




BayernLB Sustainability Report 2016

Regional roots. Global responsibility.



*We have a huge responsibility
towards future generations –
we would like to make our own
contribution as BayernLB.*

**Dr Johannes-Jörg Riegler,
CEO**

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Foreword

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

At the beginning of March this year the German Bundestag passed an act that transposes the European Union CSR Directive into German national law. The Directive stipulates that, as from financial year 2017 and then annually thereafter, certain capital market-oriented companies disclose their progress with respect to environmental, social and labour issues, preventing human rights violations and combating corruption and bribery. The aim is to help these companies to tackle the various challenges posed by sustainability objectives while enabling their stakeholders to evaluate and compare their efforts.

Over the past ten years BayernLB has regularly filed reports detailing what measures it has taken to increase sustainability, what it has since achieved and what it wants to further improve. For a number of years now we have used the strict standards of the Global Reporting Initiative as a guide. In addition to this Sustainability Report, we provide comprehensive and up-to-date information on our website about our numerous activities, such as those that express our social and environmental commitment.

We believe the CSR reporting obligation is an appropriate and important means of motivating companies to make even greater efforts towards achieving sustainable development. Transparency catches the attention of customers, investors and other important stakeholders and drives competition for good ideas and solutions for sustainable development. Being better informed about social and environmental issues in various sectors and companies also makes it easier for us to analyse and evaluate the relevant risks and opportunities in our own business activities. Comparability and transparency, after all, are a key – if not *the* key – line of defence against “alternative facts” and “fake news” and are therefore more crucial today than ever.

BayernLB must not shy away from comparisons with other banks – on the contrary. Independent sustainability rating agencies that assess every aspect of our services with a critical eye on behalf of investors have consistently given the Bank good scores for many years. The renowned agency oekom research, for example, has been awarding the BayernLB Group its coveted Prime Status for more than ten years. This distinction is given to companies which actively and comprehensively confront head-on the industry-specific challenges that sustainable development entails. MSCI ESG, the division of financial services provider MSCI specialised in sustainability ratings, has also rated our commitment as above average compared with our peers in the sector.

We very much welcome this independent confirmation of our work, but are aware that in the years to come we will need to come up with good strategies in the face of growing social and environmental challenges like climate change. Given the dedication of our employees, we are very confident that we can achieve this. In 2018 as well we will of course report transparently on our progress.

Sincerely,

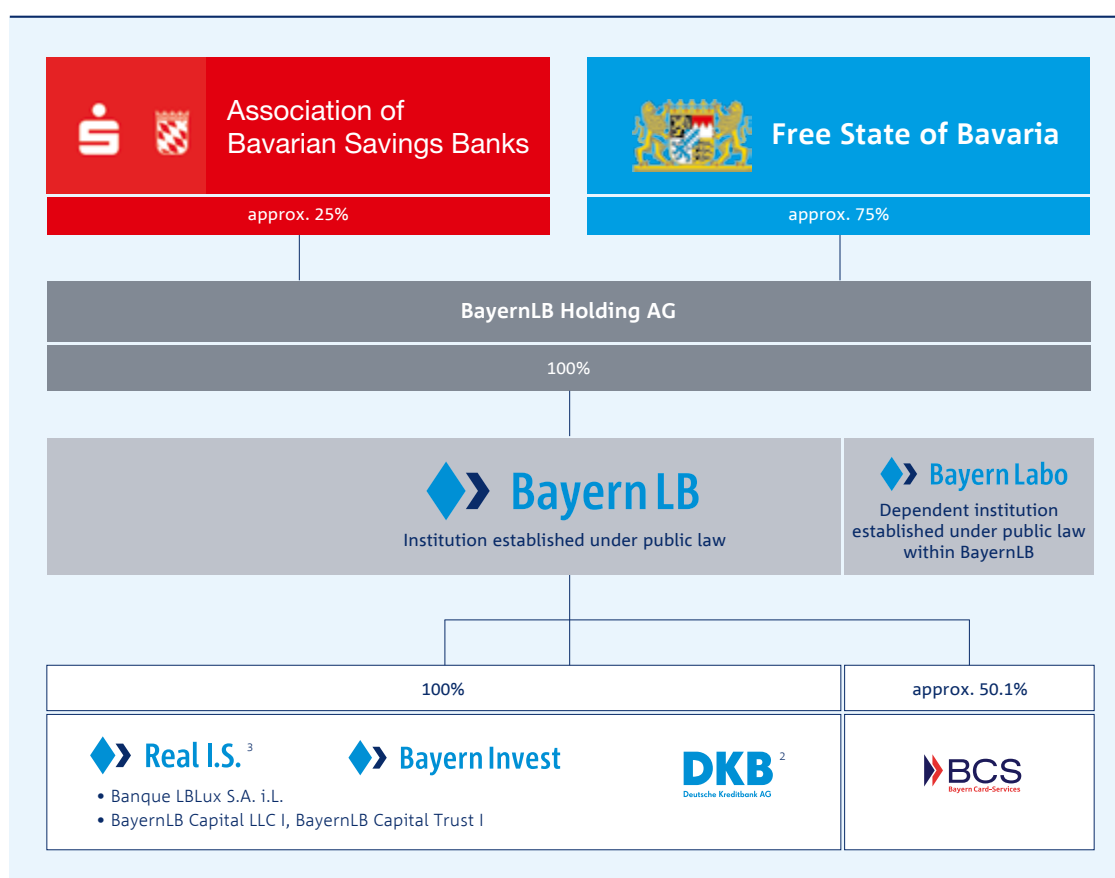
A handwritten signature in blue ink, consisting of a large, stylized 'R' followed by a horizontal line and a vertical stroke, resembling 'JR'.

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 are Deutsche Kreditbank AG (DKB), BayernInvest Kapitalverwaltungsgesellschaft mbH (BayernInvest) and Real I.S. AG Gesellschaft für Immobilien Assetmanagement (Real I.S.). BayernLB has a 50.1 percent direct shareholding in the consolidated subsidiary Bayern Card-Services GmbH – S-Finanzgruppe (BCS).



1 24.99999994

2 DKB sub-group

3 Real I.S. sub-group

The **BayernLB Group** serves corporate, real estate and, via the subsidiary **DKB**, retail customers. BayernLB is one of the leading commercial banks for large and medium-sized customers in Germany. DKB has more than 3.4 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.

Munich-based **BayernInvest** is the Group’s centre of competence for institutional asset management for the “securities” asset class, while fund services provider **Real I.S.** specialises on the “real estate” asset class. **BCS** is one of Germany’s leading service providers for credit card processing.

As a member of the **Sparkassen-Finanzgruppe** (Savings Banks Finance Group), BayernLB supplies a wide range of products to the savings banks in Bavaria in addition to serving as the association’s central bank.

This Sustainability Report focuses on BayernLB Bank including BayernLabo. Where possible and appropriate, it also refers to relevant projects or products from the subsidiaries.

Locations – close to the customer

Although BayernLB’s regional focus is on Bavaria and Germany, it also assists its customers with their global 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.

Beyond Germany, 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 2016

Total assets (EUR million)	Profit/loss before taxes (EUR million)
212,150	708
Equity (EUR million)	Profit/loss after taxes (EUR million)
11,056	550
CET1 ratio (“fully loaded”)	Return on equity (ROE)
13.2%	8.1%

Source: 2016 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. The Bank's chief core competencies are traditional loan financing, such as working capital loans, 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 note loans.

Medium-sized customers

BayernLB is the customer bank for the German SME sector, with sales locations in the strong economic regions 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 market. 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. But funding from the savings banks is also an important pillar for the refinancing of the Bank and for strengthening the liquidity reserve.

Real estate

BayernLB's real estate business includes commercial real estate financing and services. It acquires new customers and strengthens existing customer relationships through the use of tailor-made financing with a focus on the core market of Germany and selected, established foreign real estate markets. BayernLB's real estate portfolio is diversified into various asset classes – offices, retail, residential, logistics and real estate management – and involves portfolio financing and project development. In the area of managed real estate, the Bank provides financing concepts primarily for hotels, logistics centres, hospitals, clinics and care homes. The relevant unit 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 individual 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 3.4 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. DKB's corporate and sustainable actions are important across all divisions. 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.

Purchased services

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 and social standards, including the core labour standards of the International Labour Organization (ILO). Relevant documents here are BayernLB's Code of Conduct 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 to hold meetings and the right to collective negotiating, 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

Rules are set out in the procurement process and by extension the applicable model contracts with externals requiring the sustainability agreement to be set up with suppliers. It 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. The agreement commits the suppliers and external service providers to meet the requirements themselves and demand the same from their respective suppliers and external service providers. This also applies to outsourcing. Equally this is also observed with respect to the management of own and rented real estate.

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.

Local and environmentally responsible procurement

A total of 84 percent of the procurement volume for services and goods of the domestic core Bank for which central purchasing at the Munich location is responsible is obtained from suppliers and service providers in Germany, with 38 percent of this amount from suppliers in Bavaria. When purchasing tangible goods with the same value for money, preference is normally given to products with recognised environmental seals, such as the "Blue Angel". As regards the management of own and rented real estate of the Bank in Germany, no less than 99 percent of the order volume is awarded to companies in Germany.

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 shall conduct 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 at Group level.

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.

Supervisory Board

As stipulated by the Bayerische Landesbank law, the Supervisory Board is made up of 11 members. It is composed of 10 shareholder representatives, with at least half representing external members, at least three representing the Free State of Bavaria (state representatives) and one representing BayernLB's Staff Council. One Supervisory Board mandate is currently held by a woman (9 percent). 27 percent of the members are currently aged between 40 and 49 years, with 73 percent over 50 years old. Information on the remuneration of the members of the Supervisory Board can be found in the annual report.

The Supervisory Board appoints the members of the Board of Management and approves the annual and Group consolidated financial statements. In addition, it monitors the Board of Management. Committees are drawn from the Supervisory Board; 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 make decisions on fundamental issues. These include, after previous preliminary deliberation by the Supervisory Board, in particular changes to the Bank's statutes, the appropriation of the net retained earnings, discharging the members of the Supervisory Board and – on the basis of a proposal from the Supervisory Board – appointing the auditors of the financial statements and discharging the members of the Board of Management.

Corporate governance principles

Since 2003, the Bank's Corporate Governance Principles have summarised the corporate management and control regulations that apply to BayernLB which either the Bank has imposed on itself or which are binding in law. These principles are largely based on the provisions of the German Corporate Governance Code, 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

The Bank uses the sustainable development goals (SDGs) as a guide for defining the main action areas and goals of its sustainability management. The 2015 Annual General Meeting of the United Nations agreed 17 principal and 169 individual goals which form a political and social framework of reference worldwide for global sustainable development up to 2030. With the entry into force of the Paris Agreement at the beginning of November 2016, SDG 13 (measures for climate protection) laid down key markers for global climate protection in the coming decades.

One of the core tasks of sustainability management is observing and analysing the impact not just of climate protection policy, but also other political, legal, social and technological developments on BayernLB's business. 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.

Principles and guidelines

The voluntary renunciation of potential business transactions, for example, by excluding financing, and the related financial income, in particular during a period in which the financial situation of banks is generally 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 adopted back in 2007 by the Board of Management and updated in 2016; it is published on the BayernLB's website along with the other documents referred to.

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 describes the Group-wide management system for dealing with the social, political, environmental and economic challenges of sustainable development, while also referring to the team of sustainability specialists 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. The sustainability specialists are supported by experts from various areas of BayernLB and by Bayern Facility Management (BayernFM). 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 the internal bank processes. This is covered in the various guidelines and operating instructions. For instance, the Group Reputational Risk Guideline of the BayernLB Group stipulates that sustainability management must form part of all transactions where reputational risks could arise in connection with social and environmental factors. 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 assessment 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. 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 social 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 and BayernLB's company website.

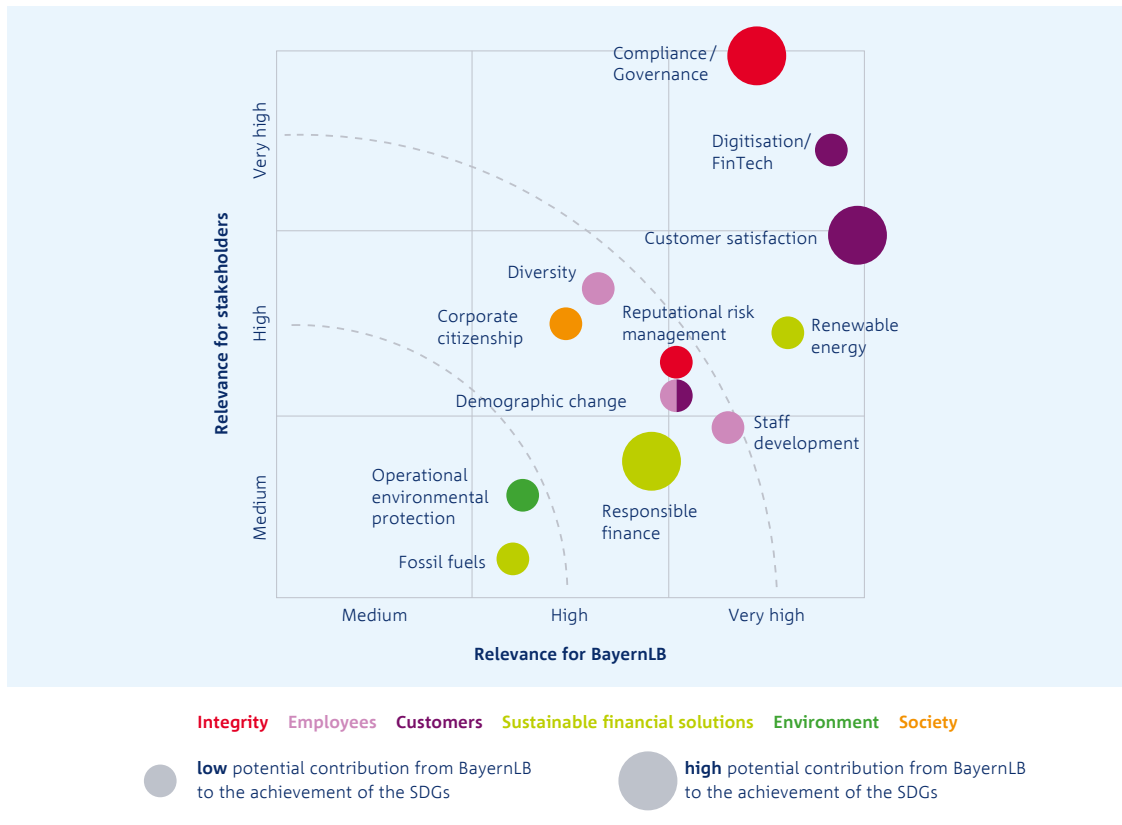
Key action areas

GRI 102-46

In determining the content of the report, BayernLB takes its lead from the standards 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.

As indicated, the starting point for establishing the key topics was the UN Sustainable Development Goals (SDGs). Out of a total of 17 development objectives, 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 sustainability ratings and the reporting framework as well as industry-specific sustainability challenges.

Key action areas for BayernLB



BayernLB has prioritised the action areas in a materiality matrix based on three criteria: to estimate the expectations the stakeholders have of the Bank, a media analysis was conducted to assess the intensity of the public debate on sustainability issues in the banking sector. Subsequently, 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 BayernLB's sustainability reporting and the foundation on which the Bank defines the goals for its sustainability programme for the next few years.

The 12 identified action areas are presented in section 4 of this report, where they are assigned to six higher level sustainability themes. In addition to the issues arising from the materiality analysis and which come up again in the GRI Index on pages 76 et seq., the sustainability report also tackles issues which are of special interest to certain stakeholders, especially sustainability-rating agencies.

Stakeholders dialogue

GRI 102-40,
102-42, 102-43

Stakeholder approach

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. It distinguishes here between significant – e.g. employees, customers and business partners, investors and shareholders – and other relevant stakeholders – e.g. supervisory bodies, the public, rating agencies and non-governmental organisations.

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 front office area is responsible for contact with the customer, Investor Relations for working with the investors and ratings agencies, and the Press Department for media contacts.

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.

GRI 102-43,
102-44

In the reporting period BayernLB was involved as part of the financing consortium in the discussions about the construction of the Dakota Access Pipeline in the USA. In the constructive dialogue with national and international environmental and human rights organisations, including representatives of the Sioux Indians, who are particularly affected, the Bank managed within the options available to it to achieve a outcome that is satisfactory to all parties involved. In this context, the Bank explicitly welcomed the retention of the independent law firm Foley Hoag LLP to verify compliance with human rights standards. As a result of the events related to the construction of the pipeline, the Bank has decided at the beginning of 2017 to exit the financing at the earliest date possible under the loan agreement and to not participate in the upcoming next round of financing.

Dialogue with sustainability-rating agencies

The dialogue with sustainability rating agencies, whose ratings are relevant for the Bank in two ways, has intensified over the past few years. First, when looking where to put their money, a growing share of investors are paying attention to issuers' sustainability performance. Globally their share was over 28 percent at the start of 2016, 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. BayernLB therefore analyses very carefully the list of criteria of the sustainability-rating agencies, taking “trend radar” approach. BayernLB also uses the sustainability ratings as a basis for the regular strengths-weaknesses analysis of its Sustainability Management:

GRI 102-44 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 companies, which work particularly hard to achieve sustainable development.

MSCI ESG, the division of financial services provider MSCI specialised in sustainability ratings, also gave the Bank’s sustainability management a positive rating. With its “A” rating, BayernLB is current above the industry average (BBB).

Rating of BayernLB by selected sustainability-rating agencies

	Imug (German partner of Vigeo Eiris)			MSCI	oekom	Sustainalytics
Last rated in	12/2016			08/2016	10/2015	07/2013
Rating	15.79%			A	C	65 points
Ranking/ investment status	Unsecured bonds: “neutral” (C)	Public Pfandbriefs “positive” (BBB)	Mortgage Pfandbriefs “positive” (B)	Above sector average	„Prime“	18 out of 73
Sector average	-4.4%			BBB	D	57 points
Rating scale	-100% to 100%			AAA-CCC	A+ to D-	0 to 100 points
Benchmark	30 international issuers from the savings bank sector			n/a	84 “Public & regional banks”	73 „private banks“

Policies and memberships

As a state 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 act, 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.”

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. 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.

The extent of the commitment ranges here from supporting local initiatives, such as the “environmental pact of Bavaria”, to supporting global initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI). BayernLB joined the Klimapakt Münchner Wirtschaft (Munich economy climate pact) in the reporting year. Together with 14 other large Munich companies it has committed itself to saving at least 40,000 tonnes of CO₂ by the end of 2017.

BayernLB and individual subsidiaries are also active in the following organisations and associations geared towards sustainability (in alphabetical order).

- Arbeitskreis Energie-Einkauf und Energie-Effizienz (energy procurement and energy efficiency working group)
- CDP, formerly the Carbon Disclosure Project (www.cdp.net)
- Fondsfrauen (women in the funds industry) (www.fund-women.de/)
- Klimapakt Münchner Wirtschaft (Munich economy climate pact) (www.muenchen.de/rathaus/wirtschaft/nachhaltig-oeko/klimapakt-muenchner-wirtschaft.html)
- Principles for Responsible Investment (PRI) (www.unpri.org)
- Wirtschaft weiß-blau (business white-blue) (www.business-white-blue.de)
- Umweltpakt Bayern (environmental pact of Bavaria) (www.EnvironmentalPact.bayern.de)
- UNEP FI (www.unepfi.org)

Sustainability themes

Integrity

Challenges

Observing rules, regulations and standards and fulfilling the expectations of stakeholders have clearly gained in importance in the past few years in the face of a changing regulatory and social environment. BayernLB already responded to this issue many years ago, both on an organisational and procedural level. Group Compliance is responsible for compliance with statutory and regulatory requirements, protecting BayernLB against unlawful acts and 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 follow these. They are fully supported by the Group Compliance as well as other areas such as the Legal Department 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.

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. By following it carefully we will be doing more than just treating each other fairly. We will also be contributing towards our most important objective – sustainable business success compatible with our social responsibility.* 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 them 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. It 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 (Umweltpakt Bayern), 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 the reporting year. 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.

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 element in the fight against international terrorism. The contribution that BayernLB can make here, as well as to combating money laundering and financial crime, is described, along with other issues, in the Code of Conduct. It states for example: *"We check the identity, and credit standing of our clients and business partners. We conduct regular due diligence to seek to ensure we are not being abused for unlawful business practices such as the financing of terrorism, money laundering or other criminal acts."*

BayernLB is bound by various German and international standards and implements new measures promptly and in full. Money laundering and financial crime is combated in line with rules applicable across the Group. The minimum annual risk analyses for the Bank and the Group provide a risk assessment for all areas and/or relevant subsidiaries and are used as the basis for the measures required. A key main objective is the protection of customers, employees and the Group against damage caused by financial crime activities. The basic prerequisite for this is gaining an overall picture of the customer, his business and the (economic) environment, in the style 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 embargoes and sanctions are observed in full. The audit processes required are automated to the greatest extent possible. Audits are based on information from the Bank's own IT systems and external sources. The specialist department also works with negative lists for particularly critical countries, primarily on the basis of empirical values.

All staff at the Bank are regularly informed about current issues through face-to-face and online training and via the intranet, with attendance mandatory. 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. Staff representatives fully uphold the measures required.

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

Conflicts of interest and the fight against corruption

The prohibition on accepting and granting benefits at BayernLB concerns both direct financial contributions 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 “Rules governing the acceptance and granting of 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 securities they deal with professionally and furthermore staff transactions may not breach customer or Bank 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 institution.

BayernLB’s Code of Conduct firmly anchors the principle that within the Group no business relationship can be entered into with persons who have been legally convicted of corruption or with companies managed by such persons. Reviewing and monitoring of corruption risks is carried out by the respective compliance units in the Group companies. They have taken precautions and regularly carry out appropriate risk analyses. All domestic and foreign locations as well as the relevant Group companies are covered by the respective Compliance units. No confirmed cases of corruption are known to have occurred in the reporting period.

The existing rules and conduct for combating corruption are addressed in regular training sessions. Examples are used to illustrate how to recognise corruption and conduct/events that are out of the ordinary, and what options are available in the existing whistleblowing system.

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 2016 BayernLB brought to a close the last of a total of 22 lawsuits that were lodged by plaintiffs in the USA against a wide range of banks, insurance companies and brokers. The lawsuit was based on the allegation of collusion between bidders in tenders put out by various US municipalities for guaranteed investment contracts (GICS). Collusion in tenders also resulted in criminal proceedings and convictions in the USA.

BayernLB was not involved in these illegal activities. At no point either did the investigating authorities name BayernLB as an accused party or indicate that it was involved in the collusion. Like many other suppliers of GIC products, BayernLB only received an order requesting evidence to be presented as part of the investigation. Notwithstanding this, it was ultimately because the BayernLB had received such an order that a lawsuit was brought against the Bank. In the USA, the defendant must pay the costs of their legal defence even if the lawsuit was wrongly brought and dismissed. From a financial perspective, ending the legal dispute by paying the “nuisance value” of the lawsuit in settlement may therefore in some cases be the cheaper option, as it is in this case. BayernLB has therefore ended this lawsuit without acknowledging any misconduct by reaching a settlement and undertaking to pay amounts that were lower than the expected costs for time-consuming and costly discovery proceedings and other legal defence costs. In the reporting period there were no proceedings conducted on the basis of illegal competitive behaviour, or the creations 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 or breaches of our duty to cooperate.”* This is fleshed out in the Group Reputational Risk Guideline in which any business activity that serves to evade and/or reduce duties or taxes in Germany or another country is excluded. 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 customer advisor 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 front office, there is no cross-division recording of complaints received.

In the capital market area, the Securities Trading Act (WpHG) requires banks to conduct effective and transparent procedures for a reasonable and prompt handling of 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 mediation 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 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. The corresponding 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 Equality of Treatment Act (AGG). The body did not receive any complaints during the period under review.

Employees

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 a marked intensification in competition, the progressive 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.

BayernLB also faces the challenge of meeting the rising cost of regulations and the reduction of the Bank agreed with the European Commission. The Bank is meeting these challenges with a comprehensive cost-cutting programme (KSP) and other measures.

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”. The Bank publishes both documents on its website and they are regularly communicated to the managers. The Management principles are used as the basis for management training at all levels as well as for feedback tools and the staff appraisal.

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 Equality of Treatment Act (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 HR 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 HR 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, 2013 and 2016 employees were able to give feedback to their line manager on their management performance using the “Manager Feedback” tool. For 2016 the procedures were supplemented with feedback from 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 2016, BayernLB employed a total of 7,133 staff. In comparison with the previous year, the number of personnel in the BayernLB Group had thus increased by 51 employees (+ 0.7 percent). Most of the increase was attributable to BayernInvest and DKB.

Headcount

	31 Dec 2016	31 Dec 2015	Change in %
BayernLB Group	7,133	7,082	0.72

In relation to staffing levels, as at 31 December 2016 the BayernLB Group had a total of 6,483.44 full-time equivalents (FTE) available (in 2015: 6,455.90 FTE). This corresponds to an increase of around 0.4 percent. In calculating full time equivalents, account is taken of the time scale the Bank employees are available for. For example, two employees with half a position equal one full time equivalent.

Full-time equivalents at the BayernLB Group

	31 Dec 2016	31 Dec 2015	Change in %
BayernLB core Bank	2,702.26	2,704.44	-0.08
BayernLabo	199.19	199.84	-0.32
Banque LBLux S.A.	0	45.85	-100
BayernInvest	181.02	169.53	6.78
DKB	3,031.50	2,937.57	3.20
Bayern Card-Services GmbH	223.42	252.62	-11.56
Real I.S. AG	146.05	146.05	0
BayernLB Group	6,483.44	6,455.90	0.43
• of which full-time	71%	80%	-11.11
• of which part time	28%	20%	40.78
• of which men	47%	50%	-5.86
• of which women	52%	50%	4.49

At BayernLB Bank, the main focus of this Sustainability Report, there were a total of 2,901.45 full-time equivalents (FTE) or 3,196 employees (headcount) as at 31 December 2016, of which 85 were junior staff. Staffing levels at BayernLB Bank have thus fallen by 0.1 percent or 2.84 FTE over one year.

Full-time equivalents at BayernLB Bank

	31 Dec 2016	31 Dec 2015	Change in %
Germany	2,717.51	2,716.15	0.05
• of which full-time employees	2,084.00	2,115.00	-1.47
• of which part-time employees	633.51	601.15	5.38
• of which men	1,574.23	1,567.70	0.42
• of which women	1,143.28	1,148.45	-0.45
• of which junior employees	85.00	91.00	-6.59
Abroad	183.94	188.14	-2.23
• of which full-time employees	180.00	185.00	-2.70
• of which part-time employees	3.94	3.14	25.48
• of which men	106.30	109.50	-2.92
• of which women	77.64	78.64	-1.27
BayernLB Bank	2,901.45	2,904.29	-0.10
• of which full-time employees	2,264.00	2,300.00	-1.57
• of which part-time employees	637.45	604.29	5.49
• of which men	1,680.53	1,677.20	0.20
• of which women	1,220.92	1,227.09	-0.50

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 44.62 years as at 31 December 2016 (2015: 44.32). 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 41.9 percent (2015: 44.8 percent) is from the 40-49-year age group. This was mainly due to the fact that, during the period of growth in the 1990s, it hired a particularly large number of trainees and young professionals.

Average age at BayernLB core Bank (permanent staff) as at 31 Dec 2016

Headcount	m	f	Total	in %
Up to 19 years	0	2	2	0.1
20 to 29 years	110	107	217	7.5
30 to 39 years	262	268	530	18.4
40 to 49 years	643	564	1,207	41.9
50 to 59 years	513	342	855	29.7
More than 59 years	38	29	67	2.3

Junior staff

A total of 40 junior staff were recruited to BayernLB in 2016. The Bank opted for a mix of dual-trained professionals and academics. The overall number of junior staff has stagnated over the past few years as the Bank has been adjusting its training capacity to the reduced demand.

28 junior staff at BayernLB (more than 74 percent), who completed their training in 2016, received an offer to become an employee. Besides providing thorough training, the Bank believes it is particularly important to equip its former junior staff with additional skills and qualifications. 67 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 at BayernLB Bank

	2016	2015	2014
Trainees	12	11	11
Dual students	12	14	13
Apprentices	16	14	16
Total	40	39	40

Staff movements

Intake

Only some of the new intake for 2016 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 2016, BayernLB reported a total intake of 96 people (excluding junior staff). Most of this was in Germany (91). Around 41 percent were women (39), with a particularly strong representation in the 30-50-year age group (69), as experienced employees were recruited in addition to the junior staff programmes.

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

	2016	2015	2014
Total employees (Average number of employees)	2,757.9	2,763.5	2,909
Related recruitment rate (number of new recruits divided by the average number of employees)	3.48%	1.27%	1.20%
Total intake	96	35	35
Germany	91	29	32
Europe excluding Germany	4	2	2
America	1	4	1
Male	57	28	25
Female	39	7	10
Age group under 30 years	20	7	5
30-50-year age group	69	22	25
Age group above 50 years	7	6	5

Departures and turnover

In 2016, a total of 236 employees left the Bank. The majority is due to the reduction in personnel under the KSP programme. By the end of 2016 a reduction of nearly 91 percent (421 of 462) 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 1.60 percent in 2016. The banking industry is not subject to seasonal variations, which affect, for example, the tourism sector.

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

	2016	2015	2014
Total employees (average number of employees)	2,757.9	2,763.5	2,909
Related turnover rate (number of employee resignations divided by average number of employees)	1.60%	1.99%	1.93%
Total fluctuation	44	55	56
Germany	42	47	49
Europe excluding Germany	1	4	6
America	1	4	1
Male	27	30	34
Female	17	25	22
Age group under 30 years	7	8	10
30-50-year age group	18	41	40
Age group above 50 years	19	6	6

Types of employment contracts

At the end of 2016, 97.2 percent of the employees at BayernLB Bank had a permanent employment contract, with 2.8 percent on a fixed-term contract. These include the trainees, who, at the end of their training, 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	1.6	52.2
Female	1.2	45.0
Total	2.8	97.2

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 qualifications

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 2016, the training budget was funnelled into supporting the Bank’s realignment in particular. For example, a clear focus was placed on specialist, management and sales development.

In 2016 BayernLB invested more than EUR 2.7 million in total on further training and qualification measures, and thus about as much as in the previous year. The head office in Munich registered 4,480 bookings of employees for internal and external measures amounting to 5,734 further training days.

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

	2016	2015	2014
Number of participants	4,480	5,914	4,494
Number of measures	849	894	849
Further training days	5,734	7,357	5,084
• of which men	3,541	4,707	3,205
• of which women	2,193	2,650	1,879
• of which with management responsibilities	886	1,430	1,036
• of which without management responsibilities	4,848	5,927	4,048
Budget in EUR million	2.7	2.8	2.7

The development measures can be divided into those taken “on the job” (e.g. taking on 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 education and training, often leading to the academic degree of a Bachelor or Master’s. In 2016 there were approximately 100 employees registered on a part-time further study programme, in some cases for several years. 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 staff Germany)

	2016	2015	2014
Management training	1,299	1,623	1,257
Technical and sales training	2,037	3,411	2,122
IT training	237	237	540
Methods and soft skills training	528	229	178
Language training	154	112	64
Health management	31	25	41
Conventions	213	277	292
Total seminar bookings:	4,480	5,914	4,494
• of which internal seminar bookings	3,870	5,248	3,917
• of which external seminar bookings	610	666	577

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. In the annual staff appraisal, line managers and employees at all levels discuss – besides the achievement of task and conduct-related objectives and the evaluation of non-technical skills – the individual career and training objectives and then agree on appropriate development measures. To ensure the transfer of learning and the successful completion of development measures, the line manager keeps tabs on the learning progress over the course of the year by providing feedback.

It is also BayernLB's aim to identify, promote and encourage employees with potential at an early stage. Every two years, each business/central area holds a "performance review" to identify talent for the Bank. For a period of two years, this talent is then closely followed and supported in a systematic talent management programme as they develop their careers as specialists, managers or project managers.

Under the Bank's systematic succession planning, managers identify employees in the business/central areas with potential to fill key positions in the short to medium-term (left vacant, e.g. due to retirements or resignations). Depending on individual expertise and qualification requirements for the post, development measures are agreed between the potential successor candidates and managers and the learning progress is monitored and kept on track in the annual staff appraisals.

In the last few years BayernLB has satisfied its needs for specialists and managers by mostly drawing from its own ranks.

Equal treatment of women and men

Proportion of women in management positions

As at 31 December 2016, there were 1,361 women and 1,544 men employed at BayernLB Bank Germany. Measured on the percentage of the workforce made up by women, which is 46.9 percent, female managers continue to be underrepresented with a share of 20.4 percent. Of the 29 newly vacant management positions in 2016, eight were occupied by women – a ratio of 27.6 percent. Compared with 2015, the proportion of women is, however, unchanged despite this good staffing ratio.

To meet the objective of pushing the ratio of management positions occupied by women up to at least 30 percent, several initiatives have been taken. One of them has been to set up a working group tasked with drawing up and implementing specific measures. These are focused on the action area of "Raising the awareness of all managers, increasing the numbers of female applicants for managerial positions at all levels of the hierarchy, creating women's networks, and optimising processes". A communication guide which has already been drawn up gives all employees information about measures, activities and the progress made and aims to ensure that the existing tools and options on offer to reconcile work and family life are even more transparent.

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:

- In 2016, the “WoMen-Power!” working group was put together with the remit of initiating measures to get more women into leadership positions. The aim is to boost the share of women in management from the current 20.4 percent to 25 percent by the end of 2018.
- To raise the awareness of managers, the issues of “equality” and “advancement of women” have been actively addressed in management seminars.
- For filling management positions, the observer body for the selection rounds will have at least one female member so that gender-related criteria are not interpreted in favour or at the expense of only one gender.
- 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. The offer of professional childcare was also extended to cover the Day of Repentance and Prayer (in November) in addition to the summer holidays.

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 HR unit 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 compensation regulation” which is relevant for the Bank, a remuneration officer was appointed at BayernLB to internally monitor the adequacy 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. The next issue is due on 30 June 2017.

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 occupational activities. 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)

	2016	2015	2014
Employees with entitlement to parental leave	2,783	2,759	2,855
• of which men	1,517	1,506	1,569
• of which women	1,266	1,253	1,286
Employees who have used parental leave	118	104	124
• of which men	48	52	48
• of which women	70	52	76
Employees who return to the workplace after the end of the period of parental leave	99	116	108
• of which men	46	55	48
• of which women	53	61	60
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	92	109	95
• of which men	42	54	44
• of which women	50	55	51

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 2016, part-time staff who are permanent staff at BayernLB core Bank in Germany and abroad accounted for 30.3 percent of the workforce (842 out of a total of 2,783 employees), compared with 28.2 percent in 2015. The steady 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

	2016	2015	2014
Male	202	180	143
Female	640	597	565
Total	842	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 2016 just over 7.6 percent of employees had an agreement with the Bank with provision for a fixed teleworking job with defined teleworking days. These are, however, gradually being replaced by “mobile telework”, an even more flexible solution which can be used regardless of location, whether at home or on the move. 43.1 percent of employees now have this type of technical equipment.

Percentage of employees with a teleworking agreement (permanent staff)

	2016	2015	2014
Percentage of employees with teleworking agreement (in %)	7.62	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 2016, BayernLB Bank employed a total of 79 employees with a severe disability. This corresponds to 2.5 percent of the total workforce.

In 2016, for its commitment to the barrier-free expansion of municipal and social infrastructure, BayernLabo was awarded the signet “Bayern barrierefrei – Wir sind dabei” (We support a barrier-free Bavaria) by the Bavarian State Ministry of Labour and Social Affairs, Family and Integration.

Remuneration and pensions

Remuneration system

The collective agreements for the private banking sector and the public banks apply to around 31 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. This means that 93 percent of employees are covered by collective bargaining agreements. In so far as it is legally appropriate and possible, the service agreement rules applicable for Germany are also adopted at the foreign branches.

In addition to the announced amendment of the institution compensation regulation (which was, however, delayed a number of times), a key focal point in 2016 was also the discussions with the General Staff Council on a comprehensive further development of BayernLB’s remuneration system.

The negotiations could not be concluded due to the complexity of the matter and the delays in amending the institution compensation regulation which is still pending. Therefore, on the basis of the negotiations held in 2016 for financial year 2017, temporary transitional solutions were agreed or existing transitional solutions extended. These relate firstly to the 2017 service agreement for variable remuneration of risk takers and the service agreement on voluntary components of remuneration falling outside the collective agreement for employees in collective wage agreements for financial year 2016, and the guidelines for the 2017 staff appraisal.

BayernLB set itself the goal for financial year 2017 of concluding the negotiations with the General Staff Council as soon as possible. As a first step an indefinite new service agreement for the award of bonuses was concluded at the end of April 2017.

After consulting with the governing bodies and committees, the Board of Management agreed in 2016 for financial year 2015 a budget for variable remuneration to reward the performance of employees. Taking into account the Bank's economic situation and the operating performance for financial year 2015, a budget of around EUR 42 million was distributed, which corresponded 100% to the reference amount.

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

	31 Dec 2016		31 Dec 2015	
	Headcount	in %	Headcount	in %
Training allowance	68	2.1	77	2.4
Bank collective agreement	998	31.3	977	30.7
Outside collective agreement	1,905	59.7	1,888	59.4
Local employees abroad	181	5.7	184	5.8
Temporary workers, trainees, other	38	1.2	54	1.7
BayernLB Bank employees (excluding BoM members)	3,190	100.0	3,180	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

Number of employees	31 Dec 2016		31 Dec 2015	
	Headcount	in %	Headcount	in %
with a direct commitment to civil servant-style pension provision	811	25.4	850	26.7
with provision as per VO2010	1,600	50.2	1,520	47.8
with provision as per VO2005	381	11.9	389	12.2
other (esp. without/with local pension entitlements, incl. probationary period, local empl., junior staff, temps, no offer for VO2010 included)	398	12.5	421	13.2
BayernLB Bank employees (excluding BoM members)	3,190	100.0	3,180	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 and also has an advisory role. 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. Through its health management, 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:

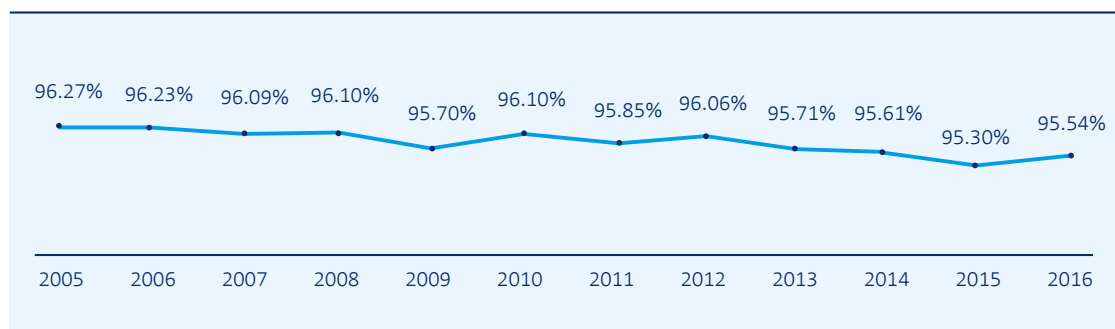
- Extensive information in the intranet on topics such as "Stress, burn-out, depression and addiction" as well as "Psychology and health"
- Training to raise awareness and provide guidance to employees, e.g. on aspects such as "Psychological problems and reintegration" and "Fit and healthy at the workplace"
- 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"

The Bank has also successfully implemented an operational reintegration management programme (BEM) pursuant to section 84 (2) of the Social Security Code (SGB) IX, in which its employees can request professional support when reintegrating after a long illness. Comprehensive information on this matter is also available on the intranet or provided in one-to-one meetings.

Health rates

BayernLB measures and documents the effectiveness of health management measures using the health rate. In 2016, the figure for BayernLB Bank stood at 95.54 percent (2015: 95.30 percent). On average, each employee was absent for 11.15 days (2015: 11.76 days) for sickness-related reasons. Overall, sickness-related absence remains at a stable level.

In 2016 there were a total of 15 days of absences due to industrial accidents: a decline of almost 75 percent on the previous year (58 days). The nature of the injury was not recorded. No work-related deaths were recorded. Activities that systematically underlie a high morbidity or threat rate do not exist within banks. No activities systematically associated with high rates injury or hazard are carried out at banks.



Customers

Challenges

“What do our customers need? And how can we help them meet the challenges of the competition?”

Answering this question framed in BayernLB’s corporate image lies 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 referred to above also defines the key points for dealing with customers. Among the issues it addresses are data protection, information, transparency and product design. In addition to this internal commitment there are various regulatory requirements, for example on how to deal with customer data.

Key values and goals for the customer relationships are also formulated in the “corporate image” which BayernLB drew up in 2015. At the core of this corporate image are the six company values: professionalism, commitment, team spirit, reliability, responsibility and enthusiasm. In total, around 150 workshops were held in 2015 in order to anchor the corporate image at BayernLB. The six company values also form the basis for the Bank’s management principles. Along with the Code of Conduct, the corporate image and management principles are available on BayernLB’s website.

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.

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. As stated in the Code of Conduct: *“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 obfuscating 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.

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 68 Bavarian savings banks currently trading, with approximately 2,450 manned 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.

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.

The relationship with staff representatives 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 data protection rulings with a far-reaching impact and takes appropriate measures to ensure it continues working in compliance with data protection rules. 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 2017.

In reporting year 2016, BayernLB examined two data protection complaints which were resolved to the satisfaction of the complainant. It also examined six cases of possible data loss. They all related to the loss of laptops, smartphones, USB sticks and Blackberry phones. No personal data were affected or technical security measures (access protection, encryption, remote reset function) were in place to exclude the possibility of a third party coming into possession of personal data.

Regular evaluations of customer satisfaction

GRI 102-43

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 so-called customer barometer captures the attitudes and behaviour of current and potential customers. The subject of the barometers includes the stability of customer relationships, the customers' satisfaction with the Bank's services as well as their perception of the Bank's strengths and weaknesses. The focus here is on qualitative evaluations of customers and satisfaction indicators. At the same time, 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 studies, two of which are given below:

- 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 percentage points.
- The medium-sized Customer Barometer is based on personal interviews with representatives of small and medium-sized enterprises. The last survey in the autumn of 2016 indicates stable customer satisfaction with a slight improvement.

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.

External awards underscore customer satisfaction

External awards are also an important indicator of customers' satisfaction with BayernLB's services. In 2016 the Bank received the Quality Leader Award from consulting firm Greenwich Associates in the "German Middle Market Corporate Banking" category. The award was based on a survey of 616 companies and financial institutions in Germany with an annual turnover of between EUR 50 and 500 million. The focus was on quality and speed of processes in particular.

BayernLB was named "Best Arranger of Schuldscheine" for 2016 at the Global Capital Awards held in London. The winners are determined by international finance specialist magazine Global Capital through surveys of issuers, international investors and investment banks.

Sustainable financial solutions

Challenges

Almost USD 23 trillion US dollars was invested in line with ESG criteria at the start of 2016, according to the calculations of the Global Sustainable Investment Alliance (GSIA). In the German-speaking area, the corresponding investment volume at the end of 2015 was more than EUR 326 billion, according to the industry association Forum Nachhaltige Geldanlagen (FNG) (forum for sustainable investments). Sustainable investing has finally lost the "niche" label that was so often pinned on it in the past and established itself from a provider's point of view as an attractive market segment. BayernLB offers sustainability-oriented private and institutional investors with various investment products in this area.

When it comes to financing by banks, ESG-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 implementing existing sectoral and thematic guidelines and on examining the need for more guidelines, while also continuing to implement the process to include sustainability management in the evaluation of ESG opportunities and risks in BayernLB's various business activities and taking account of social and environmental aspects when evaluating 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 Group-wide for all types of business activities, include the following rules:

- The Group adheres to all embargoes and sanctions imposed by the EU and the UN. Moreover, local regulations also apply insofar as these are required.
- The Group does not conduct business with persons or companies run by people found guilty of bankruptcy or insolvency offences, serious financial crime or fraud.
- In accordance with the Group Reputational Risk Guideline, the Group does not conduct business that intends to avoid and/or reduce duties/taxes or to conceal and/or provide substantial unfair advantage to such activities in Germany or abroad..
- The Group does not conduct business that is related with a deliberate breach of copyright and commercial trademarks.
- The Group does not conduct business that is related to illegal activities (e.g. drug, people or organ trafficking/smuggling, slavery, prostitution), sexual exploitation and pornography, and child exploitation or forced labour.
- 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 states.

Human rights

The issues of trafficking in human beings, sexual exploitation, exploitative child and forced labour and slavery, which were referred to in the previous bullet point above, are relevant in relation to the respect of human rights. BayernLB has undertaken in a variety of contexts to protect these rights and take appropriate measures to implement the commitments: besides the comprehensive ESG-standards, this includes the sustainability agreement which obliges the Bank'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 observing World Bank standards and the other frameworks mentioned to respect human rights, BayernLB ensures the protection of human rights when providing project financing as well as in its other business activities.

GRI 102-44

In the reporting period BayernLB was involved as part of the financing consortium in the discussions about the construction of the Dakota Access Pipeline in the USA. In the constructive dialogue with national and international environmental and human rights organisations, including representatives of the Sioux Indians, who are particularly affected, the Bank managed within the options available to it to achieve an outcome in the talks that is satisfactory to all parties involved. In this context, the Bank explicitly welcomed the retention of the independent law firm Foley Hoag LLP to verify compliance with human rights standards. As a result of the events related to the construction of the pipeline, the Bank has decided at the beginning of 2017 to exit the financing at the earliest date possible under the loan agreement and not participate in the upcoming next round of financing.

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 agricultural 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

With respect to actively managed investments, BayernInvest Kapitalverwaltungsgesellschaft mbH declines to have dealings with companies which manufacture controversial or illegal weapons. This includes anti-personnel mines, nuclear weapons, biological and chemical weapons and cluster munitions. This rule applies to the investment volumes actively managed by BayernInvest. 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) and automated monitoring.

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 the second principle: *"We will be active owners and incorporate ESG issues in 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 sectors and themes, which are particularly sensitive from environmental and social perspectives, BayernLB has formulated policies based on the World Bank standards, which also apply for the Group.

Atomic energy and fossil fuels

One focus here is on the use of fossil fuels, which, in the opinion of the Bank, is a bridging technology on the road to an energy economy which is resource-conserving and climate friendly. The Bank also defines criteria for financing in the nuclear area. The specifications for atomic-fossil energy sources also include targeted financing under strict conditions.

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

Sector	Exclusion	Conditions
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 involving 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"> • Construction of coal-fired power plants only using the latest technology. • Modernisation of existing coal-fired power plants only if efficiency gains/higher levels of efficiency are realised and/or climate-damaging emissions are reduced
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 • Extraction by 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 gaming industry in principle. Exceptions apply if gambling is offered by a public or non-profit 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 arms 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 regularly checked and, if necessary, refined. BayernLB also constantly 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. 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/Compliance will provide an opinion at the request of the person responsible.

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 funds and mandate solutions

With the “DKB future fund” customers can invest primarily in equities of companies meeting the strict sustainability criteria. When selecting appropriate equities, the fund works with both exclusion and positive criteria, while the sustainability analysis for this comes from the sustainability rating agency oekom research. DKB Ökofonds (eco-funds) was merged with the DKB future fund on 13 December 2016.

Fund volume as at 31 Dec in EUR million	2016	2015	2014
DKB future fund	33.61	22.05	17.28

In the peer group comparison, the “DKB future fund” is in a leading position. The analysts at Morningstar placed the Fund in the category “equities Europe flexible” with three stars; it is among the best funds in the Morningstar Sustainability Rating in its peer group and FWW gives the fund five “fund stars”. It is also ranked number six among the top 100 equity funds authorised for distribution in Germany and classified on yourSRI.com as sustainable equity funds. The “DKB future fund” easily exceeds the average ESG rating score of 65.4 percent with a value of 75.9 percent (as at 31 December 2016).

The fund is 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 integration of ESG issues in the analysis and decision-making processes in the field of investment. BayernInvest reports regularly in the "PRI Transparency Report" on its 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 many years, BayernLB Bank has provided charitable foundations with comprehensive advice and support, from the design and creation of the foundation, right through to management of foundation assets. Foundation assets are managed in asset management and special fund solutions through its subsidiaries, Real I.S. and BayernInvest. Sustainability criteria can be drawn up here in accordance with the wishes of the foundation and incorporated in the management of the assets of the foundation.

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

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. In 2016, the global issue volume for green bonds was around USD 81 billion or just under EUR 75 billion, according to the calculations of the Climate Bonds Initiative. For 2017, BayernLB is anticipating further growth in the green bond segment and similar issues and is forecasting a global issue volume of USD 120 to 130 billion or between EUR 112 and 121 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 four other green securities, including the world's first green Schuldschein note loans for the wind turbine manufacturer Nordex and the food producer FrieslandCampina. BayernLB successfully placed a green Schuldschein note loan, its first Spanish Schuldschein note loan, for Acciona S.A., one of the world's largest companies operating in the field of sustainability. With this issue, the Bank increased its share in the green Schuldschein note loan segment to 75 percent in 2016.

As joint lead manager, BayernLB also made a big contribution to the hugely successful placement of 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. These five green bonds/sustainability issues had a combined issue volume of over 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 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.

Sustainable real estate investments

Real I.S. is one of the leading German providers of real estate investments for private and institutional investors. It manages real estate worth about EUR 6 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). 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 and energy efficiency

BayernLB believes that it is highly important to aim for and promote an energy industry that conserves resources and is climate friendly. 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 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 realised more than 2,150 wind power and 1,350 photovoltaic projects and funded over 600 biogas plants. With a credit volume now of nearly EUR 10 billion, this makes DKB one of the biggest funders of the energy transition in Germany. At BayernLB core Bank, the lending volume for project financing in the field of renewable energy stood at EUR 3.4 billion at the end of 2016.

DKB specialised in citizen participation at an early stage and thus supports regional development. 90 civic participation projects with a financing volume of over EUR 500 million have already been implemented since 2004. They allow citizens to financially participate in wind and solar farms, district heating networks or residential and school projects in their region. DKB's sustainable product range includes DKB citizen savings for indirect citizen participation and the DKB citizen participation account. These investment products help create a higher level of acceptance for the projects on site and regional value creation, while sending out a signal for environmental protection.

Public subsidies are an important means of supporting environmental protection and efficiency investments. BayernLB has for many years provided support to companies investing in environmental protection and efficiency measures, often using KfW subsidies. In just 2016 alone, around EUR 630 million of new development loans were concluded in the field of energy efficiency and environmental protection.

Real estate

Residential and commercial buildings account for a large share of energy consumption. In Germany, for example, about 40 percent of energy is consumed in the building sector. Making existing building stock 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 DGNB through an approved auditor. Its many years of experience in facility management range from its inventory of over 3 million m² 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. It is certified under the European environmental 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 centre of competence 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.

Residential development

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 2016, the construction of 9,532 homes and 2,620 residential units was subsidised as part of various programmes.

To promote the creation of facilities for people with disabilities, EUR 10.5 million in loans and EUR 27.9 million in grants were approved in 2016, allowing a total of 398 residential units to be built. By providing loans in the amount of EUR 50.1 million, BayernLabo helped fund the construction and upgrading of 1,610 residential units for students in 2016.

Selected key figures for BayernLabo's subsidised programmes

	2016	2015	2014
Homes/residential units	10,144	7,127	7,400
Residential units for people with disabilities	398	359	517
Residential units for students	1,610	705	1,286

Municipal loans business

In cooperation with KfW as a municipal and development bank for the Free State of Bavaria, BayernLabo also supports Bavarian municipalities and special-purpose associations with its own subsidised programmes. These programmes include 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. For its work, BayernLabo 2016 was awarded the signet "Bayern barrierefrei – Wir sind dabei" (We support a barrier-free Bavaria) by the Bavarian State Ministry of Labour and Social Affairs, Family and Integration.

Through its Energiekredit programme, BayernLabo supports the financing of investment to make the municipal building stock in Bavaria more energy efficient. It doubled its commitment volume here in 2016 to EUR 96.9 million euros compared with the previous year's EUR 44.6 million.

Refugee accommodation

As part of the special refugee accommodation facility set up in 2015, seven loans with a total volume of EUR 14.5 million were granted in reporting year 2016, creating 773 new places of accommodation.

In total, BayernLabo approved loans in the amount of EUR 1.6 billion and grants of EUR 139 million in 2016. 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 2016, 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

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. Our operational environmental protection in the areas of energy, water, paper, waste and business travel also strengthens the credibility of the BayernLB as a provider of environmental and climate friendly 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, such as the sustainability policy. The Bank has also defined the cornerstones of its environmental commitment in its 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 Environmental 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 in the areas of energy, water, paper, waste and business travel 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 2016, which from autumn 2017 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 per cent 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

In-company 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 business-related CO₂ emissions through active energy and resource management.

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, the BayernLB's premises at Brienner Strasse have used power from photovoltaic facilities installed at the Munich head office since 1998. The power generated in this way is not fed into the public grid, but is used internally. The remaining energy needs 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.

By systematically implementing its climate protection policy, BayernLB has been climate-neutral at its Munich site since 2008. And the same has been the case for all our offices in Germany since 2015.

Energy consumption

Energy consumption

	Unit	2016	2015	2014
Energy	MWh	25,646.1	26,070.9	26,459.0
of which				
• Electricity	MWh	12,659.6	13,156.2	13,510.0
• Heating	MWh	12,905.6	12,914.7	12,949.0
• Diesel (emergency power system)	MWh	80.9	Not available	Not available

Electricity

BayernLB lowered its power consumption in 2016 compared with the previous year by 4 percent. This is partly the result of the efficiency measures implemented at various locations (plant renovation and lighting technology/control in 2016, with an expected savings potential of 716.5 MWh in the coming years). By changing the calculation formula, the power required for cold generation also numerically fell. In 2016 it was 6,565 MWh, about 305 MWh lower than in 2015.

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 in 2016 was down about 9 MWh on the previous year. Of the total consumption, around 67 percent is from district heating (8,648.9 MWh) and approximately 33 percent from natural gas (4,256.7 MWh).

Diesel consumption

Diesel consumption in the reporting year amounted to around 7,780 litres and 80.891 MWh and is taken into account for the first time in the calculation of energy consumption. The consumption relates to the monthly testing of the emergency power system, Black Building testing, repairs and maintenance work to the system, and, where required, emergency power operation in the event of a network failure.

Coolant loss

There was no coolant loss in 2016.

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. Consumption is made up of rain, ground and surface water and drinking water at the properties in Munich and the other offices in Germany.

Water consumption

	Unit	2016	2015	2014
Water	m³	49,697.9	54,332.4	50,905.0
of which				
• Rainwater	m ³	7,247.0	7,337.0	6,884.0
• Ground and surface water	m ³	18,423.0	19,092.0	17,271.0
• Drinking water	m ³	24,027.9	27,903.4	26,750.0

Water consumption at BayernLB in the reporting period was 49,698 m³, about 10 percent lower than in the previous year. The reasons for this include the completion of the courtyard refurbishment at the Brienner Strasse 18 site and climatic influences. In addition, the building no longer used by BayernLB in Barer Straße 24 in Munich were removed from the scope of consolidation. The Grafenau site with a water consumption of around 35 m³ was added. Water damage at Brienner Strasse 20 resulted in an increase in water consumption, with around 550 m³ consumed. Grey water consumption – fed by rain water and waste water from water treatment plants and the cooling towers – stood at 7,247 m³ in BayernLB's buildings at the Brienner Straße site in 2016. This volume 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. They can also register free of charge with carsharing providers (e.g. DriveNow), which also have electric cars in their portfolio. Staff can bill invoices from these providers if they use them for business trips, giving them an environmentally responsible alternative to the taxi.

Volume of business travel

	Unit	2016	2015	2014
Business travel	km	13,722,639	13,020,249	13,323,536
of which				
• By road	km	4,668,280	4,015,237	4,869,104
of which				
– own car	km	514,420	455,772	428,044
– rental car	km	671,505	718,136	533,368
– company car	km	3,482,355	2,841,329	3,907,692
• By train	km	1,825,455	1,698,513	1,439,266
of which				
– long-distance	km	1,673,196	1,547,918	Not available
– short-distance	km	152,259	150,595.0	Not available
• By plane	km	7,228,904	7,306,499	7,015,166
of which				
– below 500 km	km	2,418,303	2,328,534	2,293,674
– above 500 km	km	4,810,601	4,977,965	4,721,492

Business travel increased on the previous year by around 5.4 percent to about 13.7 million kilometres. This is mainly the result of significantly increased sales activities. The sales campaign and the opening of new sites were the main reasons for the higher utilisation of company cars and increased use of rail travel.

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 has not only been continuously achieved since 2011, but in some cases clearly exceeded. All paper (fresh fibre or recycling) used in BayernLB is now either "Blue Angel", FSC or Ecolabel-certified. Since 2012 ECF/TCF paper has only been provided in the copy centres/printing section.

Paper consumption

	Unit	2016	2015	2014
Paper	t	101.4	122.7	147.7
of which				
• Recycled paper	t	78.2	82.1	114.2
• ECF/TCF paper	t	23.0	40.5	33.4
• Chlorine-bleached new fibres	t	0.1	0.1	0.0

Absolute paper consumption at BayernLB has also declined markedly on previous years. The aim to cut absolute consumption of paper by 10 percent on 2013 levels was achieved and significantly exceeded. In the reporting period, over 17 percent less paper was used than in the previous year. 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 environmental management system.

Waste and effluents

Waste

BayernLB's total waste volume was just under 989 tonnes in 2016. This equates to a reduction of just over 83 tonnes or nearly 8 percent compared with the previous year. There were significant reductions here in waste for recovery/recycling as well as for incineration, while the waste for landfill and special waste increased slightly.

Volume of waste

	Unit	2016	2015	2014
Refuse/food waste	t	988.7	1,071.8	762.9
of which				
• For recovery/recycling	t	560.0	583.7	394.3
• For incineration	t	268.6	337.3	249.1
• For landfill	t	50.9	47.2	27.9
• Hazardous waste	t	109.2	103.5	91.7

In 2016, 249.6 tonnes less paper and 38.3 tonnes less cardboard were disposed of than in the year before. This was partly due to the outsourcing of the archive in 2015. There was a drop of around 5.4 tonnes in waste wood and 8.3 tonnes in green waste compared with the previous year. This reduction in volume was offset by an increase of 27.5 tonnes in metal and scrap metal. This rise in volume was due to the changeover of office desks that was started in 2015 and continued into 2016.

Effluents

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

Greenhouse gas emissions

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 metrics system (key figures for corporate 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. One feature of the VfU survey tool is its ability to distinguish 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.

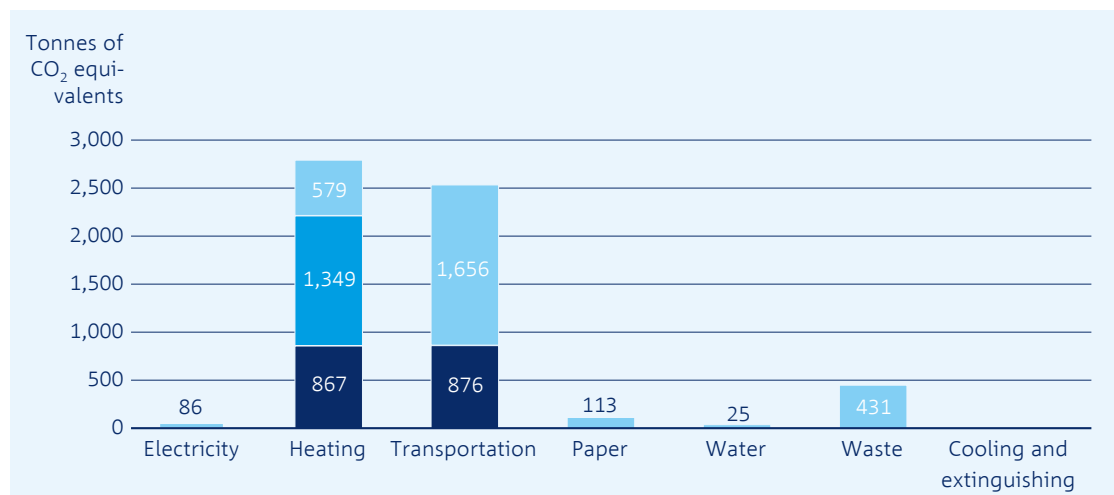
Greenhouse gas footprint

Overview and time series of greenhouse gas emissions

Greenhouse gas emissions	Unit	2016	2015	2014
Absolute greenhouse gas emissions	t	5,982.0	6,195.0	5,301.0
Per-capita greenhouse gas emissions	kg/employee	1,997.3	2,085.0	1,746.0

In the year under review, a total of 5,982 tonnes of CO₂ equivalents were emitted as a result of BayernLB's business activities. Of the total emissions, direct emissions (Scope 1) account for 1,743 tonnes, indirect emissions (Scope 2 market based) for 1,349 tonnes and indirect GHG emissions (Scope 3) for 2,890 tonnes. 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. 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 2016



- Scope 1
- Scope 2 market based
- Scope 3

Core indicators at BayernLB according to the requirements of EMAS III

	Deviation from previous year	2016	2015	2014
Energy efficiency				
• Relative energy consumption (in MWh/employee)	-4%	8.6	8.9	9.0
• Renewable energy share (in %)	-2%	49	50	51
Material efficiency/water				
• Relative paper consumption (in kg/employee)	-17%	34	41	49
• Relative water consumption (litre/employee)	-9%	16,594	18,288	17,071
Waste				
• Relative waste generation (in kg/employee)	-9%	330	361	256
• Relative generation of hazardous waste (= special waste) (in kg/employee)	1%	36.3	36.1	30.7
Business travel/biological diversity				
• Business travel (1,000 km/employee)	5%	4.6	4.4	4.4
• Sealed area (in %) The sealed area in % is calculated as not green area/total area	-1%	74	75	75
Emissions				
• CO ₂ equivalents(coolants in kg)	-100%	0	391	3
• SO ₂ , NO _x , PM		do not appear directly due to district heating supply		

Society

Challenges

The commitment to social and cultural projects, both by the company and the employees, is an important means by which BayernLB meets its social responsibilities. 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 partnerships.

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 anti-democratic 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 flood in Bavaria in 2016, 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. Group Compliance also regularly monitors all donations, memberships and sponsoring measures for conformity with the respective guidelines.

Key action areas and figures

Corporate citizenship and donations

In 2016, BayernLB spent around EUR 652,000 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	2016	2015	2014
Donations, sponsoring, memberships	0.65	0.56	0.45

Partnership with Sternstunden e.V.

BayernLB's biggest single commitment is its support of the charity Sternstunden e.V., which was founded in 1993 to help children in need. 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 and processes payments for the charity. For many years the Bank has provided Sternstunden with rent-free office space at the Munich site in the Brienner Strasse. Since the building was renovated in the summer of 2016, the association also uses rooms at BayernLB's Nuremberg branch.

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. In 2016 for instance, over 200 registered as volunteers to man the donation phone lines at the annual Sternstunden day; 130 of them were ultimately called up. They took thousands of calls in different shifts at the donation headquarters on 9 December 2016. Numerous BayernLB employees were also active on behalf of Sternstunden at the Christmas market in Nuremberg and collected EUR 11,363. Donations in the amount of EUR 2,222 were also raised by a campaign by the Bank's picture collection. Traditionally the athletes of the BayernLB sports club donate the starting fee for the annual "B2Run" corporate run to Sternstunden, with EUR 2,020 going to the charity in 2016.

More than 50 volunteers from BayernLB supported Humedica e.V. in Kaufbeuren to pack thousands of parcels with gifts for children from poor families in Bavaria and throughout Europe. Sternstunden e.V. paid the transportation and logistics costs for the "Geschenk mit Herz" (giving from the heart) campaign.

Once again BayernLB funded the "StaBi book bag" in 2016. The clear plastic bag, which bears the logo of the state library on one side, and advertises Sternstunden on the other, protects books from rain and wear and tear as borrowed books do not need to be taken out during bag checks. Thus a significant contribution is made to protecting and so maintaining the book stocks at the Bavarian state library.

Corporate Volunteering

BayernLB's Corporate Volunteering – programme, under the auspices of Group Compliance, entered its sixth year in 2016, in the course of which 235 employees (2015: 205) carried out 291 assignments over 235 working days.

	2016	2015	2014
Number of days of Corporate Volunteering	235	198	156

Jobs for young people

For example employees volunteered as mentors at the charity JOBLINGE AG. In a programme lasting around six months, young people receive important qualifications on-the-job, train their social skills and work towards an apprenticeship or employment. BayernLB employees 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. Employees also work as mentors in the field of education, e.g My Finance Coach: 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 students at LMU Munich.

Commitment for refugees

Volunteers also helped refugees in the reporting year 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 municipal welfare institutions and sponsors of charitable institutions, organisational units of the Bank held joint social days, on 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. In 2016 a refugee intern was given a full-time employment contract. In cooperation with the state capital of Munich, numerous employees give extra German language tuition to refugees, in rooms on the Bank's premises.

Bayer invest supports the Otto Steiner School

Employees at BayernInvest carried out renovation work at the Otto Steiner School (Otto-Steiner-Schule) in Munich on Corporate Volunteer Day 2016. The school is a state-approved private support centre where young people with mental handicaps have been taught since 1972. Around 300 children are given support by 35 special school teachers and education professionals. The Otto Steiner School tailors its teaching content to the age of the child and to the mental development of children from the age of three years through to vocational school.

Promotion of education and science

The Munich Financial Center Initiative

The primary goal of the Munich Financial Center Initiative (fpmi) is to strengthen and improve the image of Bavaria, with its Munich hub, as a financial centre and to improve the area's standing outside the region. The fpmi protects the interests of numerous players from the various areas of the Bavarian 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. fpmi promotes the exchange of knowledge and experience by organising events, delivering services, framing common positions and preparing opinions on current issues in the insurance and financial industry.

Promotion of young academics

BayernLB is interested in young academics and every year offers 15 students a grant through the "Germany scholarship" (Deutschlandstipendium). The scholarships are split between students of the universities of Munich and Augsburg.

The Bank also offers practical support for the elite network course "Finance and Information Management", a master's study programme which is offered to around 30 selected students, in cooperation with the universities of Augsburg and Bayreuth and the Technical University of Munich. As well as its financial commitments, the Bank provides mentoring, scholarship donors and project support, and hosts events for students. Each year around 80 students can also complete a study-related internship at BayernLB or get specialist support for their final papers (bachelor's or master's thesis).

Sustainability programme for 2016 – 2020

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 developed a new sustainability programme for the years 2016 – 2020 last year. 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 is used to clarify the extent to which the objectives formulated in the current sustainability programme have already been implemented.

The following section analyses and describes in detail the implementation status of the sustainability programme defined in the Sustainability Report 2015. The achievement of objectives is illustrated according to the following key:

Key

○○○ Not yet started ●○○ Partial ●●○ Predominantly ●●● Complete

Sustainability management and strategy

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
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	Gradually intensify collaboration (e.g. in preparing non-financial reporting).	●○○
Certification of management systems	Revalidate BayernLB's environmental management system according to EMAS	Annual	Completed in 2016 for 2015.	●●●
Increase communication with strategic stakeholders	Intensify engagement with contacts on controversial subjects	Ongoing	Regular discussions with customers, suppliers, NGOs, and as part of federations/associations (such as the VfU).	●●○
	Conduct regular supplier audits	Annual	Annual conduct of supplier audits for the sustainability agreement (2016: again four audits).	●●●

Integrity

Compliance/governance

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
Continuously develop the systems and processes in accordance with the regulatory requirements	Review existing criteria and implementation processes	Ongoing	The division is involved in all relevant process and government topics.	●●● (Completed for 2016/ ongoing objective)
Refine the Code of Conduct	Comply with stakeholders' values	Ongoing	Code of Conduct continues to reflect the organisation's values.	●●● (Completed for 2016/ ongoing objective)
Align business activities with the organisation's values	Advise Sales units in accordance with Compliance principles and ethical obligations	Ongoing	Advice was provided on an ad-hoc basis.	●●● (Completed for 2016/ ongoing objective)

Reputational risk management

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
Establish transparency regarding the reputational risk situation	Report all issues with a material reputation risk to Central Reputational Risk Management (CRRM)	Ongoing	The Decentralised RepRisk Manager (DRRM) involved the CRRM.	●●○ (Completed for 2016/ ongoing objective)
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	Group and Bank reputational risk strategies published; process acceptance completed as part of the ICS project; operating instruction is being fine-tuned.	●●○ (Completed for 2016/ ongoing objective)

Employees

Demographic change

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
Ensure the Bank has qualified employees	Continue to develop young talent	Ongoing	Implemented with an increase in employees appointed as of 2018.	●●●
	Continue focused staff development, talent management and part-time further study	Ongoing	The focus is on approximately 2 percent of employees as top talents and performers.	●●●
Intensify occupational health and safety	Stabilise the health level at no less than 95 percent	Ongoing	Health rate was approximately 96 percent in 2016; positive trend compared to previous year.	●●●
	Advance healthcare management, e.g. preventative services, psychological risk assessment, campaigns	Ongoing	Two campaign days and several seminars carried out; psychological risk analysis carried out with subsequent top-down communication and measure implementation; regular campaigns by the Medical Section.	●●●

Diversity

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
Increase the percentage of women in management positions to 30 percent	Continue the cross-mentoring programme	Ongoing	The programme was continued. Three female employees took part in 2016.	●●●
	Increase part-time opportunities for managers	Ongoing	An offering for managers is available and was utilised to a greater degree. The offering should continue to be available in future.	●●●
	Take up the issues of "Equality" and "Advancement of women" in management seminars	12/2017	Concept has been completed; training dates set for 2017.	●●●
Promote a compatibility of career and family	Continue flexible working hours models and the possibility of home office workspaces/mobile devices	Ongoing	Facilitated by the use of innovative digital technologies; part time positions are in high demand.	●●●
	Offer advisory services and immediate help: family service & Elder Care	Ongoing	Ongoing offering. Employees regularly use this service.	●●●

Staff development

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
Provide continuous education and further training	Offer career (in future: talent) management incl. Development Centres, talent pool	Ongoing	Talent generation and programme structure launched on schedule; Development Center performed; talent pool established.	●●●
	Offer part-time further study (on/off the job)	Ongoing	This continued to be supported. In 2016 approx. EUR 150,000 provided.	●●●

Customers

Digitisation/FinTech

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
Meet customer needs	Develop customer-oriented IT solutions	Ongoing	Customer portal: technical go-live on 20 October with initial features.	●○○
	Establish a modernised online presence optimised for all devices	03/2017	Modernised online presence due to go live at end of 2016.	●●●
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 portal: technical go-live on 20 October with initial features; first pilot project to digitalise processes launched.	●○○

Customer satisfaction

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
Improve customer satisfaction	Perform regular market research and survey the key customer groups	Ongoing	Real Estate questionnaire completed; Medium-sized companies launched.	●●●
	Maintain contact regularly in the form of personal meetings, at selected specialist events and trade fairs	Ongoing	Numerous trade fairs and events carried out.	●●●
Improve brand awareness and reputation	Proactive PR work in the form of specialist articles, interviews, advertising campaigns	Ongoing	Numerous by-line articles published, advertising campaigns executed and awards received for press activities in the specialist medium of economic journalist (2nd place in the bank rating) and Dr. Döblin survey (3rd place).	●●●

Sustainable financial solutions

Responsible finance – lending

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
Comply with, refine and manage high ESG standards mainly in earmarked financing	Check existing policies, assess needs and, if required, develop new policies	Ongoing	Revised versions completed in 2016.	●●○
	Check and refine the process to comply with international financing standards	06/2017	Preparations underway (e.g. discussions with relevant banks).	●○○
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	It was achieved by issuing a detailed internal implementation guide to assessing ESG opportunities and risks.	●●●
	Increase employee training on ESG opportunities and risks in the financing business	Ongoing	Roadshows and continuous consultations have taken place.	●●○
Increase management of climate risks in financing	Check that initiatives to measure and reduce climate risks are being actively supported	12/2018	Final detailed discussions took place as part of the VfU cooperation.	●●●
Increase sustainable products	Extend the subsidised loan business for projects with a high benefit to society	Ongoing	Exposure has increased in project finance in the renewable energy sector; volume of subsidised loan business (esp. KfW) has grown. In association with the Bavarian savings banks, BayernLB is the market leader in Bavaria; In 2016, BayernLabo relaunched its municipal housing promotion programme as part of the Wohnungspakt Bayern (Bavarian Housing Pact).	●●●

Renewable energy

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
Support for the energy transition	Increase financing of investments in renewable energy	Ongoing	Exposure for project finance at BayernLB core Bank EUR 3.4 billion – e.g. wind power, photovoltaics, hydropower, biomass (FY 2015: EUR 2.8 billion).	●●●
	Finance energy storage solutions, network expansion and manufacturers of relevant technology	Ongoing	Continued to finance relevant companies.	●○○

Fossil fuels

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
Support the dismantling of fossil fuel and nuclear power plants	Develop appropriate financing solutions	12/2017	Broad product portfolio available to support all kinds of project but so far no funding has been provided (due to the nature of the activities).	●○○

Responsible finance – investment

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
Contribute to the development of the market for green and social bonds (In future: help develop the capital markets for sustainability bonds/products)	Establish, inter alia, a green bond value chain (origination, sales and research)	Ongoing	In 2016 the Bank supported green bonds and sustainability issues (Friesland-Campina, Nordex, Acciona, DKB, NRW) amounting to over EUR 3 billion. Furthermore, it continually acquired customers on the refinancing side.	●●●
Increase the management of climate risks in investment	Check that initiatives to measure and reduce climate risks are being actively supported	Ongoing	Various approaches were reviewed.	●●●
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	Low interest rates currently do not permit any more new issues.	○○○

Environment

Operational environmental protection

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
Avoid energy and resource consumption	Consolidate the sharp reduction in power consumption achieved since 2008 in the long run (2014 baseline)	Ongoing	Was achieved in 2016. Further reduction depends mainly on the weather.	●●●
	Stabilise the peak load consumption of electricity at the Munich location to a max. of 4,000 kW	Ongoing	Target has proved challenging but achievable.	●●●
	Increase train travel as a means of transport for business trips instead of flying or driving (2015 baseline)	12/2018	Share of train travel among overall travel was increased.	●●○
	Increase the use of environmentally responsible follow-on mobility solutions (local public transport, car sharing) (2015 baseline)	12/2018	Greater use made of car sharing providers.	●●●
	Offer carbon neutral taxi journeys (incl. electric/hybrid vehicles)	02/2017	Climate-neutral taxi rides can be ordered.	●●○
	Reduce paper consumption per employee by 2.5 percent from the 2015 level	12/2016	A significant reduction in paper consumption was achieved despite more intensive sales activities; mainly due to a reduction in the number of printers and to the use of digital advertising media.	●●●
	Continue using quality labels (e.g. "Blue Angel", FSC or Ecolabel) for all types of paper	12/2017	Appropriate seals are used, mainly for photocopy paper, which accounts for the bulk of the paper use.	●●●
Substitute CO ₂ -intensive energy sources	Ensure ecologically responsible power supply	Ongoing	Supply of certified hydro-power contractually secured for all German locations until 31 December 2017.	●●●
Offset unavoidable CO ₂ emissions	Extend the offsetting of unavoidable CO ₂ emissions to all the Bank's locations in Germany	12/2016	Completed in 2016 for 2015.	●●●

Society

Corporate citizenship

Objective	Measures	Deadline	Status as at 31 Dec 2016 (Explanation)	Achievement of objective
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	Hours contributed were up 14 percent year on year.	●●○
Provide budget for Corporate Volunteering (reimbursement of expenses – in future: materials)	Board of Management resolution	Annual	No budget possible in 2016 due to cost cuts.	○○○
Continuously monitor and refine the donation and funding campaigns	Review the focus of the areas and projects	Ongoing	Continual checks as part of the Sternstunden meetings (focusing on donations), and also case-based checks, were carried out for each sponsoring activity.	●●●

Appendix

About the report

BayernLB has published a sustainability report since 2007, the most recent being the Sustainability Report 2015. 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 current version of the GRI standards and also takes into account the sector-specific information for financial service providers.

The Sustainability Report is supplemented by the Environmental Statement, which is 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 information on BayernLB’s website (www.bayernlb.de/nachhaltigkeit). It focuses in part on current reports about activities in sustainability management.

Important company-related changes

In the reporting period there were no major company-related changes.

GRI 102-45

Entities included

The contents of the report relate to BayernLB Bank with BayernLabo, a legally dependent but organisationally and financially independent institution established under public law within BayernLB. Around 45 percent of all the Group’s staff are employed here. Wherever possible and expedient, relevant projects or products of subsidiaries, such as DKB and BayernInvest, are also presented. DKB, which employs around 47 percent of all the Group’s staff, publishes its own sustainability report. Many of the relevant regulations, such as 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 2016 Annual Report, consolidated financial statements (p. 204 et seq.), 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 reporting to the Board of Management, or TMAP (banking trainees, BA/cooperative university students, interns and the Board of Management).

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

New depiction of information

GRI 102-48

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 corporate environmental performance in the international version and the version of 27 November 2015).

Important changes in the report

GRI 102-49

The main substantive change compared with the previous report is the application of the new GRI standards.

Reporting period

The Sustainability Report 2016 relates to the 2016 calendar year. The closing date for submissions for this report was 31 March 2017.

Date of most recent previous report

The Sustainability Report 2015 relates to the 2015 calendar year. It was published on 21 December 2016.

Reporting cycle

BayernLB publishes non-financial information in an annual cycle.

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.

Editorial note

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

GRI Content Index

This report has been prepared in compliance with the GRI standards: Core option. Also listed is the sector-specific information for the financial services industry pursuant to GRI-G4. These “G4 Sector Disclosure” also remain valid under the new GRI standards and are recommended for use.

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103	Management completion meeting 2016 (including 103-1, 103-2, 103-3)	10	
204-1	Proportion of spending on local suppliers	10	
205	Anti-corruption 2016		
103	Management completion meeting 2016 (including 103-1, 103-2, 103-3)	20, 21, 23, 67	
205-1	Operations assessed for risks related to corruption	23	100 percent
205-2	Communication and training about anti-corruption policies and procedures	23	
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206	Anti-competitive Behaviour 2016		
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405-1	Diversity of governance bodies and employees	27–29, 33, 37	
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103	Management completion meeting 2016 (including 103-1, 103-2, 103-3)	25, 26, 37	
406-1	Incidents of discrimination and corrective actions taken	25, 37	
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