	Compliance	23/25	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		There is no data or it is not recorded separately.
ASPECT: Overall			
G4-DMA	Overall	58–60	
G4-EN31	Total environmental protection expenditures and investments by type		Expenditures and investments for environmental protection include expenditures for external auditing and certification of the environmental management system and investments in building technology. The related figures are not recorded separately.
ASPECT: Environmental grievance mechanisms			
G4-DMA	Environmental grievance mechanisms	28	
G4-EN34	The number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	28	

GRI designation		Page	Comments
Category: Social			
Sub-category: Labour practices and decent work			
ASPECT: Employment			
G4-DMA	Employment	30/38	
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	33–34	
G4-LA3	Return to work and retention rates of employees after parental leave, by gender	38	
ASPECT: Occupational health and safety			
G4-DMA	Occupational health and safety	41–42/72	
G4-LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programmes	42	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities by region and by gender	42–43	Only partially reported.
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	42–43	
ASPECT: Training and education			
G4-DMA	Training and education	30/35/75	
G4-LA9	Average hours of training per year per employee by gender, and by employee category	35	
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in career endings	35–36	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	30/36	
ASPECT: Diversity and equal opportunity			
G4-DMA	Diversity and equal opportunity	30/32/37/ 40/72/75	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	11/33/37/40	
ASPECT: Equal remuneration for women and men			
G4-DMA	Equal remuneration for women and men	37–38	
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	37–38	

GRI designation		Page	Comments
ASPECT: Labour practices grievance mechanisms			
G4-DMA	Labour practices grievance mechanisms	28	
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	28	
Sub-category: Human rights			
ASPECT: Investment			
G4-DMA	Investment	49	
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	49	
ASPECT: Equal opportunity			
G4-DMA	Equal opportunity	28/40	
G4-HR3	Total number of incidents of discrimination and corrective actions taken	28/40	
ASPECT: Human rights grievance mechanisms			
G4-DMA	Human rights grievance mechanisms	28	
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	28	By applying the World Bank standards and committing to respect human rights in all business activities along the value chain, BayernLB ensures comprehensive protection of human rights.
Sub-category: Society			
ASPECT: Anti-corruption			
G4-DMA	Anti-corruption	23/25–26	
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	27	100 percent
G4-SO4	Communication and training on anti-corruption policies and procedures	27	
G4-SO5	Confirmed incidents of corruption and actions taken	27	None

GRI designation		Page	Comments
ASPECT: Public Policy			
G4-DMA	Public policy	21/67	
G4-SO6	Total value of political contributions by country and recipient/beneficiary	21/67	None
ASPECT: Anti-competitive behaviour			
G4-DMA	Anti-competitive behaviour	23/25/27	
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	27	None
ASPECT: Compliance			
G4-DMA	Compliance	23/25	
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		There is no data or it is not recorded separately.
ASPECT: Grievance mechanisms for impacts on society			
G4-DMA	Grievance mechanisms for impacts on society	28	
G4-SO11	The number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	28	
Sub-category: Product responsibility			
ASPECT: Product and service labeling			
G4-DMA	Product and service labeling	44/46–47/76	
G4-PR5	Results of surveys measuring customer satisfaction	46–47	
ASPECT: Marketing Communications			
G4-DMA	Marketing communications	44	
G4-PR6	Sale of banned or disputed products	44	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		There is no data or it is not recorded separately.
ASPECT: Customer privacy			
G4-DMA	Customer privacy	43/45–46	
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	46	
ASPECT: Compliance			
G4-DMA	Compliance	23/25	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		There is no data or it is not recorded separately.

GRI designation		Page	Comments
Aspect: Product portfolio			
G4-DMA	Product portfolio	14/23/ 47–52/ 55/72/74/ 76–77	
G4-FS6	Percentage of the portfolio in percent for the business areas by specific region, size (e.g. micro/SME/large) and by sector		Annual Report 2015 Separate Financial Statements, p. 51 – 52 and 54; due to the high cost and effort involved, the indicator is not established in full.
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business area broken down by purpose	54/56–57	
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	54–57	
Aspect: Active ownership			
G4-DMA	Active ownership	47–50	
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening	53	

Additional G4 disclosures

GRI designation		Page	Comments
G4-35	Delegation of powers of attorney for economic, environmental and social topics	13	
G4-36	Responsibility for economic, environmental and social topics	11/13	
G4-38	Composition of the highest governance body and its committees	11	
G4-42	Highest governance body's role in determining goals, values and strategies	11/14	
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	11	
EN2	Percentage of materials used that are recycled input materials	61–62	
EN5	Energy intensity	66	
FS13	Access points in low-populated or economically disadvantaged areas by type	45	
FS14	Initiatives to improve access to financial services for disadvantaged people	45	

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