

Financing progress.



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BayernLB follows the standards of the Global Reporting Initiative (GRI) for its Sustainability Report 2021. The balance sheet has been prepared in accordance with the GRI standards option "comprehensive". For further information please visit www.globalreporting.org.

This Sustainability Report also includes the abriged Environmental Statement 2021 for the Munich, Nuremberg I and Nuremberg II locations, the progress report according to the UN Global Compact (margin "UN GC" in dark blue) and the information according to the Principles for Responsible Banking (margin "PRB" in light blue). This English version additionally contains the Self-Assessment Template (1st Report) for the PRB. The contents of the Environmental Statement are marked with the green margin "EMAS", further contents verified by intecnica (Environmental auditor) are marked with "AUDITED" (orange). The purple "SDG" margin shows where BayernLB is contributing to the achievement of the UN Sustainable Development Goals.

For efficiency reasons, this Sustainability Report was translated from German with the help of an electronic translation software and only quality-assured by the authors. The German version remains authoritative, the English version is provided for convenience only. If you have any questions regarding the content and/or translation, feel free to contact the authors via <a href="mailto:nachhaltigkeit@bayernlb.de">nachhaltigkeit@bayernlb.de</a>.



# **GRI 102 General Disclosures**

#### 1 Organizational profile

#### EMAS PRB 1.1

### GRI 102-1 (2016) Name of the organization

Bayerische Landesbank (BayernLB), Anstalt des öffentlichen Rechts

#### EMAS PRB 1.1 PRB 2.1 d PRB 3.1 PRB 3.2

#### GRI 102-2 (2016) Activities, brands, products, and services

#### Legal framework

Pursuant to Article 2 of the Law on Bayerische Landesbank (Bayerisches Landesbank-Gesetz - 'BayLaBG') and Section 3 of its Statutes, BayernLB's main task is to strengthen competition in Bavaria through its business activities, taking account of market and competitive requirements, and to ensure an adequate and sufficient supply of monetary and credit services to the economy, in particular to small and medium-sized enterprises, and to the public sector (public mandate). It is a competitive commercial bank with a regional focus on Bavaria, Germany and the neighbouring economic areas of Europe.

Through its business activities, the Bank supports the Free State of Bavaria and its municipal corporations, including the savings banks, in the fulfilment of public tasks, in particular structural development tasks. It is the central bank for the Savings Banks (Sparkassen) and, to this extent, conducts its business with due regard for the interests of the Savings Banks. It is also a municipal bank and acts as a principal bank for the Free State of Bavaria.

BayernLB can engage in all types of banking and financial services business. The collection of savings deposits is excluded, with the exception of the savings deposits of employees and pensioners of the Bank and of the spouses, life partners and children of such persons.

BayernLB's business must be conducted in accordance with economic principles, taking account of its tasks, which include its public mandate and the public mandate of Bayerische Landesbodenkreditanstalt (BayernLabo, further information below).

In order to carry out its tasks and operations, the Bank may in particular

- issue Pfandbriefs and other debt securities and establish other debt register claims,
- acquire or dispose of undertakings or interests therein,
- participate in associations,
- form companies,
- establish legally dependent institutions under public law within the Bank,
- as well as the sponsorship of other institutions under public law in whole or in part by contract; this does not apply to savings banks.

#### **Business** model

BayernLB is one of the leading commercial banks for large and medium-sized customers in Germany. As a member of the Sparkassen-Finanzgruppe, it is available to the Savings Banks in Bavaria as a product supplier with a wide range of products and services, and at the same time fulfils the central bank function within the group.

BayernLB Group's strategic business model is based on the following operating business areas

- Corporates & Markets with the subsidiary BayernInvest Kapitalverwaltungsgesellschaft mbH (BayernInvest)
- Real Estate & Savings Banks/Financial Institutions, including the legally dependent institution Bayerische Landesbodenkreditanstalt (BayernLabo) and the subsidiary Real I.S. AG Gesellschaft für Immobilien Assetmanagement (Real I.S.)
- DKB with the core business of the Deutsche Kreditbank Aktiengesellschaft (DKB) sub-group and Bayern Card-Services GmbH S-Finanzgruppe (BCS).

However, this Sustainability Report only relates to BayernLB Bank (including BayernLabo). For further information on the subsidiaries and affiliates, see the consolidated financial statements and the sustainability communication of the respective companies.

The business segment "Corporates & Markets" serves large German and selected international as well as medium-sized companies in the regions Germany, Austria and Switzerland. BayernLB's core competencies include traditional and structured credit financing. BayernLB focuses here in particular on providing financing to corporate customers in the growth sectors of the future — mobility, energy, technology, manufacturing & engineering, and construction & basic resources. In addition, the Bank successfully supports its customers on their way to the capital market, for example via bonds or Schuldschein notes, as well as in interest rate and currency hedging and in promotional business.

The product range includes working capital, investment and trade finance as well as project and export finance, lease financing and asset finance. The sectoral focus pays off in terms of accompanying markets, clients and customers that have a positive impact on sustainability and specifically addressing sustainability risks. This includes both companies that have already made a strong voluntary commitment due to the clear expectations of investors and that meet high transparency requirements. At the same time, this includes companies in the supply chain, some of which are medium-sized and still at the beginning of the transformation process.

The range of services offered by "Markets" was clearly focussed in the course of the strategic reorientation of the group. It essentially comprises the product groups of money market, interest rate, foreign exchange and CO2 trading as well as the support of clients on their way to the capital market, in particular via bonds or Schuldschein notes. The main client groups are Savings Banks, banks, German and international corporates and SMEs, real estate clients and institutional clients, who are served in the respective business areas.

Regarding Sustainability, BayernLB offers the entire spectrum of debt capital markets with green, social and sustainable bonds as well as Schuldschein note loans and supports clients starting from structuring, via the preparation of a framework and the commissioning of a second party opinion through to placement.

In the real estate business, BayernLB prioritises commercial real estate financing and services, focusing on Germany and established and stable international markets such as the US, UK, France, Italy, the Netherlands and Poland. In commercial real estate, products include financing for existing real estate assets, project development, housing developers and real estate portfolios. In terms of asset classes, the focus is on offices, residential property, retail, and managed real estate in the areas of logistics, hotels and social care. With the "Immo 2024" initiative launched in autumn 2021, BayernLB is continuing to drive forward growth projects in real estate in order to consolidate its strong market position in Germany and leverage it effectively abroad. In the future, it will focus on greater regionalisation with sales management at German and selected international locations. Sustainable Finance expertise is being brought into commercial and project financing - also with the involvement of subsidies and together with syndicate banks and Savings Banks.

As an organ of state housing policy, BayernLabo is responsible by law for the promotion of housing in the Free State of Bavaria. This housing policy is based on two equally important objectives: on the one hand, the preservation of economically efficient and liveable urban centres and, on the other hand, the strengthening of rural regions. These two components are groundbreaking for housing promotion and important pillars of BayernLabo's business activities. BayernLabo also offers various housing promotion measures for people with disabilities, students and refugees. As a municipal Bank, BayernLabo also supports Bavarian regional authorities and special-purpose associations under public law, as well as the Free State of Bavaria, in fulfilling their public tasks by granting low-interest municipal loans and special promotional loans. The promotion of investments in general municipal and social infrastructure is a particular focus. In addition, the Bavarian government may delegate other tasks to BayernLabo, provided these do not conflict with European state aid provisions, in particular the principles and requirements of the European Union for the business activities of a development institution.

BayernLB also performs key tasks in its association business for the Savings Banks (especially those from Bavaria), which are an important group of customers and sales partners. In these times of necessary structural change, the Bank helps the Savings Banks and their customers become more sustainable by offering them a needs-oriented and growing selection of products and services. This working relationship is centred around complementary products and services for the Savings Banks' own and end-customer business. These include payment services, capital markets business, international business, syndicated business, subsidised loan business, and foreign notes and coins/precious metal activities. Through its broad range of precious metal products and by expanding the foreign notes and coins and precious metals centre of expertise in Nuremberg, BayernLB has evolved in this segment into one of Germany's market-leading providers. Funding from the Savings Banks is also an important source of refinancing for BayernLB, while also strengthening the common liquidity pool. As the central bank of the Bavarian Savings Banks, the Bank supports the Savings Banks in the implementation of their sustainability goals with needs-based products and services from the entire Group.

BayernLB also acts as a financier and service provider for the public sector and for public and non-profit institutions. The range of services for state and municipal customers and institutions

under public law includes a wide range of individual financing and investment solutions. BayernLB also stands out here for its involvement in public-private partnership projects and in the area of renewable energies.

As the principal bank of the Free State of Bavaria, the Bank supports the sustainability and innovation strategy of the Free State by financing the measures mentioned therein, such as the promotion of ecology, protection of natural resources, social cohesion and education and the expansion of research as well as future-oriented, sustainable technologies, mobility and energy. It accompanies the Free State in the measures directed at the state and the administration as well as the energetic refurbishment and decarbonisation of the real estate stock.

Another focus is on providing services to insurers, (correspondent) banks, building societies and asset managers around the globe. In the business with European insurers, BayernLB has a significant volume of guarantee credit business (letters of credit business). An extensive network of institutional customers provides BayernLB with a broad investor pool. This enables the Bank to encourage the development and sales of sustainable financial products and services, and in doing so support customers in their own sustainable alignment or transformation.

#### Sustainable finance solutions

In the materiality analysis (updated in 2022), the topic of "Sustainable finance solutions" was defined as material according to GRI for BayernLB and its stakeholders.

As described above, sustainability is an integral part of the product and service portfolio. This is anchored accordingly in the Sustainability Policy: "Because we integrate social and environmental aspects into our financing and capital market products, both we and our customers weigh the risks and opportunities that come with such global challenges as climate change and dwindling resources and thus make an active contribution to a sustainable development. In addition to setting and continuously improving basic social and ecological standards for our financing and capital markets transactions, we set out to serve companies and projects that explicitly tackle these global challenges through, for instance, renewable energy."

One focus of sustainable finance solutions is the definition and further development of minimum social and ecological standards for financing and capital market transactions. With competitive ESG products and services and a holistic approach to supporting its clients, the Bank aims to make a significant contribution to their, and ultimately the overall, transformation and innovation.

BayernLB therefore actively promotes environmentally compatible developments in all areas, such as the climate-friendly restructuring of energy supply, social projects or those that help to mitigate climate change and aim to achieve greenhouse gas neutrality by 2050. BayernLB also supports the achievement of greenhouse gas neutrality by financing specific projects in the areas of environmental and climate protection.

BayernLB has been supporting German and international investors in renewable energies and energy efficiency for more than 20 years. Its strengths include an international positioning with offices in the key core markets of New York, London, Paris and Milan, as well as extensive industry expertise in photovoltaic, onshore and offshore wind and hydropower technologies.

As an issuer, arranger or investor, BayernLB has long taken account of the importance of green issues. The Bank is a pioneer and one of the leading arrangers of green Schuldschein notes. Back in 2016, it placed the world's first green Schuldschein note and has helped arrange nearly half of all sustainable Schuldscheins since then.

BayernLB also supports companies with its many years of advisory and trading expertise in emissions trading. This topic is gaining new importance due to the amendment of the Federal Climate Change Act (Bundes-Klimaschutzgesetz). This is because customers face the challenge of achieving their emissions reduction path earlier and more comprehensively. In this way, the Bank helps to channel investments into precisely those projects where the CO2 reduction is biggest.

Within BayernLB, all issuing units have implemented a framework for sustainable emissions. In addition to DKB's Green Bond Framework and BayernLabo's Social Bond Framework (see below for issues from 2021), BayernLB implemented a Sustainable Funding Framework in 2019. The core is the refinancing of solar and wind power plants (worldwide) and electric train networks in Germany. These assets form the so-called Sustainable Loan Pool. Sustainable debt instruments in various forms are issued to refinance these assets. In addition to traditional bonds, BayernLB is one of the first institutions to have a Green Commercial Paper Programme (very short-term fixed-income securitisations). The positive effect on the environment is estimated on the basis of the CO2 savings of the assets and published annually. The detailed reports as well as the framework and all related documents are available on BayernLB's website.

In March 2022, BayernLB also published its Sustainable Lending Framework. It gives direction to BayernLB's goal of supporting its customers on their way to a climate-neutral industry and sets the framework for offering sustainable financing that is aligned with BayernLB's Sustainability Strategy. This creates transparency about the range of sustainable credit financing offered and thus also serves as a seal of quality. The framework is based on the guidelines of the Loan Market Association (LMA), which are currently the standards commonly used on the international market for sustainable financing. These include the Green Loan Principles (GLP), the Social Loan Principles (SLP) and the Sustainability-Linked Loan Principles (SLLP).

#### **Current ESG products and services**

The following overview lists BayernLB's exemplary transactions (corporate Schuldschein loans, green & social bonds, sustainable funds) from the reporting year:

- Corporate Schuldschein note loans (SSD), inter alia:
  - Joint lead arranger for ESG-linked SSD of DIC Asset AG (EUR 250 million, term 3, 5, 7, 10 years)
  - Sole lead arranger for ESG-linked SSD of MP Holding GmbH (EUR 29 million, term 3, 5, 7 years)
  - Joint Lead Arranger for ESG-linked SSD of VION Financial Services B.V. (EUR 75 million, term 3, 5, 7 years)
  - Joint Lead Arranger for Green Schuldschein of Encevo S.A. (EUR 200m, term 7, 10, 15 years)
- Green & Social Bonds, Joint Lead Manager inter alia for:

- BayernLB green bond issues (EUR 500 m, term 7 years; EUR 500 m, 10.5nc5.5; EUR 500 m, 11nc6)
- DKB Green bond issue (EUR 500 million, term 5 years)
- BayernLabo social bond issue (EUR 500 million, term 15 years)
- Green Bond issues by BPCE SFH Bank (EUR 1.5 billion, term 9.5 years) and Münchener
   Hyp (EUR 500 million, term 8 years)
- Sustainable Funds: Exclusive Distributor for the Renewable Energy Funds "Encavis Infrastructure Fund II (EIF II)" EUR 480 million and "Encavis Infratstructure Fund IV (EIF IV)" target volume EUR 500 million

With sustainability or ESG-linked loans, BayernLB links the financing conditions to the sustainability performance of the borrower. With green loans it finances direct investments in environmental and climate protection. Another focus is on sustainable development programmes, in which the Bank pools its expertise on development programmes and sustainability and provides support for the entire transaction. In these financings, BayernLB can also take on the role of ESG coordinator to provide comprehensive support for the sustainable transaction.

In addition to the extensive product range, the bank will expand ESG advisory services for its corporate clients. The idea is to support customers in their sustainable transformation, regardless of where they are at the moment. As an experienced partner, BayernLB provides support, for example with the first steps towards sustainability with environmental certifications or CO2 footprint measurement or in the development of the sustainability strategy. BayernLB also prepares peer analyses to compare with companies in the relevant sector and identify any areas for development. In the end, the focus is on designing the appropriate financing for the sustainable transformation. Here, the Bank provides support in selecting the right ESG product, structuring or creating the corresponding framework. In addition, economic analyses on sustainability and megatrends are offered for classification.

In the "Sustainable Banking" section of BayernLB's website, customers can obtain up-to-date information on the sustainable product offerings mentioned above and contact BayernLB's experts. BayernLabo's funding opportunities are also described in detail on their website.

For more information on the product portfolio, see GRI Standards in FS "Product portfolio".

*Further information on the Internet:* 

Annual Report 2021

Homepage of BayernLB: Sustainable Finance Solutions

BayernLB Sustainable Lending Framework

BayernLB Sustainable Financing Framework

Homepage of BayernLB: Green Bond Reporting

BayernLabo Annual Report 2021

Homepage of BayernLabo

#### EMAS PRB 1.1

# GRI 102-3 (2016) Location of headquarters

BayernLB, in accordance with the law, its statutes, and registered in the Commercial Register, is domiciled in Munich, Germany. This is also the main location of its business.

#### EMAS PRB 1.1

#### GRI 102-4 (2016) Location of operations

The BayernLB Group's business activities are focused on the Federal Republic of Germany, supplemented by business in selected foreign markets. In addition to its head office in Munich, BayernLB has a branch in Nuremberg and seven additional offices in Berlin, Dusseldorf, Frankfurt am Main, Grafenau (BayernLabo), Hamburg, Leipzig and Stuttgart. Abroad, there are branches in London, Milan, Paris and New York. For further information see GRI FS 13.

Further information on the Internet:

#### Homepage of BayernLB: Locations

### GRI 102-5 (2016) Ownership and legal form

BayernLB is a public law institution with legal capacity under the laws of the Federal Republic of Germany. Its legal basis is the Law on Bayerische Landesbank (Bayerisches Landesbank-Gesetz - "BayLaBG") and its statutes.

Under the BayLaBG, the Free State of Bavaria and the Association of Bavarian Savings Banks are the issuer's owners. However, they have made use of the possibility granted to them in the BayLaBG of transferring responsibility to an authorised body. As a result, BayernLB Holding AG, Munich, is the issuer's owner, and the Free State of Bavaria and the Association of Bavarian Savings Banks are the issuer's indirect owners.

BayernLB Holding AG's nominal capital is held in full by BayernLB's indirect owners as follows. The Free State of Bavaria holds 75.00000006%, the Association of Bavarian Savings Banks holds 24.999994%.

The ownership of BayernLB entails, inter alia, the following tasks, powers and obligations:

- The guarantor promotes BayernLB's tasks to strengthen its competitiveness and its public mandate.
- The guarantor has the power to determine BayernLB's tasks insofar as they are not already laid down by law or in the articles of association.
- The guarantor holds a stake in BayernLB's share capital and has the right to distribute profits.
- BayernLB's assets as a whole, including its entitlement to liquidation proceeds, are assigned to the guarantor.

*Further information on the Internet:* 

#### Law on Bayerische Landesbank

# Statutes of Bayerische Landesbank

#### GRI 102-6 (2016) Markets served

EMAS PRB 1.1

BayernLB is one of the leading commercial banks for large and medium-sized customers in Germany. BayernLB's regional focus is on Bavaria and Germany, but it also supports its customers in their global activities.

The total amount from

- Interest income,
- Current income from shares and other variable-yield securities, participating interests and shares in affiliated companies,
- Commission income,
- Net income from the trading portfolio and
- Other operating income

is divided into the following geographical markets:

Total amount in EUR million	2021	2020	2019	2018
Germany	3.535	3.689	4.926	5.375
Europe (without Germany)	17	21	31	38
America	158	211	449	339

For further information, see GRI 102-2 and GRI FS 6.

*Further information on the Internet:* 

#### Homepage of BayernLB: Locations

Individual Financial Statement 2021 (only available in German)

## GRI 102-7 (2016) Scale of the organization

PRB 1.1

BayernLB Bank is one of the largest commercial banks in Germany.

This is made clear by the following overview:

	2021	2020	2019	2018
Active employees incl. junior staff as of 31.12.	3.108	3.317	3.491	3.343
Balance sheet total in million euros	141.939	151.919	142.958	145.260
Business volume in million euros	174.880	186.284	176.138	178.354
Operating result in million euros	142	240	512	370
Reported own funds in million euros	11.678	10.525	10.886	10.624

For information on BayernLB's operating locations, see GRI 102-4.

*Further information on the Internet:* 

Individual Financial Statement 2021 (only available in German)

#### AUDITED GRI 102-8 (2016) Information on employees and other workers

For all relevant information on the topic of employees, see GRI 401.

# GRI 102-9 (2016) Supply chain

BayernLB procures, among other things, IT hardware and software, office equipment and materials, facility management and consulting and auditing services from suppliers and external service providers. BayernLB's suppliers and external service providers are based almost exclusively in Germany and neighbouring European countries.

For further information on suppliers and external service providers, see GRI 204.

#### GRI 102-10 (2016) Significant changes to the organization and its supply chain

Due to the ongoing major challenges currently facing the entire banking sector, BayernLB decided to strategically realign its business model at the end of 2019. This is expected to be completed by 2024. The main elements are to focus on areas of business with strong growth prospects, while cutting the cost base. This also means a significant reduction in staff. The reduction of a total of 940 FTEs has already been reported in detail in BayernLB's financial reporting. The reduction will take place within the known socially responsible framework (exclusion of redundancies for operational reasons until autumn 2022, use of personnel management instruments negotiated with the General Staff Council [including severance pay, early retirement, partial and early retirement, measures to qualify staff to take on other tasks]). For more information on staff reductions, see GRI 401.

The transformation has been and will continue to be accompanied by intensive change measures, in particular to ensure operational stability and maintain the motivation of employees who continue to work at BayernLB. For more information, see also GRI 401.

The Bank aims to achieve significant growth in its real estate business - including selected foreign markets - while maintaining its product and property focus. The corporate banking business is expected to grow in particular in the structured asset finance business, complemented by a sector-based approach focusing on five sectors of the future (mobility, energy, technology, manufacturing & engineering, and construction & basic resources). In the capital markets business, the focus is on a few strategic products with competitive positioning and sufficient scale. BayernLB will also remain the central bank of the Bavarian Savings Banks and a strong partner for the public sector and all financial institutions.

The discontinuation of interest rate, currency and commodity management for corporate customers of the Savings Banks and the transfer of the existing portfolios (subject to approval by the customer and the Savings Bank) to Landesbank Baden-Württemberg, Stuttgart, as well as the discontinuation of client clearing were completed in 2021.

Sustainability plays an important role in the transformation of BayernLB's business model. The Bank's governing bodies have adopted a mission statement and a Group strategy in 2020. As a

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result, the institution-specific Sustainability Strategy was revised and submitted to the governing body for approval in 2021. The Sustainability Strategy is closely linked to the business and functional strategies. To operationalise the Sustainability Policy and Sustainability Strategy, BayernLB Bank implemented a Sustainability Programme that includes goals and measures (incl. goal achievement date) for all relevant topics and is a key tool for the further development of BayernLB's sustainability performance. At the end of 2021, the new Sustainability Programme as from 2021 was published, which for the first time also integrates the goals and measures from the (now former) Environmental Programme. For more information on the Sustainability Programme, see GRI 102-15.

*Further information on the Internet:* 

Individual Financial Statement 2021 (only available in German)

<u>Combined Non-financial Report of the BayernLB Group for 2021 (Annex to the Annual Report p. 310)</u>

#### GRI 102-11 (2016) Precautionary Principle or approach

EMAS SDG 12 UN GC 7

BayernLB joined the UN Global Compact in 2021 and is committed to the following principle: "Businesses should support a precautionary approach to environmental challenges."

This is set out accordingly in the Code of Conduct: "We are actively and thoroughly committed to the challenges of sustainable development and heed our responsibility by taking ecological, economical and social aspects into account along the entire value chain. We do this in our own day-to-day (banking)operations by being careful in our use of resources, avoiding harmful environmental impacts and treating our employees responsibly. We also consider sustainability issues when looking at (business) transactions. Our actions, as well as our business relationships and transactions, are always guided by ethical principles and sustainability aspects. We ensure that these are compatible with the relevant international environmental, ethical and social standards we have signed up to."

In the materiality analysis (updated in 2022), the topic "Handling of environmental and social risks" was defined as material according to GRI for BayernLB and its stakeholders.

The Sustainability Executive Unit, which is responsible for the Sustainability Management, constantly monitors and analyses the impact of climate protection policy and other political, legal, social and technological developments on BayernLB's business. The aim is to identify opportunities and risks that may arise for the Bank and its customers from these developments at an early stage and to develop and implement appropriate strategies and measures together with the relevant areas within the Bank and external stakeholders.

The Code of Conduct, the Sustainability and Environmental Policies, the Sustainability Strategy and the Guiding Principles for Transformation (see below) form the normative foundation of BayernLB's Sustainability Management. On a second level, there are principles and guidelines that define concrete requirements for the design and limits of business activities. BayernLB has developed policies for particularly sensitive sectors and issues. Certain types of financing are generally

excluded. For other types of financing, clear guidelines define the requirements. The requirements relate both to earmarked financing and to general corporate financing. The policies are reviewed regularly and updated as necessary. BayernLB is also constantly analysing the potential need for regulation in other sectors and topics.

In December 2021, BayernLB published its Group-wide Guiding Principles for Transformation externally for the first time. In it, the Bank takes a position on key social challenges and formulates its understanding of itself and its values, general ethical, environmental and social standards as well as policies on sensitive issues and sectors (armaments, coal, nuclear, oil & gas, forest, food, gambling, offshore). Binding work instructions regulate how the principles and guidelines are to be implemented and how the Sustainability Executive Unit is to be involved. For example, the Reputational Risk Management framework stipulates that the Sustainability Executive Unit is to be involved in business activites along the Group's value chain in which reputational risks or other risks relating to social and environmental aspects may arise. The structured involvement of the Sustainability Executive Unit in decision-making processes ensures that social and environmental aspects are taken into account at an early stage in line with the precautionary approach. For further information on quidelines and assessment processes, see GRI FS 1 and 2.

Compliance is an integral part of corporate management and is defined as risk management with a preventive focus. An appropriate risk analysis, measures based on this analysis, and the promotion of a uniform understanding of values and integrity contribute to this, as does the sanctioning of violations. The principle at BayernLB is "zero tolerance".

For further information, see GRI 102-16 and 17.

*Further information on the Internet:* 

Guiding Principles for Transformation

EMAS SDG 17 UN GC 8 PRB 2.1 c PRB 2.2 a PRB 4.1

#### GRI 102-12 (2016) External initiatives

In the materiality analysis (updated in 2022), the topic "Social committment & dialogue" was defined as material according to GRI for BayernLB and its stakeholders.

In 2021, BayernLB publicly committed itself to the UN Global Compact, which states, among other things: "Businesses should undertake initiatives to promote greater environmental responsibility."

The Environmental Policy has set the framework for this: "We are aware of our responsibility in furthering developments in the interest of the environment. To this end, we strive to invest our resources in these developments and also to take part in them together with all other publicsector companies."

This is further elaborated in the Sustainability Strategy: "BayernLB is involved in various regional, national and international associations and committees with the goal of sharing experiences on an equal footing, pursuing joint strategic development and finding solutions. Active participation is driven on a topic-specific basis and focused on current needs (e.g. in the context of measuring

the carbon footprint of our portfolios)." The expansion of communication with strategic stakeholders and involvement in and networking with environment-related associations, including through participation in initiatives and the continuation of environment-related memberships, e.g. UNEP FI/VfU, is also anchored as a goal in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

BayernLB is actively involved in the following sustainability-related associations (in alphabetical order), among others:

#### • Climate Bond Initiative

The initiative aims to involve the international bond market more closely in the financing of climate protection. In addition to providing up-to-date market data, Climate Bonds Initiative focuses on defining high and transparent market standards. BayernLB's membership has been in place since 2018.

• <u>Diversity as an opportunity - the Corporate Diversity Charter in Germany (Charta der Vielfalt)</u>
By signing the Charter, the Bank is committed to an open corporate culture that recognises, respects, promotes and uses the different talents of its employees. Its implementation in the Bank aims, among other things, to create a working environment that is free of prejudice. For more information, see GRI 405.

#### • Fair Company Initiative

The Fair Company initiative is the largest and best-known employer initiative in Germany. The thematic focus is on internships, working students, young professionals and trainees. Fair Company companies are reliably committed to recognised quality standards and verifiable rules in internships. For this responsible and transparent corporate culture, they are awarded the Fair Company seal every year. For more information, see GRI 401.

#### • Bavarian Family Pact

This initiative, of which BayernLB has been a member since 2017, is dedicated to the issue of a family-friendly working culture in consensus between business and the Bavarian state government. The pact partners make use of advisory services, benefit from pioneers and good examples and, through networking with other companies, help to ensure that the working environment in the companies is adapted even further to family needs. As part of its measures to reconcile work and family life, BayernLB offers its employees a wide range of solutions for achieving a good balance between career and family concerns. For more information, see GRI 401 and 405.

#### FX Global Code

By signing the FX Global Code in 2018, BayernLB is supporting an initiative to promote integrity in institutional foreign exchange trading globally. It is thus committed to the standards of fair and transparent foreign exchange trading and sends a further positive signal to its customers and business partners. The FX Global Code was developed by central banks and market participants from 16 different countries. The result is a set of uniform standards and guidelines that ensures integrity in institutional foreign exchange trading, based on principles such as ethics, governance, transparency and compliance.

# • Green Recovery Alliance

This alliance promotes investments in climate protection and biodiversity in order to revive the economy in Europe after the coronavirus crisis. By joining, the Bank is underlining its increased

focus on sustainable thematic areas. In doing so, the Bank works with its clients to address current challenges.

### International Capital Market Association (ICMA)

The ICMA is a self-regulatory association of companies active on the self-side or buy-side of the capital market. Its aim is to provide its members with practical solutions for the efficient functioning of the markets concerned. It looks after the rulebook and makes practical recommendations to members, maintains the ICMA Handbook under which all Eurobonds are issued, runs the European Repo Council and settles any disputes among members. In the area of sustainability, it has developed the following guidelines, among others: Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), Sustainability-Linked Bond Principles (SLBP).

#### Munich Business Climate Pact (Klimapakt Münchner Wirtschaft)

Effective climate protection needs pioneers. This is why the City of Munich founded the Munich Business Climate Pact as part of the Integrated Action Programme for Climate Protection in Munich. Participating companies commit themselves to voluntary, joint emission reductions and the implementation of further climate protection measures.

#### • London Bullion Market Association (LBMA)

BayernLB, which has been trading physical precious metals for 70 years and is one of the world's leading wholesalers with more than 600 coins and bars in its product range, is aware of the high level of responsibility that arises from this trade. For many years now, the industry has been working according to the guidelines of the London Bullion Market Association (LBMA), which was founded in consultation with the Bank of England to coordinate over-thecounter precious metals trading. Its Responsible Gold Guidance is based on the quidelines of the Organisation for Economic Co-operation and Development (OECD) for the responsible extraction and processing of conflict-free gold. Thus, only products from certified minters and refiners that meet certain quality and manufacturing requirements and are subject to regular controls are permitted for trading. BayernLB has been selling LBMA-certified bars since the LBMA was founded in 1987 and is the only full member among the German Landesbanks (for 20 years). BayernLB also goes one step further by playing a leading role in supporting the World Gold Council (WGC) in its initiative for the responsible and sustainable handling of gold investments. To this end, an investment quide tailored explicitly to the German market was drawn up to inform private investors what they should look out for when buying gold. In addition, principles for product providers were established that define minimum requirements and best practices to protect investors and ensure the highest level of fairness, transparency and integrity. This includes that all suppliers should only procure gold from trustworthy suppliers and take ESG criteria into account. This not only ensures that the traded gold is not linked to money laundering, terrorism financing or human rights violations, but also helps to create clarity and consistency for ethical and correct action and strengthen trust in the entire gold value chain. Since 2016, it has also been possible to purchase explicit Fairtrade or Responsible Gold bars through BayernLB, which increasingly promote small and locally operated gold mines where mining takes place under good working conditions and with particularly environmentally friendly systems, so that, for example, the lowest possible CO2 emissions, responsible use of resources and protection of local water quality can be guaranteed.

# • Partnership for Carbon Accounting Financials (PCAF)

PCAF is a global industry initiative to standardize the measurement and disclosure of greenhouse gas emissions for the financial sector. The calculation of emissions is an essential step in managing the product portfolio from a risk and sustainability perspective and in gradually decarbonising it. Since November 2020, the Bank has been a member of the PCAF-VfU coalition, which aims to support financial institutions in Germany, Austria, Switzerland and Lichtenstein (DACHLi) in measuring and disclosing the funded emissions of their portfolios. By becoming a member of PCAF itself in July 2021, BayernLB has committed to measuring and publishing emissions associated with financing within the next three years. The findings from PCAF help both clients and the Bank itself to take stock of the situation and provide a transparent progress report. BayernLB has set the following goals in its Sustainability Programme as from 2022 in this regard: creating transparency regarding the PCAF methodology, the measurement of financed emissions from loans and investments and the operationalisation of the decarbonisation path at loan portfolio level within the framework of PCAF (for more information on the Sustainability Programme, see GRI 102-15).

### Principles for Responsible Banking (PRB)

The Bank has been committed to these principles since 2021. This demonstrates its strong commitment to anchoring sustainability aspects in its business strategy. BayernLB is making an important contribution to the transformation towards a sustainable economy by consistently aligning its business model with sustainability. In this sustainability report, marginalia ("PRB" in light blue) clearly indicate the progress the Bank is making in implementing the PRB and where it publishes the required information. The bank has currently set two main goals in this regard, which relate primarily to the nature of the customer portfolio. In concrete terms, this means that the bank will significantly increase the ESG-compliant share of its portfolio by the end of 2023. In doing so, it is clearly committed to the Paris Climate Protection Treaty and takes into account the climate goals of the German government, the EU and the goals of the Free State of Bavaria by also aiming for a climate-neutral portfolio even before 2050. To this end, the commitment to PCAF (see above) in particular is an important contribution to developing corresponding methodologies. In addition, the bank continues to improve its ESG assessment and to expand the corresponding database. With the help of the ESG assessment, the level of ambition for ESG-compliant portfolio restructuring can be quantified and precise targets for ESG-compliant new business can be defined. In order to make the topic of human rights visible to the outside world, the bank has published its positioning in this area after signing the UN Global Compact. The Guiding Principles for Transformation contain further positioning on ESG topics, on which the bank is working in exchange with NGOs, among others.

#### Task Force on Climate-Related Financial Disclosures (TCFD)

The purpose of the TCFD is to help identify the information needed by investors, lenders and insurers to appropriately assess and evaluate climate-related risks and opportunities. BayernLB has been a TCFD supporter since May 2019.

#### • Environmental Pact of Bavaria (Umweltpakt Bayern)

This is an agreement between the Bavarian State Government and Bavarian industry for the continuous improvement of corporate environmental protection. BayernLB has been a member since 1998.

#### UNEP FI

As part of its commitment to the environment and in the context of the Kyoto Conference on

Climate Change, in 1995 the Bank signed the UNEP Statement of Commitment by Financial Institutions on Sustainable Development, thus underlining its commitment to further develop its environmental protection activities. The Bank has been a member of UNEP FI (Finance Initiative) since 1998.

#### • UN Global Compact

Since September 2021, BayernLB has been a member of the UN Global Compact, the world's largest and most important initiative for sustainable and responsible corporate governance. By signing the UN Global Compact, it is committed to respecting and promoting fundamental human rights, fair working conditions, fighting corruption and promoting sustainable development. This includes social responsibility to protect vulnerable groups. Indigenous peoples are particularly in need of protection, as they are often exposed to violence and violations of labor and human rights as a result of displacement and forced resettlement. In this Sustainability Report, marginalia ("UN GC" in dark blue) indicate where the Bank contributes to the UN Global Compact.

# Association for Environmental Management and Sustainability in Financial Institutions e.V. (VfU)

BayernLB sees the particular advantages of the membership at VfU (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V.) in the open exchange with sustainability and environmental managers from German-speaking financial service providers and the opportunity for informative dialogue with experts. The latest developments in the field of sustainable finance and sustainability management are discussed annually at a joint round table with the UNEP FI. Specific topics and concrete problem solving are dealt with in working groups.

The Bank is also committed to corporate citizenship (see GRI 413) and to employee and diversity issues (see GRI 401, 404, 405 & 406).

*Further information on the Internet:* 

Homepage of BayernLB: Memberships and commitments

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#### GRI 102-13 (2016) Membership of associations

The Bank is active in several associations and banking associations: It is affiliated with the German Savings Banks Association (DSGV), the umbrella organisation of the Savings Banks Finance Group. The DSGV represents the interests of the Savings Banks Finance Group and organises the formation of wills within the Group. It also defines the strategic direction of the Savings Banks Finance Group. Relevant positions are continuously published on the association's website. The Bank is also a member of the European Association of Public Banks (EAPB), the Association of German Public Banks (VOEB) and the Association of German Pfandbrief Banks (VdP). They also report transparently on their positions.

Further information on the Internet:

Homepage of BayernLB: Memberships and commitments

#### 2 Strategy

#### GRI 102-14 (2016) Statement from senior decision-maker

Dear Sir or Madam,

We are satisfied with the 2021 financial year. All of BayernLB's customer segments performed well operationally and contributed to the increase in our result, while at the same time we consistently and successfully pushed ahead with our Fokus 2024 transformation programme. As a result, we achieved important milestones in our orientation as a financier of progress - including a stronger focus on sustainability, the expansion of our sector expertise in business with corporate customers, the expansion of our real estate business and the IT transformation at BayernLB and DKB.

The Covid 19 pandemic has made the issue of sustainability in particular even more important. This has an impact on the strategic orientation of banks as well, which have a central role to play in the transformation towards a more climate-friendly economy and society. As part of its strategic realignment, BayernLB decided at the end of 2019 to focus its business activities even more strongly on sustainability. To this end, the cross-bank ESG project "Sustainability" was launched in 2021, which coordinates the implementation of a holistic package of measures to implement the regulatory ESG requirements, taking into account strategic advantages and options for sales approaches and business opportunities.

Sustainability is not only important to us in our business activities - credible operational environmental protection management has a long tradition at BayernLB. For example, BayernLB established an in-house environmental management system more than 20 years ago, which has been validated under the European EMAS Regulation since 1999 and certified under the international ISO 14001 standard since 2011. The CO2 emissions that remain after all efforts and are currently unavoidable are offset by purchasing and cancelling high-quality emission certificates. BayernLB has therefore been climate-neutral at its Munich location since 2008, since 2015 at all other German locations. By 2023, we will also include our foreign branches in the calculations and offset their CO2 emissions as well.

This shows: We take responsibility for socially just and honest cooperation, active environmental protection and have set ourselves the goal of making a social contribution to the sustainable transformation of our economic area. We are committed to this in our Sustainability Strategy published in September 2021, which is of key importance for the overall strategic management of BayernLB Bank. To operationalise the objectives of the Sustainability Strategy, a Sustainability Programme was implemented that includes goals and measures for all relevant topics.

In our Sustainability Strategy, we actively align our business model with sustainability. Concerning our core business, we are further expanding our understanding of sustainable benefits (ESG impact) and ESG risks and actively managing BayernLB's portfolio from these perspectives. For example, we set up our ESG Assessment in 2020 and developed it further in 2021. It offers the opportunity to further identify sustainability risks and the positive effects of financing on the achievement of climate and sustainability goals in the portfolio. The requirements of the EU Taxonomy Regulation are also taken into account. The ESG Assessment is an essential step in managing and developing portfolios from a risk and sustainability perspective.

EMAS SDG 7 SDG 9 SDG 13 UN GC 1-10 PRB 1.2 BayernLB is already planning to significantly increase the share of ESG-compliant financing by the end of 2023. We also take CO2 emissions into account here. Financing and investments with terms extending beyond 2040 will comply with the CO2 emission levels set out in the Climate Protection Act. With the help of the ESG Assessment, it was possible to quantify the level of ambition for ESG-compliant portfolio restructuring and define precise targets for ESG-compliant new business.

Through this approach, we take into account the climate goals of the German government, the EU and the goals of the Free State of Bavaria and clearly commit to the Paris Climate Protection Agreement by aiming for a climate-neutral portfolio already before 2050. To this end, the Bank has joined the Partnership for Carbon Accounting Financials (PCAF). PCAF provides a standardised methodology that BayernLB will use in future to calculate emissions in the credit portfolio. The calculation of greenhouse gas emissions is an essential step in managing the portfolio from a risk and sustainability perspective and gradually decarbonising it.

BayernLB's commitment to respecting human rights due diligence is also highly relevant. For example, BayernLB takes the Equator Principles into account in all relevant financing where the intended use is known. These are based on the environmental standards of the World Bank and the social standards of the International Finance Corporation, a subsidiary of the World Bank. The Equator Principles define extensive requirements for environmental protection and compliance with labour and human rights, for example in large infrastructure projects. BayernLB has also developed business guidelines that go beyond these standards and published them externally for the first time at the end of 2021 as "Guiding Principles for Transformation", whereby our regulations regarding biodiversity and social topics were also included.

In 2021, we also signed the UN Global Compact (UN GC), thereby making visible our commitment, with which we as the BayernLB Group have been working for many years to promote human rights, labour standards, environmental protection and anti-corruption. To this end, compliance with the ten principles of the UNGC is also ensured vis-à-vis business partners and along the entire value chain.

We are also committed to the Principles for Responsible Banking (PRB), an initiative of the United Nations Environmental Program Finance Initiative (UNEP FI), of which BayernLB has been a member since 1995. This is a consistent external step that demonstrates our commitment to embedding sustainability aspects in our business strategy.

Our update of the materiality analysis shows that through Sustainable Finance we can make the most important contribution to the UN's Sustainable Development Goals. We are clearly positioning ourselves as a strategic partner for Sustainable Finance with our clients. We will therefore use the business potential arising from the high investment needs of our clients to consolidate our position as a focused specialist financier in the market. We will focus in particular on supporting our clients in financing the transformation of their business models, processes and products in the context of decarbonisation, on further developing our range of products and services (including Green & Social Bonds, corporate Schuldschein loans, sustainable funds) and on promoting various sustainability initiatives. BayernLB's Sustainable Lending Framework sets the framework for the range of sustainable financing products. This creates transparency about BayernLB's range of sustainable credit financing products and thus also serves as a seal of quality. To

further strengthen open, transparent and credible sustainability communication, the implementation of a Group-wide reporting software was significantly advanced.

A Sustainability Week was organised in 2021 to make the importance and impact of sustainability on BayernLB comprehensible to employees. In addition, an in-house concept for ESG training was set up, which provides a basic understanding of ESG, sustainable financial flows, the mitigation of sustainability risks and diversity in various training modules.

Our commitment to sustainability, which has been high for decades, has been positively confirmed by sustainability rating agencies. As a result, BayernLB has been one of the most sustainable banks in the world for many years. Our aim is to at least maintain the current sustainability rating level despite constantly increasing challenges and to continuously develop further.

You can gain a comprehensive insight into BayernLB's commitment to sustainability in 2021 in this Sustainability Report. You can also find more information on our homepage and in the BayernLB Group 2021 non-financial report.



We finance progress - sustainably out of conviction

*Further information on the Internet:* 

Homepage of BayernLB: Sustainability

<u>Combined Non-financial Report of the BayernLB Group for 2021 (Annex to the Annual Report p. 310)</u>

#### GRI 102-15 (2016) Key impacts, risks, and opportunities

EMAS SDG 12 PRB 2.1 a

Principles for responsible banking

BayernLB has been a signatory to the United Nations Environmental Program Finance Initiative (UNEP FI), founded in 1992, since 1995. With this voluntary commitment, BayernLB has consistently supported the integration of environmental protection into financial sector services for many years. Based on the UNEP FI Environmental Guidelines, the Bank adopted an Environmental Policy in 1998, which has since been the basis for all actions taken to improve environmental performance (for more information regarding the Environmental Policy, see GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental").

It was therefore a logical next step for BayernLB to also adopt the Principles for Responsible Banking (PRB) in September 2021, a voluntary initiative created in 2019 by member banks of the UNEP FI. This demonstrates the Bank's strong commitment to anchoring sustainability aspects in its business strategy (further information concerning the PRB, see GRI 102-12).

#### Principles for financial solutions

Sustainable banking and corresponding financial solutions at BayernLB cover the following areas:

- Financing companies and projects that contribute to addressing societal challenges such as climate change and the energy transition;
- Offer sustainable investment products for private and institutional investors;
- Compliance with environmental, social and ethical standards in financing and capital market transactions.

The goal of establishing sustainable banking products is enshrined both in BayernLB's Code of Conduct and in the Sustainability Policy adopted by the Board of Management, and since 2020 also in BayernLB's mission statement and in the Group's Sustainability Strategy.

In the Code of Conduct: "We are actively and thoroughly committed to the challenges of sustainable development and heed our responsibility by taking ecological, economical and social aspects into account along the entire value chain. [...] We also consider sustainability issues when looking at (business) transactions. Our actions, as well as our business relationships and transactions, are always guided by ethical principals and sustainability aspects. We ensure that these are compatible with the relevant international environmental, ethical and social standards we have signed up to."

In the Sustainability Policy: "The integration of social and environmental aspects into our financing and capital market products offers our clients and us the opportunity to comprehensively consider risks and opportunities arising from global challenges such as climate change and the scarcity of resources and thus make an active contribution to sustainable development. In addition to setting and further developing basic social and ecological standards for financing and capital market transactions, we set out to serve companies and projects that explicitly tackle these global challenges through, for instance, renewable energy."

#### Sustainability standards in the context of business activities

These standards are explained in detail in GRI FS 1 and in the Guiding Principles for Transformation published in December 2021. With the Guiding Principles, BayernLB has created a transparent framework in which, in addition to its stance on key challenges of the day, it bundles and updates its existing self-image and understanding of values, general ethical, environmental and social standards as well as policies on sensitive issues and sectors (including armaments, coal, nuclear power, oil & gas, forest, food, gambling) and publishes them externally in unabridged form for the first time.

#### Dealing with sustainability risks

In line with the view of the banking supervisory authorities, BayernLB does not manage ESG risks as a separate risk type, but sees them as a risk driver for the risk types already known (credit risk, market risk, liquidity risk, etc). In the coming years, a holistic approach to the identification and management of ESG risks will be further developed.

The methods, procedures, support tools and processes required for this purpose are constantly being developed further, the necessary data of sound quality is being procured and ESG expertise is being further built up along the entire value chain and along the three lines of defence model.

This includes both the operating model (internal) and the business model (external). In this way, the operating model is examined for any ESG risks and further developed if necessary. With regard to the business, both ESG impact and ESG risks will be made even more transparent at the level of sectors, countries, sub-portfolios and existing individual clients, and corresponding key figures or key risk indicators will be developed for this purpose.

New business (new clients/new transactions) is entered into in compliance with the already established exclusion criteria and the various policies after careful consideration of risk/profitability. ESG impact/risk considerations play a role in decision-making for the planned portfolio restructuring.

Accordingly, the risk strategy for 2022 (building on the risk strategy for 2021) includes the following goals, among others:

- In the risk management of material and significant risks, the consideration of risk drivers from ESG risks is continuously and purposefully expanded. Within this, there is a focus on climate and environmental risks in risk analysis and management. This includes in particular
  - strengthening and further expanding the focused management of BayernLB's ESG risks in line with the objectives of the Business and Sustainability Strategy. This is done in particular by taking into account the future target portfolio composition according to ESG impact as well as ESG risk with the support of the findings from the ESG assessment (bottom-up approach). Already defined KPIs (such as "significant increase in the ESG-compliant share of our portfolio"/Green Asset Ratio), but also future KPIs and regulatory requirements serve as an additional starting point for the further development of risk management. In this context, data availability, reliability and accuracy are indispensable prerequisites (enablers) for robust risk management and must therefore be continuously improved.
  - The successive development of risk-oriented reporting (e.g. for the credit portfolio assessed in the ESG assessment, climate and environmental risk-related operational risks, trading products or affected funding sources)
  - the successive expansion of risk management in the risk types with regard to the identification of climate and environmental risks and how to deal with them.
- BayernLB applies high ethical principles in its business activities and actively aligns its business
  activities (via compliance with the Sustainability Strategy and Guideline) with ESG criteria and
  sustainability.

• The incentive systems for employees (remuneration system) are in line with the business and risk strategy.

#### Dialogue with stakeholders

Transparency is crucial both for governance and for the trust of all stakeholders.

Many people and institutions have a legitimate interest in BayernLB. The Bank engages in intensive dialogue with these stakeholders. Various departments are involved in the dialogue: for example, the Human Resources department, the Market departments, Investor Relations, the Press department and the Sustainability Executive Unit. For further information, see GRI 102-42 to 44.

#### Materiality and impact analysis

BayernLB regularly (last updated in 2022) conducts a materiality analysis in accordance with GRI with all relevant (Group) units in order to identify the sustainability issues that are most important to its stakeholders in relation to BayernLB. The UN Sustainable Development Goals (SDGs) are the starting point for defining the key issues. The requirements of sustainability ratings and reporting frameworks as well as industry-specific sustainability challenges are taken into account. Accordingly, for years have been essential: Sustainable finance solutions, handling of environmental and social risks, combating corruption and bribery, customer satisfaction, data protection & data security, digitalisation, employee development, diversity & equal opportunities, health management, sustainable procurement, social committment & dialogue, operational environment management and the contribution to the regulatory framework. For further information, see GRI 102-46 and 47.

The resulting materiality matrix is also the basis for BayernLB's (present) Sustainability Report. It also shows the importance of sustainable banking business. In terms of corporate customers, this business is conducted in five innovative sectors of the future: energy, mobility, technology, mechanical and plant engineering, and construction and basic materials. In the real estate business, the focus is on financing sustainable products in the various real estate asset classes, with ESG compliance playing an increasingly important role.

This means that the Bank is active in areas that are particularly important in the transformation towards a decarbonised economy and have a corresponding significance for climate change. The Bank analyses the impact of the individual companies across all sectors through the ESG Assessment, which measures both impact and, for example, sustainability and environmental risks. On this basis, the corresponding risk is continuously reduced or the share of ESG-compliant financing is increased.

# Sustainability Programme as from 2021

In December 2021, BayernLB published a Sustainability Programme to operationalise the objectives of its Sustainability Strategy. This programme comprises goals and measures for all relevant topics from the Sustainability Strategy and is a central instrument for the further development of BayernLB's sustainability performance. Like the previous sustainability programmes, this programme also specifies goals, measures and a deadline by which the goals are to be achieved. The results of the materiality analysis have been taken into account in this new programme. In

addition, the Environmental Programme, which was previously implemented and published separately, has been fully integrated so that integrated reporting can take place in the future. Insofar as implementation steps have already been taken by the end of 2021 (or the editorial deadline for this Sustainability Report), the following overview contains information on this in the "Status" column and further information in the standards listed in the "GRI" column. Reporting will be expanded in the coming years within the scope of the Sustainability Report (corresponding audit discussions are planned for this) - in particular with regard to the market-specific goals, fundamental methodological questions must first be clarified and procedural models must be developed.

The following legend applies to the overview:

- G = goal
- M = measure
- MMA = Management Approach, which is the overarching GRI standard for the respective topics.
- A distinction is made between the following statuses:
  - in planning (structures for implementation are being worked on in the bank),
  - started (structured implementation has been started),
  - implemented (the goal/measure is already implemented [by the reporting year, annually or ongoing]),
  - achieved (in the case of quantitative goals that have been achieved),
  - open (goal is too far in the future or planning has not yet begun);

Few goals could only be implemented/achieved to a limited extent, one goal had to be put on hold.

# Main KPIs for business

КРІ	Goals and measures	When	Status 31.12.2021	GRI
Carbon neutrality of	G: To develop a methodology and a path	By the end of 2023	Started	201-2
the customer portfolio and equity book	<b>G:</b> To create transparency using the PCAF methodology	By the end of 2023	Started	102-12
	<b>M:</b> Implement a method to analyse the sustainability impact of the BayernLB portfolio	By June 2021	Implemented	102-17
	<b>M:</b> Assess the sustainability impact of the BayernLB portfolio	By the end of 2021	Implemented	102-17
	<b>M:</b> Assess the sustainability of new lending transactions, in %	Quarterly	Implemented	FS 1 - FS 8 MMA
	M: Use as model the German federal govt.'s trans- formation path for German industry (by sector); assess regularly and revise climate policies as needed	Ongoing	Implemented	FS 1
	M: Measure the financed emissions from loans and investment	By 2023	Started	102-12
	<b>M:</b> Operationalise the decarbonisation path at credit portfolio level as part of the PCAF initiative	By the end of 2023	Started	102-12
	<b>M:</b> Add new features to the current methodology for controlling the CO2 mgmt. ratio	Annual reporting from 2024 onwards	Started	FS 1 - FS 8 MMA
	M: Continue subsidising energy-efficiency up- grades for rental housing property under the Ba- varian modernisation programme and the Ener- giekredit Kommunal Bayern programme (BayernLabo)	Ongoing	Implemented	FS 7 (+ An- nual Re- port Bay- ernLabo)
Range of sustainable products and services	<b>G:</b> To add to and improve upon the product range such that selected sustainable products with an ESG component are included		Started	102-2; FS 1 - FS 8 MMA
	<b>M:</b> Identify potential for new sustainable products (capital market transactions + credit)	By 2022	Started	FS 1 - FS 8 MMA
	<b>M:</b> Roll out a new ESG product each for the Real Estate, Corporates, Markets and Treasury units	By the end of 2023	Started	FS 1 - FS 8 MMA
	<b>M:</b> Ensure fair sales practices and product responsibility (avoidance of greenwashing)	Ongoing	Implemented	102-43
Green asset ratio reporting	<b>G:</b> To attain the share of Taxonomy-compliant transactions set out by the supervisory authorities		In planning (first publication already implemented)	FS 8
	M: Raise substantially the amount of responsible finance for Taxonomy-compliant economic activi- ties from the baseline level (the "before" meas- urement)	By the end of 2023	Started	FS 8
	M: Publish the green asset ratio	Annually, from the end of 2021 onward	Implemented	FS 8
	<b>M:</b> Comply with environmental, social and ethical standards in financing and capital market transactions	Ongoing	Implemented	FS 2
	<b>M:</b> Broaden the range of sustainable investment products	By 2023	Open	FS 1 - FS 8 MMA
	M: Finance more companies and projects that ad- dress societal challenges such as climate change and the energy transition	Ongoing	Implemented	FS 8
SDG compliance	<b>G:</b> To install SDG mapping at the transaction level		Started	FS 7
	<b>M:</b> Set up a system for SDG mapping in the portfolio to improve impact transparency	By the end of 2022	Started	FS 7
Sustainability rating	<b>G:</b> To at least maintain the rating as at 1 July 2021	By the end of 2022	Achieved	102-43
	$\mathbf{M:}$ Sign on to two new market standards: PRB and UNGC	By the end of 2021	Implemented	i.e. 102- 12
	M: Interact purposively with rating agencies	Annually	Implemented	102-43
	<b>M:</b> Increase the transparency of ESG-related ratios, guidelines and policies	Ongoing	Implemented	102-43, 102-44
	M: Create a strategic sustainability-rating roadmap that leads to the desired degree of sustainability	By 2022	Started	102-43

## Main KPIs for operations

КРІ	Goals and measures	When	Status 31.12.2021	GRI
Environmental Reduction in BayernLB's CO2 emissions	<b>G:</b> To reduce BayernLB's net carbon footprint, i.e. prior to unavoidable adverse offsets	By the end of 2025 by 10% compared to 2019  By 30% by the end of 2030  By 70% by the end of 2040		305-5
M <sup>1</sup> = Strategic management measures	M¹: Factor sustainability into the choice of new building	By 2023	On hold	
	M¹: Check ways of further raising the desk-sharing ratio	By 2023	Open	401 MMA
	<b>M¹</b> : Establish the "green office" (with components beyond the VfU tool, such as toner consumption)	By 2025	Open	
	<b>M¹</b> : Get the Group-strategic subsidiaries more closely involved in the sustainability management system	Ongoing	Implemented	300 MMA
	$\mathbf{M^1}$ : Check for new developments for the Environmental Policy	By 12/2022	Started	300 MMA
M² = Measures relating to environmental indicators and EMAS (overarching)	M <sup>2</sup> : Implement the climate protection strategy: avoid energy and commodity consumption; substitute CO2-intensive energy sources; offset the unavoidable CO2 emissions	Ongoing	Implemented	305 MMA
	<b>M² :</b> Get the BayernLB environmental management system revalidated through EMAS (and conduct neighbourhood talks)	Annually	Implemented	300 MMA; 413-2
	$\mathbf{M}^2$ : Collect the environmental indicators for all of BayernLB's (sales) offices in German	Annually	Implemented	300 MMA
	M <sup>2</sup> : Collect the environmental indicators for the foreign branches	By 2023	In planning	300 MMA
M³ = Measures regarding	<b>M²</b> : Collect the environmental indicators for the data centre and BayernBankett	By 2024	In planning	300 MMA
resource consumption	M³: Ensure ecologically friendly power supply based on proof of origin and installation purpose; optimise operating times at all locations	Ongoing	Implemented	300 MMA; 302-1; 305 MMA
	M³: Stabilise power consumption at below 12,800 MWh; stabilise the peak load consumption of electricity at the Munich location with a cap of 4,000 kW; stabilise heating consumption at below 13,000 MWh; stabilise water consumption at below 18,000 (/employee	Annually	Achieved	302-1; 303-1;
	M³: B 18: upgrade lighting in corridors and computer workstations; B 18: replace four ventilator in the underground car park; B 24 rear annex: optimise the cold water pumps on the cooling unit and replace the integrated cooling systems in the ceilings	By 12/2022	Implemented to a limited extend	300 MMA
	M³: Assess sustainability of work-related mobility / commuting by 2023 and increase it; analyse emissions and traffic data; offset through climate levy for air travel	Ongoing	In planning	302-2; 305 MMA
	M³: Stabilise the indirect environmental impacts caused by business travel at the 2019 level (proportional to the number of employees); increase train travel as a means of transport for business trips instead of flying or driving (2019 baseline)	Annually	Achieved	302-2; 305-5
	M <sup>3</sup> : Dispose of all waste fractions in an environmentally- friendly way; only commission waste management companies that have a certified environmental management system or have the status of a specialist waste management facility	Ongoing	Implemented	306-2
	M³: Explore ways of optimising the waste-sorting system	By 2025	Open	306-2
	M <sup>3</sup> : Stabilise the considerably reduced volume of waste at the 2019 level (proportional to the number of employees)		Achieved to a limited extend	306-2
	M³: Continue to update the material waste guidelines; run ongoing measures to sensitise staff and service providers	Ongoing	Implemented	306-2
	M³: Provide intra-Group advice/recommendations with regard to the use/usability of recycled paper; continue using quality seals (e.g. "Blue Angel", FSC or Ecolabel) for all types of paper	Ongoing	Implemented	301-1
	M³: Reduce relative paper consumption per employee by 2.5% from the 2016 level; reduce absolute paper consumption by 5% from the 2016 level	By 12/2022	Achieved	301-1

KPI	Goals and measures	When	Status 31.12.2021	GRI
Social Diversity and integration	<b>G:</b> Increasing ratio of women in management positions: To achieve a 30% ratio of women in management positions (cumulative, i.e. 1st level + rest)	By the end of 2024	Started	405-1
	<b>G:</b> To implement an HR and a diversity strategy	By the end of 2022	Started	405 MMA
	M: Increase the number of female applicants for vacant management positions, especially at levels 2 and 3	Ongoing	Implemented	405-1
	M: Have managers reach out to female staff with leadership potentia	Ongoing	Implemented	405-1
	M: Install regular HR reviews, in all functional units, to increase the focus more on women with management/leadership po- tential	Annually	Implemented	405-1
	M: Continue the cross-mentoring programme	Ongoing	Implemented	405 MMA
	M: Provide inter-divisional mentoring (diversification)	Ongoing	Implemented	405-1
	M: Use role models in a communication campagne	Ongoing	Implemented	405 MMA
	M: Promote a network of female staff	Ongoing	Implemented	405-1
	M: Create safe channels for open communication	Ongoing	Implemented	405-1
	M: Intensify occupational health and safety	Ongoing	Implemented	403 MMA
	M: Stabilise the health rate at a minimum of 95%	Annually	Achieved	403 MMA
	M: Continue targeted healthcare management	Ongoing	Implemented	403 MMA
	M: Provide health & safety offerings in the workplace (e.g. ergonomic workstations)	Ongoing	Implemented	403-5, 403-6
	<b>M:</b> Combat discrimination through participation and inclusion (e.g. through applicant analyses and training for decision-makers)	Ongoing	Open	
	M: Integrate soft topics into employee questionnaires	Ongoing	Implemented	401 MMA
	M: create ways of providing time off for childcare, schoolbreak programmes, nursery spaces etc	Ongoing	Implemented	405 MMA
Social Help provided to the	<b>G:</b> To integrate the employees' perspective into the transformation process		Implemented	401 MMA
employees for making the change	<b>M:</b> Anchor sustainability factors into the annual objectives for the Board of Management and the employees (where applicable)	Annually	Open	401 MMA
	M: Harmonise the sustainability programme and cascade the objectives for the relevant divisions	By the end of 2022	Open	401 MMA
	<b>M:</b> Conduct employee satisfaction surveys and opinion polls (e.g. for upcoming decisions), e.g. as part of the Pulse Checks	Annually	Implemented	401 MMA
	M: Idea management: ensure at all times an open, discrimina- tion-free platform for expressing one's ideas, e.g. PitchNow	Annually	Implemented	401 MMA
	M: Provide budget/time for training for each employee and ESG topic	By the end of 2023	In planning	404 MMA, FS 4
	M: Develop and install an enhanced ESG training strategy for all employees	By the end of 2022	Started	404-2, FS 4

КРІ	Goals and measures	When	Status 31.12.2021	GRI
Governance	G: To expand stakeholder management pragmatically		Implemented	102-43
Continuous improvements to the systems, processes and communication to meet supervisory requirements and the legitimate interests of the stakeholders	<b>G:</b> To increase transparency by adding more information on compliance management in the GRI reporting for the 2021 financial year		Implemented to a limited extend	205 MMA
	M¹: Incorporate additional environmental aspects into the stakeholder analysis	By the end of 2021	Implemented to a limited extend	102-46
M¹ = Measures regarding Stakeholder management	$\mathbf{M^1}$ : Intensify engagement with contacts regarding controversial issues	Ongoing	Implemented	102- 43, 102-44
	M¹: Intensify engagement with ethical investors	Ongoing	Implemented	102-43
	M¹: Increase communication with strategic stakeholders and engage/network in environment-related associations, e.g. by joining initiatives; continue membership with environmental schemes e.g. UNEP FI/VfU and Klimapakt Münchner Wirtschaft (Climate Pact for the Munich Economy)	Ongoing	Implemented	102- 12, 102-43
	<b>M¹:</b> Increase communication with strategic stakeholders and audit at least five key suppliers each year	Ongoing	Implemented	102- 43; 204 MMA
	<b>M¹</b> : Comply with recognised environmental and social standards in the supply chain	Ongoing	Implemented	204 MMA
	<b>M¹</b> : Conclude a Sustainability Agreement with suppliers and external service providers to BayernLB	Ongoing	Implemented	204 MMA
	<b>M¹</b> : Adjust or draft conditions or guidelines (e.g. processes or policies) in cooperation with all the BayernLB units affected	If required	Implemented	102-16
	$\mathbf{M^1}$ : Increase awareness of sustainability issues through regular training	Ongoing	Implemented	404-2, FS 4
	$\mathbf{M^1}$ : Comply with, refine and manage high ESG standards, particularly for earmarked funding	Ongoing	Implemented	FS 2
M <sup>2</sup> = Measures to improve transparency in compliance management	$\mathbf{M^2}$ : Improving transparency in compliance management in the Bank's established COI (conflict of interest) management	By 2022	In planning	102-25
	M²: Improving transparency in compliance management in measures adopted for avoiding money-laundering etc.	By 2022/2023	In planning	102-33
	<b>M<sup>2</sup></b> : Improving transparency in compliance management in investor protection and compliance with relevant provisions	Ongoing	Implemented	417 MMA

*Further information on the Internet:* 

#### Sustainability Programme as from 2021

## 3 Ethics and integrity

#### GRI 102-16 (2016) Values, principles, standards, and norms of behavior

BayernLB regards lawful, ethical and responsible conduct as a fundamental and indispensable part of its corporate and social responsibility.

In the materiality analysis (updated in 2022), the topics "Handling of environmental and social risks" and "Contribution to the regulatory framework" were defined as material according to GRI for BayernLB and its stakeholders.

The content of the values, principles, standards and norms of conduct relevant to BayernLB is specified and described in detail in the relevant standards. This standard therefore only serves as a general overview; reference is made to further information in other standards. In general, the adaptation or revision of framework conditions/guidelines (e.g. process definitions, policies) is also anchored in BayernLB's Sustainability Programme as from 2021 in cooperation with all relevant BayernLB units (for further information on the Sustainability Programme, see GRI 102-15).

EMAS SDG 12 SDG 16.3 UN GC 10

#### **Code of Conduct**

The Code of Conduct serves as a normative quideline for daily actions. It describes BayernLB's values and principles and is a risk prevention, management and communication tool. In this regard, the Code of Conduct itself states: "This Code of conduct serves as a standard guideline in our daily activities. By adhering carefully to it, we treat each other fairly and we contribute towards our most important objective – long-term business success that is consistent with our social responsibility; This code encompasses the major legal regulations and social requirements and describes how to apply these in a suitable manner. The rules provided represent an essential minimum standard and do not replace more detailed internal instructions and procedures. The Board of Management and senior managers are responsible for ensuring that the code is applied and adhered to in their areas of responsibility. These persons in particular serve as role models ("tone from the top"), as they stand for the principles and guidelines contained in the code, or by espousing them in der actions and communication and, in doing so, help to foster and improve them." All employees are called upon to act with decency and judgment in their areas of responsibility in order to preserve a culture that does justice to social responsibility and the conditions for sustainable corporate development. All new employees (including junior staff) joining BayernLB are handed out a physical copy of the Code of Conduct. In addition, the Code of Conduct is published on the Internet and Intranet in German and English.

Further information on the Internet:

#### Code of Conduct

#### **Guidelines and commitments**

The requirements contained in the Code of Conduct are to be understood as minimum standards. They are supplemented and concretised by a wide variety of guidelines and - in some cases external - voluntary commitments. For example, responsible corporate governance, sustainability or equal treatment of employees are regulated by internal guidelines or external voluntary commitments. Concerning sustainability issues, the requirements of the UN Global Compact and the Principles for Responsible Banking are essential. See GRI 102-12 for an overview of external initiatives in which BayernLB is active.

*Further information on the Internet:* 

#### Homepage of BayernLB: Memberships and commitments

Principles and guidelines of the Sustainability and Environmental Management

The 17 global sustainability goals of the UN Agenda 2030, the climate goals of the Paris Agreement, the Bavarian sustainability strategy, the German sustainability strategy of the Federal Government and the requirements of EU taxonomy form the superstructure of the common understanding of sustainability within the BayernLB Group. The Group Mission Statement defines a clear set of objectives for BayernLB and its subsidiaries, with sustainability as a key driver in the alignment of business models. The Group Sustainability Guideline fleshes out the principles of BayernLB Group's Sustainability Strategy. It creates the basis for a clear understanding of risk in order to achieve an appropriate return in line with the clearly defined corporate responsibility. In

September 2021, BayernLB published a Sustainability Strategy in which it systematically pursues its sustainable issues.

Environmental Management is an integral part of Sustainability Management, which is anchored in the Sustainability Executive Unit. This is reflected, among other things, in the fact that environmental protection is an integral part of the guidelines for sustainability management, such as the Sustainability Policy. In addition, the Bank has defined central cornerstones of its environmental commitment in its Environmental Policy. For all other information, see GRI Standards 300, esp. GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental". For other components of the sustainability management system, see GRI 103-15.

*Further information on the Internet:* 

BayernLB's Sustainability Policy

BayernLB's Environmental Policy

**Guiding Principles for Transformation** 

Homepage of BayernLB: Environmental management

Sustainability-related standards and guidelines for business activities

In September 2021, the Group Sustainability Strategy was put in concrete terms for BayernLB Bank. Among other things, it aims to significantly increase the portfolio share of ESG-compliant financing compared to the 2020 values by 2023 and to achieve a climate-neutral portfolio before 2050. The corresponding goals are operationalised in the Sustainability Programme as from 2021 published in December 2021 (see GRI 102-15).

In December 2021, BayernLB published its Guiding Principles for Transformation externally for the first time. In these Principles, BayernLB takes a position on the key challenges of today and formulates its understanding of itself and its values, general ethical, environmental and social standards as well as policies on sensitive issues and sectors (armaments, coal, nuclear power, oil & gas, forest, food, gambling). For the Guiding Principles for Transformation, see GRI FS 1.

For more information see GRI 412 (2016) - 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Human rights assessment".

*Further information on the Internet:* 

BayernLB's Sustainability Strategy

Sustainability Programme as from 2021

**Guiding Principles for Transformation** 

Standards for suppliers and external service providers

BayernLB also requires its suppliers to comply with environmental and social standards, including the core labor standards of the International Labour Organisation (ILO). The relevant documents here are BayernLB's Code of Conduct and the Sustainability Agreement for Suppliers and External

Service Providers. The Bank does not cooperate with business partners and organisations that pursue anti-constitutional or sectarian objectives. For more detailed information on the Sustainability Agreement and BayernLB's requirements for its suppliers and external service providers, see GRI 204.

*Further information on the Internet:* 

#### Sustainability Agreement

Principles of personnel policy and the understanding of leadership

In addition to the Code of Conduct, key aspects of employee management are set out in BayernLB's Leadership Compass. The Leadership Compass (published internally) is the overarching guiding document for all BayernLB managers, combining all relevant rules of conduct, values and requirements for managers and cooperation within the Bank. For further information, see GRI 401.

BayernLB's employees play a central role in the Bank's strategic orientation. The basic principles of human resources policy and the management of employees are laid down in various principles and guidelines:

Principles/Guidelines	Contents
Chapters in Code of Conduct	- "Personal rights and protection against discrimination" - "Responsibility for employees"
Policy on conduct in partnership, protection against sexual harassment, bullying and discrimination	- Principles of interaction between women and men
General Equality Act (AGG)	- Transposition of European directives to implement the principle of equal treatment (no discrimination on the grounds of racial or ethnic origin, gender, religion or belief, disability, age or sexual identity).

The focus is on involving employees in change processes and advancing the understanding of sustainability. This is done through the Staff Councils, the company suggestion scheme, regular surveys and event formats such as "Town Halls" with the Board of Management. Since 2021, training and information events on sustainability topics have been intensified, for example by organising a sustainability week or virtual training series on ESG. This reaches large parts of the workforce. The online training on risk culture, which is mandatory for all employees, also includes key elements of BayernLB's understanding of sustainability. For more information on employee involvement, see GRI 401-406.

#### GRI 102-17 (2016) Mechanisms for advice and concerns about ethics

SDG 16.3 UN GC 10 PRB 5.3

#### Compliance

BayernLB has a Group Compliance division, which is responsible, among other things, for preventing, investigating and sanctioning breaches of rules and regulations. It ensures that BayernLB's market presence is reliable and characterised by compliance with legal and regulatory requirements, and protects it against unlawful acts. In addition to combating money laundering, economic crime and terrorist financing, the tasks also include combating corruption and bribery (for further information, see GRI 205 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Anti-corruption").

Another objective is to support and implement legal, corporate, social and ethical guidelines and values within BayernLB. The department reports to the Chairman of the Board of Management and regularly reports to the Board of Management and the Audit Committee of the Supervisory Board on relevant topics via the Compliance Annual Report. A whistleblowing system has also been set up (see GRI 102-33). The Code of Conduct states regarding compliance: "Compliance is an integral component of corporate management and is defined as risk management with a focus on prevention. A role is played here by appropriate risk analysis, measures based on this process, the promotion of a uniform understanding of values and integrity, as well as penalties in the event of breaches."

#### Reputational Risk and Sustainability Management

BayernLB has combined the issues of Reputational Risk Management (including the role of Central Reputational Risk Management (CRRM)) and sustainability/environmental management in the Sustainability Executive Unit, which reports directly to the Chairman of the Board of Management. Reputational risk within the BayernLB Group is managed by means of a separate set of rules, which includes a (Group and Bank) strategy, documents and processes, various topic-specific policies (see also GRI FS 1 and Guiding Principles for Transformation) and corresponding definitions of tasks and competences for employees, managers and other roles specific to reputational risk, among other things.

Reputational risk is defined as follows at BayernLB: "Protecting BayernLB's good reputation and thus managing it is a joint responsibility of all employees of the BayernLB Group. Reputation can be influenced and possibly impaired by almost all of our actions, whether by concluding a transaction or contract in the name of BayernLB or by a thoughtless comment on one of the social networks. Active reputation risk management includes all processes relating to the identification, assessment/classification, reporting and management of reputation risks, and, if necessary, the initiation or monitoring of measures/orders to eliminate or reduce the causes of reputation risks, the monitoring of the implementation of measures and reporting."

BayernLB sees acting lawfully, ethically, responsibly and with a focus on sustainability as a fundamental and indispensable part of both its corporate and social responsibility. Maintaining and developing a sustainable reputation and avoiding reputational risks are thus of equal importance to other objectives. In this respect, not everything that is legal is also legitimate. It is therefore

imperative that BayernLB takes both tasks (together) into account and bases its actions on the guiding principle of the honourable businessman.

The Sustainability Executive Unit is involved in assessing event- and transaction-based issues in order to manage them from a sustainability and reputational risk perspective. Transactions include all types of business activities and relationships along the value chain (specified by a separate Group-wide framework directive). As a matter of principle, the Executive Unit is to be consulted on issues that (potentially) fall within the scope of existing ESG standards and policies regarding environmental or social issues and/or are potentially related to social and/or environmental risks, as well as on all transactions that entail a medium or high reputational risk. In this context, the Sustainability Executive Unit has clearly delegated rights from the Board of Management to prohibit matters or to impose conditions on approval.

BayernLB Bank developed the ESG Assessment as a tool for assessing the sustainability risks and impacts of customers and transactions. This IT-supported tool forms the basis for portfolio management from a sustainability perspective and is being successively expanded based on current regulatory requirements (including the EU Taxonomy Regulation) and business strategy aspects. With the help of the ESG Assessment, it was possible to quantify the level of ambition for ESG-compliant portfolio restructuring and define precise targets for ESG-compliant new business. For more detailed information, see GRI FS 2 and GRI 102-29 as well as 30. The ESGA consists of three components, so-called modules, with different questions behind them:

- ESG Risk: Do environmental, social or governance issues have a negative impact on the customer's ability to service debt, probability of default or creditworthiness?
- ESG Impact: What are the demonstrable sustainability benefits of financing?
- RepRisk: Does the business give rise to a potential reputational risk, taking into account ESG risks?

With the development and implementation of the ESG Assessment, BayernLB is also meeting the goals of its Sustainability Programme as from 2021, which stipulates the implementation of a method to analyse the sustainability impact of the BayernLB portfolio and to survey the sustainability impact of the BayernLB portfolio (for further information on the Sustainability Programme, see GRI 102-15).

The Sustainability Guidline lists the following environmental, social and governance (ESG) issues that relate to both business operations and business activities and from which sustainability and reputational risks may equally arise:

#### Sustainability Guideline

- Environment, e.g.
  - Climate and environmental protection, e.g. protection of the habitat of humans, animals and plants
  - Protection of species and healthy ecosystems, e.g. of designated nature reserves
  - Conservation of natural resources
  - Sustainable land use
  - Transition to a circular economy, waste avoidance and recycling, and energy-extensive production
- Social, e.g.
  - Protection of human rights/non-discrimination
  - Protection of civil rights, e.g. freedom of the press and freedom of expression
  - Protection of labour rights and compliance with fair working conditions within the company and at suppliers and service providers, e.g. health and safety at work, diversity as well as training and further education opportunities
  - Prohibition of forced labour and exploitative child labour
  - Protection of indigenous peoples, e.g. avoidance of displacement, forced resettlement and land grabbing
  - Fair dealings with customers, product responsibility and consumer protection
  - Ensuring adequate product safety, including health protection
  - Strengthening social infrastructure
- Governance (transparent & correct corporate governance), e.g.
  - Legal compliance & adherence to internal regulations on corporate governance and control
  - Observance of embargoes & sanctions
  - Observance of payment transaction restrictions
  - Prevention of economic crime, corruption and terror financing
  - Combating money laundering
  - Tax honesty
  - Enabling whistle blowing
  - Ensuring data protection and IT security (cybersecurity)
  - Promoting sustainable and far-sighted corporate models and customer groups

Key principles for protecting the Bank against reputational loss/damage are laid down in the relevant components of the Reputational Risk Management rules and regulations. Among other things, this stipulates that the experts of the CRRM are to be involved in all matters with a medium or high reputational risk and have a right of veto. CRRM carries out an annual reputational risk inventory at BayernLB, including the relevant Group companies. The CRRM is also in regular contact with Communications and Press, Investor Relations and the Decentralised Reputational Risk Managers.

The individual employee is at the centre of the measures for compliance with regulatory requirements and consideration of social expectations. He\*she is obliged to inform him\*herself about the relevant legal obligations, instructions, guidelines and framework conditions applicable to his\*her area of responsibility and to comply with them. In doing so, he\*she is comprehensively supported by Group Compliance as well as other departments such as Legal and Sustainability Executive Unit.

*Further information on the Internet:* 

#### Code of Conduct

#### Homepage of BayernLB: Compliance

#### Guiding Principles for Transformation

#### Disclosure Report 2021

#### **4 Governance**

# AUDITED SDG 16.6

#### GRI 102-18 (2016) Governance structure

As a public law institution, BayernLB has a two-tier management and supervisory structure with its two bodies, the Board of Management and the Supervisory Board, which are separated from each other in terms of personnel, as stipulated by the Law on Bayerische Landesbank. The third body is the General Meeting.

The duties and powers of the Bank's Board of Management, Supervisory Board and General Meeting are essentially governed by the Law on Bayerische Landesbank. For further details, reference must be made to the Statutes of Bayerische Landesbank, which were enacted on the basis of the authorisation in Art. 16 Para. 1 and Art. 7 Para. 2 Law on Bayersiche Landesbank, and to the Rules of Procedure of the Board of Management, which in turn are authorised to be enacted under Art. 7 Para. 5 of the Statutes. Further details can also be found in the Corporate Governance Principles. As a public-sector credit institution, BayernLB is also subject to the provisions of the German Banking Act.

#### **Board of Management**

The Board of Management conducts the Bank's business. It is responsible for ensuring that BayernLB has a proper business organisation. In addition to responsibility for compliance with legal requirements and internal guidelines, this includes the implementation and ongoing review of appropriate internal control procedures and adequate management and monitoring of material risks. The Board of Management consisted of five members in the year under review. More information on the current composition of the Board of Management can be found on the homepage.

#### **Supervisory Board**

In accordance with the Law on Bayerische Landesbank, the Supervisory Board consists of eleven members. It is made up of ten representatives of the shareholders and one representative of BayernLB's Staff Councils. At least half of the shareholder representatives are external members and at least three are state representatives of the Free State of Bavaria. Two Supervisory Board mandates were held by women in the year under review. The current composition of the Supervisory Board can be found on the homepage.

Among other things, the Supervisory Board decides on the appointment of members of the Board of Management as well as the adoption of the Annual Financial Statements and the approval of the Consolidated Financial Statements. It also supervises the Board of Management. The Supervisory Board also forms committees from among its members. For example, the so-called Audit Committee deals with issues of accounting, risk management, compliance and the

audit of the financial statements and supports the Supervisory Board in monitoring the prompt rectification by the Board of Management of deficiencies identified by the auditor by means of appropriate measures. Among other things, the Supervisory Board has also formed a Risk Committee to deal with key issues relating to BayernLB's risk strategy and situation. An overview of the other committees currently in place can be found in the Annual Report and on the homepage.

#### **General Meeting**

The General Meeting, which may have up to six members, is composed of representatives of the Free State of Bavaria and the Association of Bavarian Savings Banks, in accordance with the current (indirect) shareholder structure, who are entitled to voting rights in the General Meeting in proportion to their indirect shareholding in BayernLB. Each indirect owner sends up to three representatives. The representatives and their voting representative are nominated in writing by the indirect owners to the Chairman of the Supervisory Board.

The General Meeting decides on matters of principle, which include in particular the amendment of the Bank's Statutes, the appropriation of the balance sheet result and the discharge of the members of the Supervisory Board and - upon proposal of the Supervisory Board - the appointment of the auditor and the discharge of the members of the Board of Management.

#### Other control mechanisms

In addition to the usual control mechanisms for financial institutions (Supervisory Board, Board of Management decisions based on the "multiple control principle", etc.), BayernLB, as a public law institution, is subject to legal supervision by the Bavarian State Ministry of Finance and Home Affairs (Supervisory Authority). The Supervisory Authority has extensive reporting and information rights and regularly attends meetings of the General Meeting and the Supervisory Board. It can issue all necessary orders to maintain BayernLB's business operations in compliance with the law, the Statutes and other regulations.

BayernLB is also subject by law to ad hoc audits by the Bavarian Supreme Audit Office. Possible audits would cover, in particular, compliance with the rules and principles applicable to financial management, i.e., among other things, whether economic and economical procedures were followed.

For further information, see GRI 102-22.

*Further information on the Internet:* 

Homepage of BayernLB: Board of Management

Homepage of BayernLB: Supervisory Board

Statutes of Bayerische Landesbank

Law on Bayerische Landesbank

Annual Report 2021

Corporate Governance Principles

#### EMAS PRB 5.1

## GRI 102-19 (2016) Delegating authority

The topic of sustainability is anchored as a cross-sectional task in the Bank's board structures. The Sustainability Executive Unit and the position of Chief Sustainability Officer (CSO) with a direct reporting line to the CEO play a central role. The fact that the Sustainability Executive Unit reports directly to the CEO underlines the importance of sustainability for the Bank's transformation and BayernLB's desire to take account of the increasing strategic importance of the issue.

The Sustainability Executive Unit is also responsible for the Central Reputational Risk Management (CRRM), the principles of which are laid down in the relevant components of the Reputational Risk Management framework. Since reputational risks and sustainability/environmental issues are becoming increasingly interconnected, these topics are also becoming more and more intertwined in terms of processes. For example, the Sustainability Executive Unit assesses issues relating to reputational risks and environmental/social risks from a single source and with a single voice.

Sustainability is seen as a management task at BayernLB. In addition to the Sustainability Executive Unit, all areas of the Bank deal with the aspects of sustainability relevant to their respective tasks. Therefore, a regular cross-divisional exchange on regulatory developments and strategic thrusts has been implemented. This means that an integrated management approach is used to ensure cooperation between the areas and interlinking with business policy and risk-oriented decision-making and management processes. BayernLB is thus building on one of its strengths and continuously developing its Sustainability Management - both internally and in relation to its business activities.

Accordingly, the Principles for Responsible Banking are also implemented through the coordination of the Sustainability Executive Unit. The main instruments for this are the Sustainability Strategy, the Sustainability Programme and the ESG Assessment.

For further information, see GRI 102-18, 20 and 26.

#### **EMAS**

#### GRI 102-20 (2016) Executive-level responsibility for economic, environmental, and social topics

As Head of the Sustainability Executive Unit, the Chief Sustainability Officer (CSO) reports directly to the Chairman of the Board of Management and, in this capacity, reports to BayernLB's governing bodies (on a regular and ad-hoc basis) in accordance with legal and regulatory requirements. He also advises the Board of Management on sustainability (incl. Principles for Responsible Banking) and reputation management issues. For further information, see GRI 102-18, 19 and 26.

#### EMAS SDG 17.16

#### GRI 102-21 (2016) Consulting stakeholders on economic, environmental, and social topics

As BayernLB's highest supervisory body, the Supervisory Board already takes into account the interests of various stakeholder groups through its composition in the form of a staff representative and shareholder representatives, including external members and state representatives of the Free State of Bayaria, and engages in dialogue with them accordingly (see also GRI 102-18).

BayernLB also has a Business Advisory Board which, in accordance with Section 17 of the Statutes of Bayerische Landesbank, serves to provide expert advice on the Bank's business policy and to promote contacts with business circles, especially with its customers.

The Sustainability Executive Unit is the Group-wide point of contact for non-governmental organisations (NGOs), social organisations and other stakeholders in the area of environmental and social issues, especially with regard to project financing. For more information on BayernLB's dialogue with its stakeholders on sustainability issues, see GRI Standard 102-40 to 44. For more information on the governance structure, see GRI 102-18.

*Further information on the Internet:* 

Statutes of Bayerische Landesbank

#### GRI 102-22 (2016) Composition of the highest governance body and its committees

SDG 5.5 SDG 16.7

In accordance with the Law on Bayerische Landesbank, the Supervisory Board consists of eleven members, ten of whom are shareholder representatives and one of whom is a representative of BayernLB's Staff Councils. Two Supervisory Board positions were held by women in the reporting year (also in 2018, 2019, and 2020) (see also GRI Standard 102-18). With regard to the ten shareholder representatives, the Free State of Bavaria has the right to propose three state representatives and four external representatives. The Association of Bavarian Savings Banks proposes three members, at least one of whom must be an external representative. The remuneration of the Supervisory Board is regulated by the Statutes of Bayerische Landesbank. For further information, see also GRI 102-35.

Both the members of the Supervisory Board as individuals and the Supervisory Board as a whole possess the knowledge, skills, experience and other qualifications required by the banking supervisory regulations and continue their education accordingly. In line with the increasing importance of ESG issues in supervisory regulation, reporting on current developments in sustainability issues was the subject of every ordinary meeting of the Supervisory Board.

The Supervisory Board is currently supported in the performance of its duties by five committees: The Audit Committee deals with the monitoring of accounting processes, the effectiveness of the risk management system, especially with regard to the internal control system and internal audit, and the processing of open audit findings. The Audit Committee held a total of four meetings in the year unter review (2020: four; 2019: five, 2018: six).

The Risk Committee mainly deals with issues relating to the risk strategies adopted by the Board of Management and the risk situation, and decides on loans that are the responsibility of the Supervisory Board in accordance with the German Banking Act and BayernLB's allocation of powers. Every quarter, the Risk Committee takes note of the risk situation and risk-bearing capacity by submitting the Group Risk Report. The Risk Committee held a total of five meetings in the year under review (2020: six; 2019: five, 2018: six). In addition to the usual topics, the Risk Committee increasingly dealt with ESG-relevant issues, including their impact on the Bank's business policy.

The Committee for Matters Relating to Bayerische Landesbodenkreditanstalt (BayernLabo Committee) exercises all the responsibilities of the Supervisory Board with regard to BayernLabo and adopts the corresponding resolutions on matters relating to BayernLabo that fall within the Supervisory Board's area of responsibility. The BayernLabo Committee held a total of three meetings in the year under review (2020: three; 2019: four, 2018: three).

The Executive and Nominating Committee discusses in particular (regulatory) issues in the field of corporate governance as well as corporate policy and business strategy considerations. In addition, the committee prepares resolutions on Board of Management matters for the plenum. The Committee also deals with the evaluation of the Board of Management and the Supervisory Board in accordance with the German Banking Act. The Executive and Nominating Committee held a total of five meetings in the year under review (2020: ten; 2019: eleven, 2018: eleven).

The Compensation Committee monitors, among other things, the appropriate design of the remuneration systems for the members of the Board of Management and employees and, in particular, for those employees who have a significant influence on BayernLB's overall risk profile. The Compensation Committee held a total of three meetings in the year under review (2020: five; 2019: six, 2018: six) to perform its legally assigned duties. The Compensation Committee was also informed about the Bank's activities to increase the proportion of women in management positions.

The current composition of the Supervisory Board and the committees formed from among its members can be found on BayernLB's homepage, the Disclosure Report and in the Individual Financial Statement.

The composition of the Supervisory Board is defined in the Sustainability Strategy: "The Board of Management and the Supervisory Board committees also consider equal rights and diversity key factors for BayernLB's future success. Attributes such as age, gender/gender identity, ethnic origin/nationality, religion/ideology or sexual orientation do not play a role in appointments. The key factors are whether the person has the experience and skills required to carry out the role and ensure long-term corporate success. We therefore place a special focus on the aspect of diversity when appointing new members to the Boards and committees."

Composition of the Supervisory Board as of 31.12.	2021	2020	2019	2018
Members in total	11	11	11	11
of which women	2	2	2	2
of which men	9	9	9	9
of which under 30 years old				
of which between 30 and 50 years old				
of which over 50 years old	11	11	11	11
of which German	11 <sup>1</sup>	11 <sup>1</sup>	11	11

<sup>1</sup> One member of the Supervisory Board (from 10/2020 till 08/2021) has dual citizenship (German/French)

The selection and appointment of suitable candidates for the Board of Management and Supervisory Board is based on the provisions of BayernLB's Statutes. In addition, the following diversity aspects are taken into account:

• Gender: When taking a decision on filling a seat in its governing body, BayernLB always considers above all the professional and personal qualifications of the candidates. There is no

quantitative target for BayernLB's Supervisory Board and Board of Management in terms of the under-represented gender. However, concerted efforts continue to be made to raise the percentage of the under-represented gender in the Board of Management and the Supervisory Board. As at 31 December 2021, two women sit on BayernLB's Supervisory Board, with none on the Board of Management.

- Education and professional background: A major criterion at BayernLB when selecting candidates to fill seats in its Board of Management and Supervisory Board is the breadth of their education and professional experience in such fields as IT, finance, business administration, human resources, the natural sciences, communication or law, as well as their experience in the main activities carried out by the respective board. At present, the education and professional background of the members of BayernLB's Supervisory Board and Board of Management are adequately broad so as to enable them to carry out their tasks. The areas of business administration and economics, but also law, the natural sciences and IT, are especially well represented.
- Age: BayernLB is striving for a balanced age structure within the Board of Management and the Supervisory Board so as to ensure the continuity of the work of their committees and to enable a smooth succession planning. It has set the following upper limit, in terms of age, for the Supervisory Board members: The members of the Supervisory Board shall generally not be older than 69 years of age at the time of their (re)appointment. As at 31 December 2021, a balanced age structure has been achieved both in the Supervisory Board, with a range of 51 to 71 years of age, and in the Board of Management (with a range of 51 to 58 years). None of the current members of the Supervisory Board was older than 69 at the time of his or her (re-)appointment.
- Geographical experience: Due to the partly international nature of its business activities, BayernLB also takes into consideration the geographical background and experience of the candidates for membership on the Supervisory Board or Board of Management, the aim being to cover the key regions. As at 31 December 2021, the geographical experience of the Supervisory Board and the Board of Management of BayernLB covers the main regions in which BayernLB is active. This holds true especially for the regions in which BayernLB has a branch office.

Further information on the Internet:

Homepage of BayernLB: Supervisory Board

Statutes of Bayerische Landesbank

Law on Bayerische Landesbank

BayernLB's Sustainability Strategy

Disclosure Report 2021

Individual Financial Statement 2021 (only available in German)

#### SDG 16.6 GRI 102-23 (2016) Chair of the highest governance body

In accordance with the Statutes of Bayerische Landesbank, the Supervisory Board elects a Chairman and at least one Deputy Chairman from among its members at the proposal of the General Meeting. The Chairman of the Supervisory Board is not a member of the Board of Management of BayernLB, as the Supervisory Board and the Board of Management are separate bodies.

#### SDG 5.5 SDG 16.7 GRI 102-24 (2016) Nominating and selecting the highest governance body and its committees

In accordance with the Statutes of Bayerische Landesbank, the shareholder representatives are appointed by the General Meeting as part of the Supervisory Board. The state representatives and four external representatives are proposed by the State Ministry of Finance and Home Affairs. The Association of Bavarian Savings Banks proposes three members, at least one of whom must be an external representative, for appointment. The representative of the Bayerische Landesbank's Staff Councils shall be delegated by the same. The composition of the Supervisory Board places particular emphasis on diversity (see also GRI 102-22).

The Supervisory Board elects a Chairman and at least one Deputy Chairman from among its members at the proposal of the General Meeting.

*Further information on the Internet:* 

Homepage BayernLB: Supervisory Board

Statutes of Bayerische Landesbank

Disclosure Report 2021

## SDG 16.6 GRI 102-25 (2016) Conflicts of interest

BayernLB has rules in place to manage, minimise and avoid conflicts of interest, including the Group Conflict of Interest Management Policy. A conflict of interest exists when there is a risk that professional judgement or action will be influenced by one or more interests. Conflicts of interest may arise in the purely official sphere or when private interests collide with official duties. Parties to the conflict may include, but are not limited to, the following:

- Employees
- Members of the governing body
- Members of the shareholders
- Contractually bound intermediaries
- Group companies
- Customers
- Business partners
- Investors

In order to avoid conflicts of interest, the business organisation and distribution provides for a functional separation of front and back office units as well as trading and settlement units. According to the rules of procedure, the Board of Management is responsible for defining, approving and monitoring rules for dealing with conflicts of interest. BayernLB's Sustainability Programme as from 2021 also stipulates that measures to improve transparency in compliance management with regard to the established conflict of interest management are to be implemented by 2022 (for further information on the Sustainability Programme, see GRI 10-15).

The Code of Conduct commits employees and Board of Management members to the following: "We take utmost care in avoiding conflicts of interest which could affect, or even appear to affect, our independence or the independence of a third party. Where signs of a potential conflict emerge, we take all necessary steps to deal with the situation, make the conflict transparent and take up any such issues with our managers or Compliance. We do business with suppliers, service providers and business partners solely on the basis of objective criteria. Recommendations and business or human resources decisions are neither affected by any private interests or relationships nor motivated by any tangible or intangible benefits. The prohibition on accepting or granting inducements applies not only to direct cash inducements but also to other benefits which may result in an actual or perceived advantage and which could cast doubt on the Bank's professional independence. Moreover, whenever we grant or accept inducements or benefits, especially gifts or invitations, we always respect the limits of what is common practice and appropriate, as well as the tax regulations and any requirements to seek approval. The special position and status of public officials are taken into account accordingly."

BayernLB has set up an evidence centre to identify and manage conflicts of interest. Furthermore, a reporting obligation for conflicts of interest to this centre has been implemented. It investigates and assesses reported conflicts of interest and decides on the necessary measures and any consequences together with the units concerned. In addition, the evidence centre documents in a conflict of interest catalogue significant facts that can trigger a conflict of interest at the level of the employees and the management body, as well as the measures to be taken and the persons responsible in this regard. The catalogue is reviewed annually to ensure that it is upto-date and complete.

Further measures for conflict of interest management are regulated, for example, by the Guidelines for Personal Transactions. According to these, employees may not engage (buy, sell) in financial instruments of companies that they are permanently in charge of or with which they are temporarily involved in the course of their work. Likewise, personal transactions may not violate client or bank interests. Adherence to the Guidlines is continuously monitored by Group Compliance. Violations may also result in measures under labour law.

Another instrument is the Regulations on the Acceptance and Granting of Benefits. In addition to the provisions of criminal and tax law that must be observed, these Regulations provide employees with behavioural guidelines and assistance in accepting and giving gifts and invitations.

In addition, all secondary employment at BayernLB must be approved in writing by the employer. Criteria for approval are defined for this purpose.

BayernLB's voluntarily applied Corporate Governance Principles and the Statutes of Bayerische Landesbank also provide for the abstention of Board of Management members from decisions affecting themselves or relatives.

Further information on the Internet:

Code of Conduct

Statutes of Bayerische Landesbank

#### **AUDITED**

#### GRI 102-26 (2016) Role of highest governance body in setting purpose, values, and strategy

BayernLB's highest bodies, i.e. the Board of Management and Supervisory Board, regularly define the Group's values, objectives, strategies and guidelines on sustainability issues. These tasks are laid down in the Rules of Procedure of the Management Board, among others.

In November 2020, the topic of climate and environmental risks was specifically included in the Rules of Procedure of the Board of Management in accordance with the ECB Guideline. According to the Rules of Procedure, the Board of Management is now also responsible for defining a sustainability strategy contributing to the business, investment and risk strategy, taking into account corresponding sustainability risks such as climate and environmental risks. The Board of Management's responsibilities under the Rules of Procedure also include defining, approving and monitoring the implementation of "a risk culture geared to BayernLB's risk awareness and risk behaviour" and "a corporate culture and corporate values, including a Code of Conduct"

In 1998, the Board adopted the Environmental Policy, and in 2016 the second version of the Sustainability Policy. The second version of the Code of Conduct was published jointly by the Board of Management and the Supervisory Board in 2018. In 2020, the Bank's governing bodies set a new sustainable target direction with the Mission Statement "Financing progress" and BayernLB's new Group strategy. As a result, the institution-specific Sustainability Strategy was revised in 2021 and approved by the governing body. Everywhere, the aim is set out for BayernLB to assume responsibility by taking account of ecological, economic and social aspects along the entire value chain and to establish sustainable banking products. For example, BayernLB's Sustainability Policy states: "Because we integrate social and environmental aspects into our financing and capital market products, both we and our customers weigh the risks and opportunities that come with such global challenges as climate change and dwindling resources and thus make an active contribution to a sustainable development. In addition to setting and continuously improving basic social and ecological standards for our financing and capital market transactions, we set out to serve companies and projects that explicitly tackle these global challenges through, for instance, renewable energy."

In addition, all policies relating to specific business activities such as armaments, energy, gambling, forest, etc. of BayernLB have been approved by the Board of Management and apply throughout the Group. The respective departments and Group subsidiaries are responsible for implementing the guidelines and policies. Responsibility for reviewing existing policies and formulating new ones lies primarily with the Sustainability Executive Unit, and in some cases also

with Group Compliance. In December 2021, BayernLB published its Guiding Principles for Transformation, in which all policies (as well as other standards and guidelines) are made available externally in unabridged form for the first time (for more information, see GRI FS 1).

The Sustainability Strategy explains BayernLB's sustainability management system: "We regard striving for sustainability as an integral element of good internal and corporate governance. Sustainability is therefore in keeping with our corporate mission and values. The Sustainability Executive Unit and the position of Chief Sustainability Officer (CSO), with a direct reporting line to the CEO, play a key role, applying an integrated management approach to ensure cooperation between the divisions and interconnection with business policy and risk-oriented decision-making and/or governance processes. Key tasks are the cross-functional strategic development of sustainability, Group management, putting in place of methods, and governance; this applies both to the business model and to the Bank's own operations. [...] The Sustainability Executive Unit is involved in decisions on all measures that have a material or guiding impact on the issue of sustainability, especially with regard to the increasing importance of the carbon footprint. The management approach to sustainability and the related governance extends to all types of processes and transactions and covers both the lending business and all investments arranged by BayernLB. The issue of sustainability is embedded in the Bank's Board structures as a cross-functional task. Furthermore, regular cross-divisional discussion on regulatory developments and strategic objectives has been implemented. As well as the Sustainability Executive Unit, all the Bank's divisions deal with the aspects of sustainability relevant to the respective task. In addition, sustainability is a management task."

In addition, the issue of sustainability is an integral part of the remuneration of the Board of Management as resolved by the Supervisory Board. In particular, the aspects of new business share, zero-measurement ESG compliance and management of sustainability risks are taken into account. In this way, the issue of sustainability has also become more prominent in the area of Board of Management remuneration. Sustainability is also taken into account in the regular evaluation of the Board of Management and the Supervisory Board in accordance with the German Banking Act and the ESMA/EBA guidelines for assessing the suitability of members of the management body, in which knowledge and experience with regard to ESG aspects are important assessment criteria with regard to the professional requirements profile. See also GRI 102-27.

*Further information on the Internet:* 

Annual Report 2021

BayernLB's Sustainability Policy

Code of Conduct

BayernLB's Sustainability Strategy

Disclosure Report 2021

**Guiding Principles for Transformation** 

#### SDG 4.7 GRI 102-27 (2016) Collective knowledge of highest governance body

When selecting candidates for the Board of Management and Supervisory Board, BayernLB considers the broadest possible educational and professional spectrum as well as a wide range of experience in relation to the main areas of activity on the Board as a key criterion. At present, the educational and professional backgrounds of the members of BayernLB's Supervisory Board and Board of Management cover a broad spectrum for the appropriate performance of their duties. In particular, it covers key business and economic topics as well as those from the fields of law, natural sciences and IT (for further information, see GRI 102-22).

Knowledge and experience of sustainability issues are playing an increasingly important role in the requirements for board members, which is also reflected in the ESMA/EBA guidelines on the assessment of the suitability of Board members. In the course of the internal implementation of these guidelines, the Supervisory Board adopted requirement profiles for the members of the Management Board and the Supervisory Board on the recommendation of the Executive and Nominating Committee (for further information, see GRI 102-26).

At least once a year, a training event is held for the Supervisory Board on various banking topics; three events were held in the reporting year. Specialists from the Bank and representatives from auditing firms trained the Supervisory Board on current developments in the areas of regulation, IT/cyber security, sustainability and remuneration and product-specific issues, and discussed the resulting key challenges for banks and their supervisory bodies with a focus on BayernLB. In addition, the members of the Supervisory Board took responsibility for the training and development measures required for their tasks and, in particular, took advantage of external training measures offered by auditing companies on current topics in the banking sector in the area of corporate governance.

The Chairman of the Supervisory Board is in regular contact with the Chief Sustainability Officer, at least once a month, and receives information from him on various sustainability issues. In addition, current developments on the subject of ESG are the subject of every meeting of the Supervisory Board.

Further information on the Internet:

Annual Report 2021

Disclosure Report 2021

## GRI 102-28 (2016) Evaluating the highest governance body's performance

The Executive and Nominating Committee of the Supervisory Board regularly, at least annually, deals with the evaluation of the Board of Management and the Supervisory Board in accordance with the requirements of the German Banking Act and the ESMA/EBA guidelines on the assessment of the suitability of members of the management body. The Consolidated Financial Statements and Group Management Report are audited annually by an independent auditor. It also documents the number of meetings of the Supervisory Board and their content.

*Further information on the Internet:* 

#### Annual Report 2021

### Disclosure Report 2021

#### GRI 102-29 (2016) Identifying and managing economic, environmental and social impacts

EMAS SDG 16.7

BayernLB attaches great importance to intensive dialogue with stakeholders on economic, environmental and social issues. As BayernLB's highest supervisory body, the Supervisory Board takes into account the interests of various stakeholder groups through its composition in the form of a Staff Council representative and representatives from shareholders, including external members and state representatives of the Free State of Bavaria, and engages in dialogue with them accordingly. BayernLB also has a Business Advisory Board, which advises the Bank on business policy and establishes contacts with business circles, particularly with its customers (for further information, see GRI 102-21 and 102-40).

The Board of Management has set up the Sustainability Executive Unit as a subordinate unit specifically for environmental and social issues. The Chief Sustainability Officer (CSO), as head of the Sustainability Executive Unit, reports directly to the Chairman of the Board of Management. In this function, he reports to BayernLB's governing bodies (on a regular and ad-hoc basis) in accordance with statutory and regulatory requirements. He also advises the Board of Management on sustainability and reputation management. The Sustainability Strategy states: "The Sustainability Executive Unit is involved in decisions on all measures that have a material or guiding impact on the issue of sustainability, especially with regard to the increasing importance of the carbon footprint. The management approach to sustainability and the related governance extends to all types of processes and transactions and covers both the lending business and all investments arranged by BayernLB."

The Sustainability Executive Unit is involved in the assessment and management of event- and transaction-based issues in order to manage them from a sustainability and reputational risk perspective. Transactions include all types of business activities and relationships along the Bank's value chain. As a matter of principle, the staff is to be consulted on issues that (potentially) fall within the scope of existing ESG standards and policies regarding environmental or social issues and/or are potentially related to social and/or environmental risks, as well as on all transactions that entail a medium or high reputational risk. In this context, the Sustainability Executive Unit has clearly delegated rights from the Board of Management to prohibit or impose conditions on approval. See also GRI 102-17 and FS 2.

The Sustainability Executive Unit constantly monitors and analyses the impact of climate protection policy and other political, legal, social and technological developments on BayernLB's business. The Unit also has the expectations of various stakeholder groups in mind. The aim is to identify at an early stage the opportunities and risks that may arise for the Bank and its customers from these developments and expectations. At the same time, the Sustainability Executive Unit strives to develop and implement appropriate strategies and measures together with the relevant units within the Bank and external stakeholders. The existing policies on controversial sectors are also regularly reviewed by the Sustainability Executive Unit and, in some cases, by Group Compliance (currently the offshore policy) and adapted or rewritten as necessary. The

Board of Management then adopts all BayernLB policies (for further information, see GRI FS 1 and the Guiding Principles for Transfomation, in which all of BayernLB's policies and other standards and guidelines were published externally in unabridged form for the first time in December 2021).

Sustainability is also a key issue in all areas of BayernLB, see Sustainability Strategy: "The issue of sustainability is embedded in the Bank's Board structures as a cross-functional task. Furthermore, regular cross-divisional discussion on regulatory developments and strategic objectives has been implemented. As well as the Sustainability Executive Unit, all the Bank's divisions deal with the aspects of sustainability relevant to the respective task. In addition, sustainability is a management task."

The Sustainability Strategy highlights the importance of the availability of sound data and comprehensive data management to capture and assess ESG risks and opportunities. BayernLB uses an ESG assessment tool for this purpose, which is constantly being adapted to meet growing assessment and reporting requirements (for more information, see GRI 102-17 and FS 2).

At the end of 2020, the final ECB Guidline on climate and environmental risks was published, setting out expectations on how these risks should be comprehensively identified, managed and disclosed by banks. The need for action identified for BayernLB by a gap analysis is being addressed in a planned manner. To this end, an interdisciplinary approach was chosen (in particular Risk Controlling, Group Development, and the Sustainability Executive Unit) and work began on a bank-wide project in 2021. In 2021, BayernLB systematically analysed physical and transitory climate risks for new and existing transactions as one aspect of the ESG assessment.

The Sustainability Strategy clarifies the identification and management of risks related to ESG issues. See GRI FS 2.

The structured involvement of the Sustainability Executive Unit in decision-making processes ensures that social and environmental aspects are identified and taken into account at an early stage in line with the precautionary approach (see also GRI 102-11).

*Further information on the Internet:* 

Annual Report 2021

BayernLB's Sustainability Strategy

**Guiding Principles for Transformation** 

#### **AUDITED**

## GRI 102-30 (2016) Effectiveness of risk management processes

In the materiality analysis (updated in 2022), the topic "Handling of environmental and social risks" was defined as material according to GRI for BayernLB and its stakeholders.

BayernLB's Code of Conduct, to which all employees, managers, Board members and Supervisory Board members are bound, describes an effective control system as a key component of BayernLB's (risk) management system: "The Board of Management is responsible for installing, and

the managers for organising, a functioning internal control system for their areas of responsibility that is based on the "three lines of defence" principle. As a learning organisation, BayernLB views mistakes and weaknesses as opportunities for improvement. Compliance is an integral component of corporate management and is defined as risk management with a focus on prevention. A role is played here by appropriate risk analysis, measures based on this process, the promotion of a uniform understanding of values and integrity, as well as penalties in the event of breaches. The independent Compliance function is a trustworthy and fair point of contact, both inside and outside the Bank." The risk culture plays an important role here: "Our risk culture promotes the identification and targeted handling of risk, with decision-making processes that achieve balanced outcomes not least from a risk point of view. An effective control system is a major element of our (risk)management system. For us, a healthy risk culture thus entails [...] an open and cooperative management concept, a strong risk awareness in our day-to-day thinking and action that encourages critical dialogue, and financial incentives that are in line with risk appetite." Employees are informed in detail about the essential core elements of the risk culture in the form of regular, mandatory online training.

BayernLB's Supervisory Board, which monitors and advises the Board of Management, forms committees from among its members. The Audit Committee deals with risk management and compliance issues, among other things. It monitors the accounting process, the effectiveness of the risk management system, particularly with regard to the internal control system and internal auditing, as well as the processing of open audit and annual financial statement findings. Among other things, the Risk Committee deals with key issues relating to BayernLB's risk strategy and situation. Every quarter, the Risk Committee takes note of the risk situation and the risk-bearing capacity by presenting the Group Risk Report (see also GRI 102-22).

BayernLB's Board of Management is responsible for ensuring that BayernLB has a proper business organisation which, in addition to appropriate internal control procedures, includes above all adequate management and monitoring of the main risks. In this respect, the Board of Management is supported in particular by the Risk Office, the Financial Office, the Operating Office and the Corporate Center.

In order to ensure adequate knowledge for a member of the Board of Management as Chief Risk Officer, the Executive and Nominating Committee determines in advance of the selection of a new member of the Board of Management that, among other things, theoretical and practical knowledge of regulation and risk management as well as corporate governance is required for the position. The current Chief Risk Officer joined BayernLB's Board of Management in May 2010. The position of Chief Risk Officer is on equal footing to the position of Chief Financial Officer (also a member of the Management Board).

The Group risk strategy is regularly reviewed on the basis of the business strategy and is defined by the Board of Management and discussed with the Risk Committee of the Supervisory Board. The basis for determining the risk strategy is the risk inventory to be carried out annually in accordance with MaRisk and the risk-bearing capacity calculation. BayernLB Group's overall risk profile is presented to the Board of Management. Sub-risk strategies are drawn up for material and significant risks, such as credit, market price, business, strategic and reputational risks. The sub-risk strategies contain qualitative and quantitative targets in order to determine the control options for the individual risks for risk hedging and mitigation accordingly. This means that risks

are accepted to a certain extent, otherwise they are limited, reduced or avoided. It also sets out appropriate measures to monitor compliance with the strategic objectives. The risk strategies also deal with the handling or limitation of risk concentrations. The sub-risk strategies are drawn up by the units responsible for risk, which are also responsible for monitoring compliance with the targets. The monitoring of the ongoing effectiveness of the measures taken to hedge and mitigate risk is sometimes carried out daily (e.g. market price risk limits), otherwise monthly. The results flow together in the risk reporting to the Board of Management and the Risk Committee of the Supervisory Board.

All material and significant risks are included in the risk management procedures. The processes, procedures and methods are regularly reviewed for their appropriateness and further developed. In this context, the results of the internal audit, the Internal Validation Unit, the annual auditor and the Supervisory Authority are also taken into account.

More information on risk management can be found in BayernLB's Disclosure Report. The management of ESG risks is described in detail in GRI 102-29 and FS 2; for Reputational Risk Management see GRI 102-17.

Further information on the Internet:

Homepage of BayernLB: Board of Management

<u>Homepage of BayernLB: Supervisory Board</u>

Code of Conduct

Disclosure Report 2021

#### **EMAS**

#### GRI 102-31 (2016) Review of economic, environmental, and social topics

Economic, ecological and social issues relevant to the Bank are constantly reviewed and evaluated. The Sustainability Executive Unit is primarily responsible for eco-social issues. However, as sustainability is a cross-sectional task, all other areas in the bank are also responsible for it. For this reason, a regular cross-divisional exchange on regulatory developments and strategic directions has been implemented. For example, a roundtable with all relevant market units and group steering meetings with the other sustainability divisions in the Group take place regularly. The new regulatory challenges are currently being dealt with by the Sustainability Project, particularly in the area of reporting.

As described in GRI 102-29, the Sustainability Executive Unit continuously monitors and analyses the impact of climate protection policy and other political, legal, social and technological developments on BayernLB's business. At the same time, the Unit is involved in the assessment of event- and transaction-based issues in order to manage them from a sustainability and reputational risk perspective. The Chief Sustainability Officer (CSO), who reports directly to the CEO, provides regular and ad hoc reports to BayernLB's corporate bodies in accordance with statutory and regulatory requirements.

The Sustainability Strategy emphasises close and regular monitoring: "BayernLB pursues an ambitious objective when assuming responsibility for more sustainability. With its commitment dating back more than 25 years, the issues of environmental protection, social aspects and honest corporate governance are firmly entrenched as a common understanding of a sustainable BayernLB. We monitor all legislation closely. Regulatory requirements are analysed on an ongoing basis, prioritised and implemented in a timely manner."

Risk reports are submitted to the Board of Management and the Risk Committee of the Supervisory Board on a regular basis. For more information on risk management, see GRI 102-30.

*Further information on the Internet:* 

Annual Report 2021

BayernLB's Sustainability Strategy

**EMAS** 

#### GRI 102-32 (2016) Highest governance body's role in Sustainability Reporting

BayernLB's regular reporting on sustainability is reflected in various reports, especially within the Non-financial Report in the Annual Report and this Sustainability Report, which also contains the Environmental Statement. The BayernLB Group's Non-financial Report is approved by the Board of Management and Supervisory Board and externally audited. The Statutes of Bayerische Landesbank state in detail: "The annual accounts including the management report and the consolidated annual accounts with the management report shall be audited by a certified public accountant appointed as auditor by the General Meeting and shall be submitted without delay to the Supervisory Board, the indirect owners and the supervisory authority, together with the auditor's report and the recommendation concerning the allocation of distributable profit." The Chief Sustainability Officer (CSO) releases the Environmental Statement and the Sustainability Report. The Environmental Statement, which is as from now on integrated into the Sustainability Report, is also checked and approved annually by the environmental auditor; this is made visible accordingly with the green marginalia "EMAS". The environmental auditor will continue to verify contents of this Sustainability Report in the future (orange marginalia "AUDITED").

*Further information on the Internet:* 

<u>Combined Non-financial Report of the BayernLB Group for 2021 (Annex to the Annual Report p.</u> 310)

Statutes of Bayerische Landesbank

**AUDITED** 

## GRI 102-33 (2016) Communicating critical concerns

BayernLB promotes critical dialogue among employees and managers. This is also emphasised in the Code of Conduct: "For us, a healthy risk culture thus entails an open and cooperative management concept, a strong risk awareness in our day-to-day thinking and action that encourages critical dialogue, and financial incentives that are in line with risk appetite."

BayernLB places particular emphasis on ethical, responsible and sustainable conduct and is committed to complying with laws, regulations and internal corporate guidelines. The Code of Conduct calls on employees: "Employees can and should take their concerns and queries to their manager, the specialist unit affected or Compliance in order to avoid compliance breaches. Employees can report suspicions of illegal acts or compliance breaches, or even risks of illegal acts, with the assurance of anonymity using the whistleblowing system. The maximum degree of discretion is guaranteed."

BayernLB has set up a whistleblowing system to counter potential risks of compliance breaches at an early stage and thus safeguard the Bank's reputation and security. This guarantees a fair and careful procedure towards the whistleblower and the person concerned.

The whistleblower system can be used to report, for example, bribery, corruption, breach of trust, acceptance of benefits, money laundering, violations of financial sanctions, misuse of customer, employee and company data, criminal offences, insider trading, market manipulation, violations of the Code of Conduct, tax evasion, etc. Employees are informed about the whistle-blower system on the Intranet in German and English as well as in the mandatory training on preventing and combating money laundering, economic crime and terrorist financing. Third parties are informed about the whistleblowing system under the heading Compliance on the Bank's homepage in German and English. Group Compliance examines every tip - regardless of the form of contact chosen - discreetly, carefully and with an open mind. It applies that every whistle-blower who gives his or her information with honest intentions (i.e. does not deliberately present untrue facts) does not suffer any disadvantages (e.g. under employment law) as a result.

BayernLB's Sustainability Programme as from 2021 provides for measures to improve transparency in compliance management with regard to measures to prevent money laundering etc. by 2022/2023 (for further information on the Sustainability Programme, see GRI 102-15).

Group Compliance reports to the Board of Management and the Audit Committee of the Supervisory Board with the Annual Compliance Report at least once a year on the whistleblower system, legal violations and other critical concerns. For more information on compliance, see GRI 102-17.

The Central Reputational Risk Management (CRRM) of the Sustainability Executive Unit also carries out an annual reputational risk inventory at BayernLB and key Group companies. This is presented to the Board annually and in corresponding quarterly reports in the RepRisk Annual Report. For more information on the CRRM, see GRI 102-17.

*Further information on the Internet:* 

#### Code of Conduct

Homepage of BayernLB: Compliance

#### **AUDITED**

#### GRI 102-34 (2016) Nature and total number of critical concerns

In the year under review, there were four whistleblowing system tips. All leads were analysed and closed by Group Compliance.

#### GRI 102-35 (2016) Remuneration policy

Pursuant to section 16 para. 1 of the Remuneration Ordinance for Institutions (InstitutsVergV) dated 25 September 2021, the BayernLB Group is required to disclose information about its remuneration policy and practices. For the BayernLB Group as a CRR institution the disclosure obligations are based on article 450 of Regulation (EU) No 575/2013 (CRR) and section 16 InstitutsVergV. BayernLB is considered, pursuant to section 1 para. 3c KWG, a major institution. BayernLB must therefore fulfil the special requirements set out under section 18 et. seq. InstitutsVergV in addition to the general provisions. The remuneration system is presented in detail in the annual Disclosure Report, so only the main elements are presented below. Especially on the subject of risk takers, reference is made to this report.

In accordance with the Bank's Statutes, the General Meeting of BayernLB decides on the remuneration of the members of the Supervisory Board. The members of the Supervisory Board receive remuneration in line with the market. In addition, an expense allowance and a travel allowance are granted.

Under BayernLB's Statutes, the Supervisory Board decides on "the establishment of basic guidelines for the recruitment, remuneration, pension benefits, retirement and dismissal of the Bank's employees". The Compensation Committee of the Supervisory Board is the main body responsible for determining compensation. This committee supports the Supervisory Board in monitoring the appropriate design of the remuneration systems for members of the Board of Management and employees, and in particular the appropriate design of remuneration for risk takers, i.e. employees who have a significant influence on BayernLB's overall risk profile.

BayernLB's remuneration policy is reflected in the remuneration strategy, which, as part of the human resources strategy, is geared towards achieving the objectives set out in BayernLB's currently valid business and risk strategy and takes account of the corporate culture. BayernLB's remuneration strategy is reviewed annually as part of the Bank's strategy process and adjusted where necessary. In the year under review, the focus was on BayernLB's new strategic direction under the "Focus 2024" strategy programme. The focus of the remuneration system in the 2021 financial year continued to be on market-oriented remuneration, strengthening performance orientation, employee motivation and loyalty, and appropriate participation in the company's success.

The total remuneration, for standard pay scale employees as well as outside standard pay scale employees, consists of an annual base salary, variable remuneration components and salary-related benefits such as a company pension scheme. The fixed remuneration is structured in such a way that employees do not have to rely on the variable remuneration to cover reasonable living costs. The purpose of variable remuneration is to provide incentives for employees to work towards BayernLB's goals and strategies. It also gives employees the opportunity to participate in the economic success of the institute. Since variable remuneration "breathes" with BayernLB's economic success, variable remuneration is also an element of cost flexibility. It also gives the Bank the opportunity to financially reward prudent behaviour and ensuring sustainable and sound development. The variable remuneration depends on the degree to which the individual objectives of the respective manager defined in a development and performance dialogue have been achieved. The principle of appropriateness, with the aim of avoiding undesirable incentives

to take disproportionately high risks, is reflected in the structure of the remuneration systems at BayernLB, for example, in an unchanged upper limit of 1:1 for the ratio of fixed remuneration to maximum achievable variable remuneration.

BayernLB has a largely uniform remuneration system for domestic and foreign risk takers and non-risk takers. As with all employees, the total compensation of risk takers may consist of a fixed annual salary plus an annual bonus, benefits and, if applicable, an additional bonus to reward outstanding individual performance in a timely manner during the year. However, the risk-oriented interest rate and the payment of the variable remuneration of the risk takers are also subject to special internal regulations such as the service agreement in the development and performance dialogue, the risk taker service agreement and individual contractual regulations for risk takers at the level below the Board of Management and in the foreign branches that do not fall within the personal scope of the service agreement.

The amount of the variable remuneration of employees of the control units and employees of the organisational units controlled by them is not determined according to concurrent remuneration parameters - accordingly, the remuneration systems do not run counter to the monitoring function of the control units. There is no risk of a conflict of interest.

BayernLB's standard pay scale employees receive a fixed salary in accordance with the classification and remuneration provisions of the collective agreements for the private banking sector and public-sector banks, as well as any collectively agreed and non-tariff bonuses, which are governed throughout the Bank by a separate service agreement between BayernLB and the General Staff Council. In addition to the twelve monthly salaries and the collectively agreed special payment in accordance with § 10 of the collective agreement, employees covered by the collective agreement have the option of receiving variable remuneration (the benchmark in each case is half of the collectively agreed special payment). This is based on two service agreements. Pay scale employees are entitled to variable remuneration provided that the Board of Management has allocated a budget - depending on the Bank's performance - for variable remuneration, the task- and conduct-related targets have been met at least to a limited extent and there has been no gross misconduct. In addition, pay scale employees receive a one-off payment amounting to half of the special pay scale, which is granted irrespective of whether the Bank provides a bonus budget for the financial year in question. This is also based on a service agreement concluded with the General Staff Council.

The fixed annual salary system for employees outside the standard pay scale is based on the value of the position or the function performed. Relevant factors for remuneration include the general tasks and requirements in terms of qualifications and skills needed to perform a function, as well as the skills of the employees. On this basis, each function outside the standard pay scale is assigned to a so called job family. The mapping of the responsibility of a function within a job family is done via a career ladder with three career levels each. Each of these career levels is assigned a specific fixed salary band with upper and lower limits. For the employees of the 2. Management level (these are above the highest career level 3 and report directly to the Board of Management) there is a uniform salary band. The fixed salary bands are validated regularly using market comparisons with the support of an external remuneration consultant and adjusted to market developments if necessary. This ensures, among other things, that the individual fixed salaries are in line with the market. The external remuneration consultant has confirmed the

market conformity of the fixed salary bands for the 2021 financial year. An analogous system applies in the foreign branches, whereby the number of job families varies depending on the size of the foreign branch. The variable remuneration system (annual bonus) for BayernLB employees who are outside the standard pay scale and who are below second-level management is laid down in Germany in a service agreement concluded with the Staff Council. Individual arrangements apply for employees belonging to second-level management. They are based heavily on the remuneration system for employees outside the standard pay scale and below second-level managemet. In order to reward special performance by employees in the pay scale and non-pay scale during the year, employees may receive a cash or non-cash bonus in accordance with the "Service Agreement on the Awarding of Bonuses". To this end, the Board of Management also provided a bonus budget for fiscal year 2021, the amount of which was less than 10 percent of the sum of the benchmark annual bonus. Compliance with the regulatory requirements of section 7 of the InstitutsVergV was checked when the bonus budget was set and before payment.

Benefits are salary-related payments and services which BayernLB offers to its employees on a largely voluntary basis. These include, in particular, the Bank retirement fund and the provision of company cars that may be used for both business and personal purposes. All permanent employees receive a pension commitment for the company pension scheme in accordance with the Bank's own defined contribution plan, to which BayernLB makes (pro rata) contributions. In some cases, employees who joined BayernLB prior to 1 January 2002 have received a direct commitment in the form of a defined-benefit pension similar to that of a civil servant.

Since 1 October 2019, BayernLB has had instruments in place to safeguard jobs and reduce and restructure staff for an initial period of three years to provide social support for the strategic realignment of BayernLB. The aim is to safeguard as many jobs as possible in the long term by ensuring BayernLB's competitiveness and future viability. Any severance payments are based on institution-wide principles, whereby any negative performance contributions or misconduct on the part of employees are not rewarded. Guaranteed entitlements to benefits in the event of termination of employment are not promised (for further information on workforce reduction, see GRI 401 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Employment").

The Board of Management is remunerated on the basis of the 2020 performance-based remuneration system for the Board of Management of BayernLB (referred to below as the "remuneration system"), which went into effect on 1 January 2020. The remuneration system for the Board of Management is accordingly aligned with the BayernLB Group's business and risk strategy and the relevant multi-year plan, supports the achievement of strategic objectives, takes account of the concept of sustainability and also takes into account the risk-taker status as defined in the Instituts-VerV. It shall be reviewed regularly and adapted as necessary. The payment of performance-related remuneration is subject to the Supervisory Board adopting a bonus budget. When setting the bonus budget, sufficient account must be taken of the risk-bearing capacity, multi-annual capital planning and earnings situation of BayernLB Bank and the BayernLB Group, and it must be ensured that BayernLB Bank and the BayernLB Group are in a position to maintain or restore an adequate level of own funds and liquidity and the combined capital buffer requirements under

Section 10i of the German Banking Act on a permanent basis. The target agreement of the Management Board consists of a Group component (weighting 50 percent) and a departmental and individual component (weighting 50 percent).

Further information on the Internet:

Disclosure Report 2021

Statues of Bayerische Landesbank

#### GRI 102-36 (2016) Process for determining remuneration

To ensure the appropriateness of employee remuneration (including the second level immediately downstream of the Board of Management), an external remuneration consultant (in the reporting period WillisTowersWatson for the domestic and Aon for the foreign branches) is commissioned at regular intervals to obtain up-to-date market comparisons with regard to both fixed and variable remuneration. If necessary, adjustments are made to the amount and structure of remuneration on the basis of the market comparisons. Salary changes were also made in individual cases on the basis of so-called individual benchmarks.

The remuneration of the Board of Management is also reviewed at regular intervals by the Supervisory Board with the support of the Remuneration Committee and with the assistance of external remuneration consultants to ensure that it is in line with the market. In accordance with legal requirements, the Supervisory Board of BayernLB determines the remuneration of the members of the Board of Management, while the Board of Management is responsible for the remuneration matters of BayernLB's employees.

*Further information on the Internet:* 

Disclosure Report 2021

Statues of Bayerische Landesbank

## SDG 16.7 GRI 102-37 (2016) Stakeholder's involvement in remuneration

BayernLB's remuneration governance structure is described in detail in the Disclosure Report and the Remuneration Report (including a graphical overview) (Remuneration Report is only available in German); only the main elements are described here.

The Supervisory Board of BayernLB determines the appropriateness of the remuneration systems applicable to the members of the Board of Management (section 3 para. 2 InstitutsVergV in conjunction with section 25a para. 1 no. 6 and section 25 para. 5 KWG), and monitors the remuneration of the employees. One source of assistance with this task is the Compensation Committee (section 15 para. 2 and 3 InstitutsVergV). On the Committee's agenda for its three meetings in 2021 was employee remuneration, in particular with regard to implementing the revised German Remuneration Ordinance for Institutions. The Committee evaluated the impact of the remuneration systems on the risk, capital and liquidity of both the BayernLB Bank and the BayernLB Group,

and deliberated on the proposal for calculating and allocating the total amount of variable remuneration for the employees for the 2021 financial year. The Committee was informed about the process for identifying risk takers in the Bank and in the Group, as well as of the sustainability review findings. In addition, ad hoc discussions were held, and information regularly exchanged, between the Compensation Committee and the Risk Committee of BayernLB (in some instances facilitated by certain members belonging to both committees).

One of the tasks of the Remuneration Officer is monitoring the appropriateness of the remuneration systems for the employees (excluding Board of Management members). To this end, the Officer must be integrated into the ongoing processes of redesigning, adapting and applying the remuneration systems (section 24 para. 1 InstitutsVergV). Another task of the Remuneration Officer is supporting the Supervisory Board and its Compensation Committee in their monitoring of the appropriateness of the structuring of the remuneration systems for the employees.

BayernLB furthermore has a Remuneration Board, comprised of Bank-internal members, below the Board of Management level. This body is tasked among other things with advising the Board of Management and the Human Resources Division on the structure for an appropriate remuneration system geared towards the sustainable development of BayernLB, with a particular focus on variable remuneration. It also advises and assists the Remuneration Officer on specific issues relating to the monitoring of employee remuneration systems. In addition to officers from the sales units, the Remuneration Board comprises one officer from the Risk Office units as well as representatives of the Group Risk Control, Finance, Audit, Group Compliance and Human Resources Divisions. This composition fulfils section 3 para. 3 InstitutsVerqV, which requires an appropriate degree of involvement by the control units when designing and monitoring employee remuneration systems. The Remuneration Board held two meetings in the 2021 financial year. A so-called Working Group Backtesting exists as a committee of the Remuneration Board for the tasks in the area of performance review and the backtesting process. It is composed of the heads of the Audit, Compliance, Group Risk Control, Finance and Human Resources departments as well as the Remuneration Officer and her deputy. In the reporting year, the working group supported the managers in checking the sustainability of the success of risk takers. In doing so, it carried out a preliminary review in relation to the review of the corporate/ departmental goals as well as certain criteria in the review of the success of the organisational unit and the individual success of the Risk Takers. The WorkingGroup held one meeting.

*Further information on the Internet:* 

Disclosure Report 2021

Statues of Bayerische Landesbank

#### GRI 102-38 (2016) Annual total compensation ratio

Detailed information on the remuneration of members of the Board of Management and employees can be found in the Remuneration Report (only available in German), the Disclosure Report and the Annual Financial Statements.

*Further information on the Internet:* 

#### Disclosure Report 2021

#### Annual Report 2021

#### GRI 102-39 (2016) Percentage increase in annual total compensation ratio

Detailed information on the remuneration of members of the Board of Management and employees can be found in the Remuneration Report (only available in German), the Disclosure Report and the Annual Financial Statements.

Further information on the Internet:

Disclosure Report 2021

Annual Report 2021

#### 5 Stakeholder engagement

#### EMAS PRB 3.1 PRB 4.1

## GRI 102-40 (2016) List of stakeholder groups

In the materiality analysis (updated in 2022), the topic "Social committment & dialogue" was defined as material according to GRI for BayernLB and its stakeholders.

As an active part of society, BayernLB maintains a regular dialogue with numerous social groups. They have different, sometimes contradictory expectations and demands of the company.

BayernLB communicates with the following stakeholder groups:

- Shareholders
- Employees, Management Board members, Supervisory Board members
- Customers and business partners
- Investors
- Supervision (e.g. Bundesbank, BaFin, ECB, DPR)
- (Sustainability) rating agencies
- Non-governmental organisations (NGOs)
- Media
- Public

*Further information on the Internet:* 

## Annual Report 2021

## GRI 102-41 (2016) Collective bargaining agreements

SDG 8.8 UN GC 3

In the materiality analysis (updated in 2022), the topic "Contribution to the regulatory framework" was defined as material according to GRI for BayernLB and its stakeholders.

BayernLB is a member of the Tarifgemeinschaft Öffentlicher Banken. It performs collective bargaining tasks and concludes collective agreements for its member institutions. The tariff community of public banks currently comprises 57 VÖB member institutions. The institutions participating in the collective agreement include Landesbanken, development institutions, building societies and individual Savings Banks. The tariff community of public banks has been active since 1954. Until 1972, the VÖB's collective bargaining commission concluded independent collective agreements for its members. Between 1972 and 2020, there was a negotiating association with the Employers' Association of the Private Banking Industry (AGV Banken), to which the Employers' Association of the Volks- und Raiffeisenbanken (AVR) also belonged in the meantime. From 2020 onwards, the collective bargaining community of public banks is again conducting its own collective bargaining.

Around one third of BayernLB's employees are remunerated in accordance with the collective agreements for the private banking sector and public-sector banks; further details are given in the table below:

Collective agreements and employee representation	2021	2020	2019	2018
Active employees incl. junior staff as of 31.12.	3.108	3.317	3.491	3.343
of which employees covered by collective bargaining	1.039			
agreements		1.124	1.203	1.120
of which employees covered by collective bargaining				
agreements in Germany	1.037	1.124	1.202	1.119
of which employees covered by collective agreements				
abroad	2	0	1	1
of which employees for whom there is employee				
representation	2.909	3.089	3.226	2.092

For further information, see GRI 402 and 407.

## GRI 102-42 (2016) Identifying and selecting stakeholders

PRB 3.1 PRB 4.1

In the materiality analysis (updated in 2022), the topic "Social committment & dialogue" was defined as material according to GRI for BayernLB and its stakeholders.

BayernLB's Reputation Risk Management framework defines a stakeholder as a group (or person) that has a legitimate interest in BayernLB's business conduct and - depending on how it reacts to incidents in the BayernLB Group - has or may have an impact on the reputation of the BayernLB Group.

A distinction is made between key stakeholders - e.g. employees, customers and business partners, investors and shareholders - and other relevant stakeholders - e.g. supervision, the public, rating agencies and non-governmental organisations. This classification is based on risk considerations. For further information on stakeholders, see GRI 102-40 and GRI 102-43 and 44.

#### EMAS SDG 16.7 PRB 3.1 PRB 4.1

PRB 5.2

#### GRI 102-43 (2016) Approach to stakeholder engagement

Various units are responsible for the dialogue with the different stakeholders (for an overview and identification, see GRI 102-40 and 42). For example, Human Resources is the point of contact for employees. The market units are responsible for contact with customers. Rating & Investor Relations is responsible for cooperation with investors and rating agencies. The press department looks after the media representatives. The targeted expansion of existing stakeholder management is also anchored in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

The framework for stakeholder engagement is provided by the Code of Conduct: "BayernLB is committed to an open, fair and transparent information and communication policy. This applies both to internal communication with employees and managers and to external communication with all relevant stakeholder groups."

This approach is concretised in the Sustainability Strategy: "To ensure we can present ourselves to our customers, market participants and investors as strategic contacts in sustainable finance and sustainability issues, it is imperative that we have credibly addressed sustainability in our own organisation. Other stakeholders too, such as our own employees, other business partners and the public and media, should be able to evaluate the ESG standards that BayernLB has in its own company."

In order to meet this requirement, BayernLB Research, among others, makes a significant contribution, not only with analyses and publications for the internal information of employees, but also with publications for the Bank's customers. BayernLB Research has been investigating the megatrends of digitalisation, technology, mechanical engineering, energy & climate change, real estate/construction, mobility and sustainability/green finance as well as the financing side (green loans, green bonds, social bonds) for years (for more information, see GRI FS 16).

The expectations of various stakeholders are also incorporated into the regular materiality analysis (for more information, see GRI 102-46 and 47).

#### **Employees**

The Bank's employees are involved in different ways.

The employees' interests are represented by the General Staff Council, the Staff Councils in Munich and Nuremberg, the Youth and Trainee Council and the Disabled Persons' Council, among others. The Bank attaches great importance to employee co-determination and the involvement of staff representatives. The staff representatives are also represented on the Supervisory Board with full voting rights in order to ensure that the interests of the employees are adequately heard on the Supervisory Board. The following bodies exist to improve cooperation between the employer and the General Staff Council: Labor Committee (Health Protection), Casino Advisory Board and Business Advisory Board. For further information, see GRI 402.

The Sustainability Strategy refers to the connection between internal and external communication: "BayernLB's employees should be able to identify with the company. This gives them the ability to act entrepreneurially in assessing risks and leveraging opportunities, as well as in all

internal processes and external activities. For this reason, BayernLB actively encourages its employees' involvement. At the forefront are complying with corporate governance and safeguarding the legitimate interests of other stakeholders. Specifically, employees in suitable topic areas should be incorporated into the decision-making process by means of regular surveys, their creativity nurtured through idea and innovation management and their participation in success ensured."

BayernLB also relies on dialogue with employees on environmental issues. The Environmental Policy states: "We help make our staff more aware of environmental issues and involve them in all related measures taken by our Bank. We inform our staff of all environment-related issues at the Bank and require of them their help in the further development of our environment management."

How BayernLB communicates with its employees, informs them and, in particular, involves them in the transformation process and obtains feedback from the workforce on this is described in detail in GRI 401 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Employment".

The topic of sustainability is also represented on BayernLB's Intranet with a wide range of information: Information on the Sustainability Strategy or the company's Environmental Management System, such as tips on active environmental protection, is provided. To further raise employee awareness of the issue of sustainability, newly recruited junior staff are informed in appropriate presentations and employees in the market divisions receive special training on specific topics.

A Sustainability Week was held at BayernLB in September 2021. In line with the German Sustainability Action Days and the European Sustainability Week, employees were able to register and actively participate in lectures and workshops for a whole week - around 400 colleagues took advantage of the offer and learned about topics such as the Bank's new Sustainability Strategy, inhouse environmental protection, sustainable portfolio, ESG finance, sustainability rating agencies and diversity. This was accompanied by a "C02 Challenge", in which around 200 employees took part in daily challenges to save C02 and integrated them into their daily routine. A climate-friendly lunch menu was offered in the bank canteen. All documents were made available to all employees afterwards. A Sustainability Week is planned again for 2022. In 2022, all BayernLB employees will also be offered a series of further training courses on the topic of sustainability consisting of several modules. For more information, see GRI FS 4.

For further information on employees, see GRI 401 to 407.

#### Customers

In the materiality analysis (updated in 2022), the topic of "Customer satisfaction" was defined as material according to GRI for BayernLB and its stakeholders.

In the Guiding Principles for Transformation, the cooperation with the customers on the path of sustainability is presented as follows: "We see our task in accompanying our customers on their innovation, sustainability and transformation path. As a reliable partner, we also support them in phases of transition, for example in their conscious decarbonisation path. We assume that our customers also deal with their impact on the environment and society and provide adequate

governance. This also includes dealing with the opportunities and risks of sustainability and forming a picture of future requirements. We want to work permanently with business partners and customers who share our understanding of the protection of nature and natural resources, people and society, as well as of business order, legality and legitimacy, and who have therefore established or are introducing appropriate initiatives and measures. In case of deviations, we try to find out the causes together with our customers and support each other in further development, because a common understanding is the basis of a trusting cooperation."

In its Sustainability Programme as from 2021 BayernLB has anchored the assurance of fair sales practices and the corresponding product responsibility (avoidance of green washing) (for further information on the Sustainability Programme, see GRI 102-15).

BayernLB further states in its Sustainability Strategy: "We set great store by intensive customer communication and high customer satisfaction, and take criticism addressed to us (e.g. via our central complaints management) very seriously. To ensure we recognise our customers' changing needs, we conduct both market studies and regular satisfaction surveys, which will also include a focus on ESG-relevant issues in future."

These market studies provide information on long-term trends and key issues in the markets relevant to BayernLB. The customer barometers record the attitudes and behaviour of current and potential customers. The barometers cover, among other things, the stability of customer relationships, customer satisfaction with the Bank's services and their perception of the Bank's strengths and weaknesses. The focus is on qualitative assessments of customers and satisfaction indicators. At the same time, the analyses enable a comparison with important competitors. In view of the different requirements of individual customer groups, target group-specific surveys are carried out in the studies; the following are examples of this:

- The "Real Estate Customer Barometer" records the expectations and experiences of commercial and residential real estate customers in the course of individual interviews.
- The "Pulse Check Company" is an online survey that records the expectations and assessments of corporate customers.
- The "S-Plus Customer Satisfaction Survey" is based on interviews with members of the Board of Management and sales managers as well as an online survey of the operational level of the Savings Banks on cooperation in the individual product segments.

The results of the surveys form a central basis for product, consulting and service development. They provide important starting points for the design of measures for customer retention and acquisition.

In addition, customers are involved through the Business Advisory Board. In accordance with § 17 of the Statutes of Bayerische Landesbank, this Advisory Board serves to provide the Bank with expert advice on its business policy and to promote contacts with business circles, in particular with its customers.

In accordance with Article 26 DelVO 2017/565 in conjunction with MaComp and BaFin RS 06/2018, BayernLB has set up a central complaints management system and implemented procedures for handling complaints. In principle, any expression of dissatisfaction addressed to BayernLB in connection with a supervised service is considered a complaint. This is not bound to a

specific form, nor is it initially relevant whether the complaint is justified. A (potential) client can submit a complaint in writing by letter, via a website form on the Bank's website, or by telephone via a hotline. The Group Compliance division coordinates and accompanies the processing of complaints by the responsible specialist units as a neutral body. The recording and processing of complaints (including the possible involvement of the legal department) is carried out independently by the organisational units concerned. They are obliged to report all customer complaints to Group Compliance for central evaluation.

Customer complaints	2021	2020	2019	2018
Number	28	23	22	20

# Suppliers and external service providers

BayernLB is also a customer. As part of its EMAS certification (for all information, see GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental"), it conducts annual supplier audits with selected suppliers and external service providers who have signed BayernLB's Sustainability Agreement (for all information, see GRI 204). In these discussions, there is an exchange of views on sustainable action along the entire value chain and compliance with the agreement is checked on a random basis. Neighbourhood talks are held to foster dialogue on sustainable issues with companies in BayernLB's vicinity. The expansion of communication with strategic stakeholders and the auditing of at least five key suppliers per year is also anchored in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

# Investors/sustainability rating agencies

In view of the already high and increasing market share of sustainable investors, it is becoming increasingly important for issuers to qualify their securities as sustainable investments. The prerequisite for this is, among other things, a good performance in the sustainability rating of the specialised ESG rating agencies.

BayernLB maintains an active dialogue with selected sustainability rating agencies through its Sustainability Executive Unit. The current rating results can be found on BayernLB's homepage. The Sustainability Strategy states: "Our high commitment to sustainability over several decades is confirmed by rating agencies, which have awarded us Prime status. We hold ourselves to at least maintaining the current sustainability rating despite constantly rising challenges, and to continually developing our capabilities."

With regard to sustainability rating agencies, BayernLB has anchored the following measures in its Sustainability Programme as from 2021 in order to achieve its goal of at least maintaining the rating levels as at 1 July 2021 (for further information on the Sustainability Programme, see GRI 102-15): targeted interaction with rating agencies; increasing the transparency of ESG-related key figures, guidelines and policies; drawing up a strategic roadmap for sustainability rating; taking into account the relevant sustainability ambition level; and generally intensifying the dialogue with principle-oriented investors.

#### Non-governmental organisations

The recurring contact with non-governmental organizations serves as a joint exchange to discuss the possible effects of business activities on people and the environment. The results are used, for example, in the revision of policies for financing or in the formulation of targets for sustainability strategies. For example, at the end of 2020, the Armaments and Weapons Policy was revised in light of the changing focus of both the Bank and its stakeholders' requirements. The expertise of non-governmental organisations was also incorporated into the revision of the coal policy (see GRI FS 1 as well as Guiding Principles for Transformation). The intensification of the dialogue with contact persons regarding controversial topics is also anchored in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

## Press/Public/Politics

BayernLB's Communications & Marketing Unit is responsible for communicating with the press, the public and politicians. Among other things, it presents BayernLB to the public and the media, serves as a contact for the media and journalists, carries out active press work and organises interviews and (background) discussions with members of the Board of Management. It also communicates with policy makers/parliamentary advisors at the state policy level.

# Shareholders/Supervisory Board/Board of Management

BayernLB's shareholders are represented on the Supervisory Board. For all general information and regarding their involvement (including that of the Board of Management) as stakeholders, see GRI 102-18, 21, 22, 23, 24, 26, 27, 28, 29 and 32.

# Financial service providers

The exchange with other financial service providers mainly takes place in the external initiatives and associations mentioned under GRI 102-12 and 102-13. The exchange within the VFU DACHLI PCAF Group plays an important role in reducing the carbon footprint of the portfolio, and the Bank was very actively involved in this during the reporting period.

Further information on the Internet:

BayernLB's Sustainability Policy

Code of Conduct

BayernLB's Sustainability Strategy

Homepage of BayernLB: Sustainability ratings

Homepage of BayernLB: How to submit a complaint

**Guiding Principles for Transformation** 

### GRI 102-44 (2016) Key topics and concerns raised

The 17 global sustainability goals of the UN Agenda 2030 and the climate targets of the Paris Agreement continue to be key to the general understanding of sustainability and are also used by BayernLB to align itself as a sustainable company. The related sustainability areas and the pandemic were the main topics of sustainability-related communication with stakeholders during the reporting period. In addition, specialist topics such as the Taxonomy regulation, sustainability reporting and software solutions, ESG risk management, climate stress testing and biodiversity were discussed with stakeholders. The intensification of the dialogue with contact persons regarding controversial topics is also anchored in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

EMAS SDG 12 UN GC 8 PRB 3.1 PRB 4.1

# **Employees**

The issues that most concerned the Bank and its employees during the reporting year are presented in detail in GRI 401 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Employment".

#### Customers

No systematic issues raised by BayernLB's customers have been identified through the central-complaints management system.

The digital customer magazine regularly covers topics that arise from interaction with customers. An insight into this from the year under review can be found on BayernLB's homepage:

- Decarbonization in terms of decarbonization, the globally active steel and technology group voestalpine has set itself the goal of reducing CO2 emissions by around one third after 2030. In the long term, it is planned to gradually increase the share of hydrogen from renewable energies in order to be able to reduce CO2 emissions by more than 80 percent by 2050. H2FUTURE is the name of voestalpine's lighthouse project to drive technology transformation for further direct avoidance of CO2 emissions in steel production (online since January 2021).
- Digitization the Munich-based company M-net offers state-of-the-art fiber optic technology and thus becomes a guarantor for the Bavarian economy. M-net is working on further innovation of fiber optic technology and the progress of broadband expansion (online since January 2021).
- Energy transition Hydrogen will be the crucial piece of the puzzle in a climate-neutral industrial society. It closes the gap between regeneratively generated electricity and energy-intensive applications in heat supply, industry and mobility. Prof. Dr. Veronika Grimm, Executive Director of the Centre Hydrogen. Bavaria and member of the Council of Experts, explains the tremendous potential of the elementary particle in an interview (online since February 2021).
- Mobility and decarbonisation true to the company motto "Full speed ahead", the rail vehicles of BayernLB's customer Stadler bring people safely to their destinations worldwide with innovative strength, reliability and high quality standards. Digital technologies are helping to make rail transport even more efficient and safer at the same time. To this end, Stadler has set up a separate division within the Group dedicated to the megatrend of digitalisation. New drive technologies also make an important contribution to decarbonisation: Stadler already

launched a research programme in 2017, funded by the German Federal Ministry for Economic Affairs and Energy, together with the Technical University of Berlin and EWE AG to jointly develop and build a multiple-unit train that can run flexibly and locally without CO2 emissions on routes without overhead lines - i.e. where diesel trains are still in operation today (online since May 2021).

• E-mobility - Zollner Elektronik AG from the district of Cham can look back on an extremely successful company history and offers innovative solutions for the future. The Upper Palatinate company is, for example, a pioneer in the field of inductive charging of e-cars. As part of the FeedbacCar research project funded by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, Zollner Elektronik AG has been developing a bidirectional inductive charging system since 2017. Here, electricity can flow both into and out of the vehicles. When the cars are parked, the energy stored in them could therefore be used to stabilise the electricity grid (online since August 2021).

### **Investors/Sustainability Rating Agencies**

The Sustainability Executive Unit is in active contact with its sustainability rating agencies, not only in order to maintain the current rating level (see GRI 102-43). In order to meet their requirements even more effectively, the reporting year again saw intensive consideration of the respective feedback on the rating assessments and, as a result additional information was added to this Sustainability Report. Further, the policies on topics such as armaments and energy, which had previously only been published in excerpts, were made available in bundled form in the Guiding Principles for Transformation on the BayernLB website.

Non-governmental organisations

See comments in GRI 102-43.

Shareholders/Supervisory Board/Management Board

For all significant issues and concerns raised, see GRI 102-18, 21, 22, 23, 24, 26, 27, 28, 29 and 32.

*Further information on the Internet:* 

Homepage of BayernLB: Customer magazine (only available in German)

Guiding Principles for Transformation

### **6** Reporting practice

# GRI 102-45 (2016) Entities included in the consolidated financial statements

The contents of this Sustainability Report generally relate to BayernLB Bank with BayernLabo. Many of the relevant guidelines, such as the Code of Conduct or the Guiding Principles for Transformation apply to the entire Group. An overview of the scope of consolidation (IFRS 10) is provided in the BayernLB Group 2021 Annual Report.

### *Further information on the Internet:*

### Annual Report 2021

## GRI 102-46 (2016) Defining report content and topic boundaries

BayernLB is already committed to the stakeholder principle in its Sustainability Policy with regard to the selection of sustainability issues: "In prioritising our areas of action and setting ambitious standards, we take account of the needs and requirements of our stakeholders, whom we seek to bring into the conversation."

The materiality analysis according to GRI is a tool for defining areas of action and reporting topics; the Sustainability Strategy describes this as follows: "BayernLB regularly performs a materiality analysis with all relevant Group units in accordance with GRI, to determine the most important sustainability issues for its stakeholders in relation to BayernLB."

Building on the 2016 materiality analysis, BayernLB updated the topics that are material for the Group according to GRI back in 2018. Thirteen material topics from six fields of action were defined (see GRI 102-47) and the Sustainability Strategy 2021 was developed on the basis of this materiality analysis. The detailed procedure for this is explained in BayernLB's sustainability reporting for previous years.

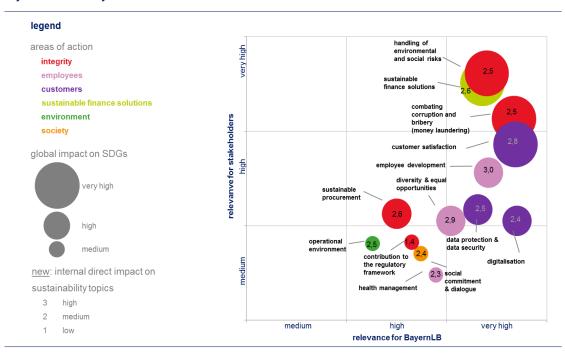
The update of the materiality analysis, carried out in 2022, relates to BayernLB (no longer to the Group), as does this Sustainability Report.

To determine materiality, internal stakeholder managers from Markets, Investor Relations and Human Resources, among others, were surveyed for the stakeholder groups customers, business partners, investors, shareholders, Supervisory Board, Board of Management, employees, supervisory authorities, the public, media/press, NGOs and (sustainability) rating agencies. BayernLB's Sustainability Programme as from 2021 would have foreseen additional environmental aspects in the existing stakeholder analysis, but as only internal stakeholder managers were interviewed, this goal could only be implemented to a limited extent (for more information on the Sustainability Programme, see GRI 102-15). The interviews were conducted by sustainability management staff. The aim was to find out how the material topics already identified in the 2016 materiality analysis are (still) prioritised and how the global (related to the SDGs) and possible internal impact on these topics is assessed. The representatives of the stakeholder groups were asked to rate the issues in terms of business relevance (how important are the issues for BayernLB's business, e.g. in terms of reputation, customers, revenue, costs?) and stakeholder relevance (what are the expectations of key stakeholder groups? In which areas do these stakeholder groups expect the company or BayernLB to become active?). In addition, they were asked for an assessment of the magnitude of the impact of the respective topic on the achievement of the SDGs and the possible internal leverage (in the sense of an internal direct possibility of influence). The latter is intended to provide information on the extent to which BayernLB can manage or influence the issue internally. This reveals differences: for example, the direct possibility of influencing the topic of diversity and equal opportunities within the company is seen as greater than the global

EMAS SDG 6 SDG 12 PRB 2.1 a PRB 2.1 b PRB 2.1 c PRB 3.1 PRB 4.1 possibility of influencing it (see chart below). With around 3,000 employees at BayernLB compared to the billions of people potentially affected, it is clear that this distinction is justified.

Subsequently, the results discussed in the interview were evaluated and presented in a materiality matrix (for further information see GRI 102-47).

#### BayernLB materiality matrix



The next materiality analysis is expected to be carried out in two years.

The evaluation of the interviews showed that

- the list of essential topics is currently still exhaustive;
- the topics as a whole are rated with higher relevance for BayernLB and stakeholders sustainable financial solutions, dealing with environmental and social risks and combating corruption & bribery (or money laundering) are top priorities for both BayernLB and its stakeholders;
- SDGs 9 (Industry, Innovation, Infrastructure) and 11 (Sustainable Cities and Communities) should become a stronger focus of BayernLB's SDG mapping in the future, as BayernLB's business activities have an increased impact on these goals, taking into account its current orientation.

### EMAS PRB 3.1 PRB 4.1

# GRI 102-47 (2016) List of material topics

In the 2018 materiality analysis for the BayernLB Group, the following 13 topics were identified as material and reassessed in the 2022 update. The precise assessment of relevance for both BayernLB and its stakeholders (medium-high-very high) is shown in the materiality matrix, as is the extent of its impact (see GRI 102-46). The figures in the circles representing the topics represent

the mean value of the internal leverage for the respective topic area. This Sustainability Report therefore reports on the following areas of action in particular:

Key topics from the "Integrity" area of action:

- Handling of environmental and social risks

  The topic-specific GRI Standards 300ff. (Environmental) and 400ff. (Social) deal in detail with

  BayernLB's handling of environmental and social risks. The topic is also reflected in GRI 102-11

  (Precautionary principle or approach).
- Combating corruption and bribery (or money laundering)
   The GRI Standards of 205 (Anti-corruption) address the topic of "Combating corruption and bribery".
- Sustainable procurement

The issue of sustainable procurement is addressed in various GRI Standards; BayernLB reports in detail on this in 204 (Procurement practices) and 412 (Human rights assessment). Also 308 (Supplier environmental assessment) and 414 (Supplier social assessment) refer to the topic.

Contribution to the regulatory framework
 The contribution to the regulatory framework is made through responsible lobbying (GRI Standard 415). In addition, participation in market standardization initiatives is also briefly described in GRI Standards 102-12 (External initiatives) and 102-13 (Membership of associations).

Key topics from the "Employees" area of action:

- Employee development Information on the topic of "Employee development" can be found mainly in the topic-specific GRI Standards 400 (Social), in particular in 404 (Training and education).
- Diversity & equal opportunities

  The topics of "Diversity & equal opportunities" and the related topic of "Non-discrimination" are addressed in GRI 405 (Diversity and equal ppportunity) and 406 (Non-discrimination).
- Health management
   The topic of "Health management" is reported in GRI 403 (Occupational health and safety).

Key issues from the "customers" area of action:

- Customer satisfaction
  - The topic of "Customer satisfaction" is reported in GRI 102-43 (Approach to stakeholder engagement) and 417 (Marketing and labeling).
- Data protection & data security
   The topics "Data protection & data security" are covered in GRI 418 (Customer privacy).

Key topics from the "Sustainable finance solutions" areas of action:

• Sustainable finance solutions

The topic of "Sustainable finance solutions" is addressed in GRI 102-2 (Activities, brands, products, and services) as well as 102-10 (Significant changes to the organization and its supply chain) and 102-44 (Key topics and concerns raised). In addition, a broad presentation is made in the GRI section FS.

Key topics from the "Environment" area of action:

• Operational environment management

Detailed information on the topic of "Operational environment management" can be found in the topic-specific GRI Standards 300ff. (Environmental).

Key topics from the "Society" area of action:

Social committment & dialogue
 The topics "Social committment & dialogue" can be found in various places in the Sustainability Report, social committment in GRI 413 (Local communities), dialogue with stakeholders in GRI 102-12 (External initiatives), 102-13 (Membership of associations), 102-40 (List of stakeholder groups), 102-42 (Identifying and selecting stakeholders) and 102-43 (Approach to stakeholder engagement), among others.

The detailed analysis of the requirements of major sustainability rating agencies, the specifications of the UN Global Compact and Principles for Responsible Banking as well as the SDGs resulted in an additional sharpening in the detailing of the individual report contents.

# GRI 102-48 (2016) Restatements of information

During the period under review, there were no mergers or acquisitions at BayernLB and no changes in the nature of its business activities. The base year for the reporting period has not been changed. Accordingly, the text does not contain any significant restatements of information from the previous Sustainability Report or other previous sustainability reporting. Minor changes are described directly in the text under the relevant indicators.

# GRI 102-49 (2016) Changes in reporting

In relation to last year's Sustainability Report, the following changes occurred:

- Marginalia "EMAS" (green) or "AUDITED" (orange) indicate which chapters were audited either in the course of the revalidation of BayernLB's environmental management system in accordance with EMAS or in an extended audit by the company intechnica cert
- Attached Self-Assessment Template (1st Report) for the PRB (only in the English version)
- Extension of the data series from three to four years
- Integration of the Sustainability Programme as from 2021 both in an overview and through references in the relevant GRI Standards.
- Publication of the updated materiality analysis with references in the corresponding GRI standards

Apart from this, there were no significant changes from previous reporting periods.

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**EMAS** 

# GRI 102-50 (2016) Reporting period

**EMAS** 

The Sustainability Report 2021 (according to GRI) refers to the calendar year 2021.

**EMAS** 

# GRI 102-51 (2016) Date of most recent report

BayernLB published its Sustainability Report (according to GRI) in this form for the first time in 2020 for the 2019 financial year. The report was significantly expanded in 2021 for the financial year 2020 and also published in English. Before, BayernLB's sustainability reporting was only based on the GRI standard.

Also available is the BayernLB Group's non-financial report, which has been prepared annually since 2018 (for the first time for the 2017 financial year). It selectively draws on the GRI standards and is integrated into the consolidated financial statements for the respective financial year. The mentioned reports are available on the Internet.

*Further information on the Internet:* 

Homepage of BayernLB: Sustainability Reporting

**EMAS** 

# GRI 102-52 (2016) Reporting cycle

The Sustainability Report (according to GRI) is to be updated annually. The publication of the next Sustainability Report is planned for 2023.

**EMAS** 

### GRI 102-53 (2016) Contact point for questions regarding the report

BayernLB's Sustainability Executive Unit is available for questions and feedback:

Chief Sustainability Officer: Franz Dohnal BayernLB

Brienner Str. 18

80333 München

Phone: +49 89 2171-24887

Fax: +49 89 2171-624887

## nachhaltigkeit@bayernlb.de

Information on sustainability management as well as relevant reporting and other documents can be found on the corporate homepage.

# GRI 102-54 (2016) Claims of reporting in accordance with the GRI Standards

This report has been prepared in accordance with the GRI Standards: "Comprehensive"

# GRI 102-55 (2016) GRI content index

The table of contents of this Sustainability Report (according to GRI) also represents the GRI Content Index.

#### EMAS PRB 6.1 GRI 102-56 (2016) External assurance

This Sustainability Report was externally validated in parts: Environmental information and key figures, which were previously published in a separate Environmental Statement, were audited by an independent environmental auditor as part of the EMAS certification (see green marginalia "EMAS"), and other sustainability topics were also audited separately by the same auditor (see orange marginalia "AUDITED"). In addition, significant information for this GRI Report was taken from publications that are subject to other external audits. This includes economic information and key figures from the Annual Report and the BayernLB Group 2021 Non-Financial Report.



# **GRI 200 Economic**

### GRI 201 (2016) Economic performance

AUDITED SDG 2.a SDG 5.4 SDG 7.a SDG 7.b

# GRI 201 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Economic performance"

BayernLB is, also due to its legal form and ownership structure, committed to combining economic and sustainability-related interests.

The Sustainability Policy formulates this as follows: "At BayernLB we shoulder responsibility for economic, social and environmental developments in our home state of Bavaria and everywhere else we help our customers do business. We firmly believe that, by having all of our own business processes guided by the principles of sustainability, will help make our Group more successful."

This is also confirmed by the Sustainability Strategy: "In line with our commitment to our share-holders as a commercial business, we act based on a clear concept of risk to achieve suitable returns in accordance with this clearly defined responsibility for our society."

BayernLB's economic performance is highlighted in a variety of financial publications such as the Disclosure Report, Individual Financial Statement and Remuneration Report. Therefore, in order to avoid duplication, reference is made here to those reports. For further information within this report, see GRI 102-2, 5 and 6.

*Further information on the Internet:* 

BayernLB's Sustainability Policy

BayernLB's Sustainability Strategy

Homepage of BayernLB: Financial Reports

Guiding Principles for Transformation

### SDG 2.a SDG 5.4 SDG 7.a SDG 7.b SDG 8.1 SDG 8.2 SDG 9.a

SDG 9.1

**SDG 9.4** 

**SDG 9.5** 

# GRI 201-1 (2016) Direct economic value generated and distributed

BayernLB transparently lays out the economic value generated and distributed in its financial reports. For further information see GRI 201 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Economic performance". BayernLB makes a significant contribution to society in this respect, as the majority shareholder of the Bank is the Free State of Bayaria. See GRI Standard 102-5.

The Code of Conduct also states: "Good business decisions go hand in hand with social responsibility. We take this responsibility very seriously. Our commitment is centred on helping the community and promoting education and science, art and culture and sustainable development. We also support the voluntary social commitment of our employees, through, among other measures, our Corporate Volunteering programme." For more information on the topic of donations and volunteering see GRI 413.

Further information on the Internet:

#### Code of Conduct

# GRI 201-2 (2016) Financial implications and other risks and opportunities due to climate change

AUDITED SDG 13.1 UN GC 7 UN GC 8 UN GC 9

BayernLB is affected by the consequences of climate change both in its business operations and through its business activities as a financial services provider.

In its business operations, it addresses climate change through an appropriate climate protection strategy, which consists of reducing energy consumption, substituting resource-intensive energy sources and offsetting net emissions. This is detailed in GRI 305 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Emissions" and generally in the GRI 300 "Environmental" Standards of this GRI Report. Evidence of compensation activity is published on the Internet.

The guidelines of the Sustainability Policy apply to business activities: "Because we integrate social and environmental aspects into our financing and capital market products, both we and our customers weigh the risks and opportunities that come with such global challenges as climate change and dwindling resources and thus make an active contribution to a sustainable development."

The Sustainability Strategy describes the concrete way forward as follows: "With a view to transforming our customer portfolio, we have established a milestone plan for the next few years. First of all we intend to significantly increase the share of ESG-compliant financing in our portfolio by 2023 compared to the figures for 2020 (bottom-up approach). We will achieve this by increasing the sustainable impact primarily in accordance with the EU Taxonomy and by developing adequate risk management with the goal of establishing a well diversified and manageable ESG risk profile. The availability of well-founded data and comprehensive data management is essential to record and assess risks and opportunities. To this end, we have created an ESG Assessment Tool, which is continually adjusted to reflect growing analysis and reporting requirements. This enables us to assess the sustainability risks associated with the business relationship and the positive effect of financing on achieving climate and sustainability goals (impact), and thus also make them transparent for our customers. In specific scenario analyses (e.g. climate stress test), we evaluate potential development paths and their impact on the sub-portfolios, and derive recommendations for action. We enter into new business (new customers/new transactions) after carefully weighing the risk and profitability, taking account of the established exclusion criteria and the various policies. ESG impact/risk considerations will also feature more strongly in future decisions with regard to the planned portfolio restructuring."

The risks mentioned are presented in GRI 102-15. The policy system is explained in detail in GRI FS 1 and in the Guiding Principles for Transformation published externally for the first time in December 2021. With regard to the carbon neutrality of the customer portfolio and the own funds book, BayernLB has written down the development of a methodology and a target path in its Sustainability Programme as from 2021 (for further information on the Sustainability Pro-

gramme, see GRI 102-15). BayernLB uses the PCAF methodology as an important tool for achieving carbon neutrality (see GRI 102-12 and GRI FS 1 to GRI FS 8 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures fo "Product Portfolio").

Further information on the Internet:

BayernLB's Sustainability Policy

BayernLB's Sustainability Strategy

**Guiding Principles for Transformation** 

### GRI 201-3 (2016) Defined benefit plan obligations and other retirement plans

Detailed information on the pension plans can be found in particular in the Individual Financial Statement 2021 on p. 32f. (only published in German).

*Further information on the Internet:* 

Individual Financial Statement 2021 (only available in German)

# GRI 201-4 (2016) Financial assistance received from government

BayernLB is itself a public law institution, see GRI 102-5. BayernLB did not receive any financial support from the public sector in the year under review.

Support from the public sector	2021	2020	2019	2018
Total financial support	-	-	-	-

## GRI 202 (2016) Market presence

# GRI 202 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Market presence"

In its Sustainability Policy, BayernLB acknowledges its regional responsibility: "At BayernLB we shoulder responsibility for economic, social and environmental developments in our home state of Bavaria and everywhere else we help our customers do business." The Bank lives up to this in many ways. See GRI 204-1, 413 and FS 13.

Further information on the Internet:

BayernLB's Sustainability Policy

# GRI 202-1 (2016) Ratios of standard entry level wage by gender compared to local minimum wage

The Bank recruits new staff on the basis of the collective agreements for the private banking industry and public banks (banking tariff). Non-tariff employees are classified and paid on the basis of service agreements concluded with the General Staff Council. This ensures payment above the statutory minimum wage. The foreign branches essentially follow the domestic remuneration system for non-tariff employees - always in compliance with local legislation and regulations. In any case, compliance with any local minimum wage regulations is ensured.

For further information on collective bargaining agreements, see GRI 102-41 and 407; for information on remuneration, see GRI 102-35 to 39.

# GRI 202-2 (2016) Proportion of senior management hired from the local community

**SDG 8.5** 

BayernLB has only a small number of managers at its foreign branches, as the branches are mainly managed from head office. In its Code of Conduct, the Bank excludes discrimination against persons on the grounds of ethnic origin, among other things. This also applies to access to management positions.

	2021	2020	2019	2018
Active employees incl. junior staff as of 31.12.	3.108	3.317	3.491	3.343
of which employees abroad	153	167	188	186
of which German employees abroad without management responsibility	22	19	24	26
of which foreign employees abroad without management responsibility	115	129	142	139
of which German employees abroad with management responsibility	5	7	7	8
of which foreign employees abroad with management responsibility	11	12	15	13

# GRI 203 (2016) Indirect economic impacts

# GRI 203 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Indirect economic impacts"

SDG 9 SDG 10

BayernLB as a whole is committed to comprehensive responsibility, see the Sustainability Policy: "At BayernLB we shoulder responsibility for economic, social and environmental developments in our home state of Bayaria and everywhere else we help our customers do business."

Within BayernLB, Bayerische Landesbodenkreditanstalt (BayernLabo) is responsible for housing promotion business and reports on this in detail in its Annual Report. BayernLabo's housing promotion business essentially consists of state housing promotion (known as trust business) and loans which are refinanced via KfW Bankengruppe (KfW), Landwirtschaftliche Rentenbank and

the capital market and therefore subsequently reduced in interest (known as proprietary business). As the municipal bank of the Free State of Bavaria, BayernLabo also supports Bavarian municipalities with individually tailored traditional municipal loans and, in cooperation with KfW, with its own development programmes. These also concern energy-related refurbishments.

*Further information on the Internet:* 

# BayernLB's Sustainability Policy

# BayernLabo Annual Report 2021

### SDG 2.a SDG 4 SDG 5.4 SDG 7.a SDG 7.b SDG 9.a SDG 9.1 SDG 9.4 SDG 11.2 UN GC 8

UN GC 9

**SDG 1.2** 

SDG 2.3 SDG 3.8

SDG 8.2 SDG 8.3

**SDG 8.5** 

SDG 10.b SDG 17.3

# GRI 203-1 (2016) Infrastructure investments and services supported

BayernLabo is responsible for the development business within BayernLB, see GRI 203 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Indirect economic impacts".

# GRI 203-2 (2016) Significant indirect economic impacts

BayernLabo is responsible for the development business within BayernLB, see GRI 203 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Indirect economic impacts".

### **GRI 204 (2016) Procurement practices**

#### EMAS SDG 1.4 SDG 5.1

# GRI 204 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Procurement practices"

BayernLB is aware that it bears responsibility for economic, social and environmental development in its home region and wherever it supports its customers in their business activities. The Code of Conduct states: "We are actively and thoroughly committed to the challenges of sustainable development and heed our responsibility by taking ecological, economical and social aspects into account along the entire value chain."

BayernLB operates in a way that conserves resources and is environmentally, socially, ethically and socially responsible. It is aware of global problems such as climate change, water shortage, poverty, deforestation and threats to biodiversity and accepts these as challenges.

# In the materiality analysis (updated in 2022), the topic "Sustainable procurement" was defined as material according to GRI for BayernLB and its stakeholders.

Accordingly, compliance with sustainability criteria is an important part of BayernLB's purchasing of goods and external services. In general, compliance with recognised environmental and social

standards in the supply chain is also stated in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15). BayernLB procures IT hardware and software, office equipment and materials, and consulting and auditing services, among other things. It requires its suppliers, external service providers and also sub-suppliers and sub-service providers to comply with ecological and social standards, including the core labor standards of the International Labour Organisation (ILO). The relevant documents are BayernLB's Code of Conduct and the Sustainability Agreement for Suppliers and External Service Providers, both of which are publicly available. The Code of Conduct states: "BayernLB also expects suppliers and service providers to provide fair employment conditions and allow employees the freedom to hold meetings and the right to negotiate collectively. We say no to exploitative (child)labour and forced labour. We do not work with business partners or organisations with objectives that are cult-like or hostile to the constitution."

The internal instruction "Minimum requirements for the procurement of material goods and services" is the central basis for the design of procurement processes. In the procurement process and thus in the contract models to be used with external parties, it is mandatory to obtain a Sustainability Agreement from suppliers and external service providers. From an expected annual volume of EUR 10 thousand gross, the Sustainability Agreement is part of the contract. When purchasing material goods, products with recognised environmental labels, such as the Blue Angel, are generally preferred for the same price-performance ratio. However, those purchases ares not recorded seperately, so its share of the purchasing volume cannot be shown - one exception is paper purchasing. Here, recycled paper is predominantly procured, see GRI 301-1. In general, the conclusion of Sustainability Agreements with suppliers and service providers is also stated in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

Until the end of 2020, all relevant suppliers and external service providers with whom BayernLB does not yet have a business relationship were screened in advance for sustainability criteria and risks by the Procurement Unit together with the Sustainability Executive Unit. This was done, among other things, through the use of a specialised RepRisk database and other sources.

Since 2021, this audit has been carried out on a random basis as a follow-up. The reason for this simplification is that the Bank has found that over a very large number of years its service providers have had little or no sustainability/reputation risks. The sample check for the year 2021 confirmed this procedure.

The Sustainability Agreement describes in detail BayernLB's principles and requirements for its suppliers and external service providers with regard to their responsibility for people and the environment. Among other things, the following points are required (for more information, see Sustainability Agreement):

"BayernLB requires the supplier to minimise damage to the environment and continually improve environmental protection. BayernLB requires the supplier to have established or be in the process of establishing an environmental management system and for this to be put into daily practice and actively implemented within the company. One possible means of achieving this is DIN ISO 14001 and/or DIN ISO 50001 certification. However, a supplier can also prove by other means that it has or is establishing an environmental management system.

- BayernLB requires suppliers to ensure the rights of its employees, particularly with regard to occupational health and safety, working hours regulations and health, and to prevent discrimination on the basis of skin colour, race, nationality, social background, disability, sexual orientation, political or religious beliefs, gender or age.
- BayernLB requires suppliers to not employ and to not allow or tolerate the employment of persons who cannot prove they are at least 15 years of age or older or who are employed in countries where an exception under ILO Convention 138 is deemed to exist.
- BayernLB requires suppliers to not tolerate or engage in any form of corruption or bribery.
- BayernLB requires suppliers to grant its employees freedom of association and the right to collective bargaining."

The Agreement obliges suppliers and external service providers to comply with the requirements themselves and to pass them on to their respective sub-suppliers and external sub-service providers. This applies equally to outsourcing. In addition, this Agreement is observed correspondingly in the area of management of owned and leased real estate.

Compliance with the Agreement by suppliers and external service providers is checked by BayernLB on an annual basis by means of random supplier audits. BayernLB aims to intensify dialogue with key suppliers and external service providers and to audit at least five key suppliers each year. This goal is also stated in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15); five audit meetings were held in the reporting year. The review is carried out on the basis of meaningful documents that the business partners must provide, as well as research in external databases, in particular the external RepRisk database. In addition, discussions are held and, where necessary, on-site visits are made to the companies. If there are indications of violations, BayernLB obtains a statement from the service provider concerned to assess the situation. The Sustainability Agreement provides for the right to extraordinary termination of all contractual relationships with suppliers or service providers if they violate the agreed standards. In this case, the company concerned is first warned and given a reasonable period of time to remedy the deficiencies. In the case of particularly serious infringements, the prior warning may also be dispensed with.

The Sustainability Agreement can be viewed on BayernLB's website. BayernLB also signs the "Modern Slavery Act" every year, which is also published on the website.

In the future, the intensity of the measures described above will increase as a result of the Act on Corporate Due Diligence Obligations in Supply Chains, which will come into force at the beginning of 2023. BayernLB will then report specifically on this in accordance with the legal requirements.

*Further information on the Internet:* 

BayernLB's Sustainability Policy

Code of Conduct

Sustainability Agreement

Modern Slavery Act Statement

Homepage of BayernLB: Sustainable procurement

# GRI 204-1 (2016) Proportion of spending on local suppliers

**EMAS** 

BayernLB understands local procurement as the supply of businesses from the whole of the Free State of Bayaria.

BayernLB's procurement volume for services and tangible goods in Germany, the most important operating entity, for which the central Procurement Unit at the Munich branch is responsible, breaks down as follows:

Procurement volume	2021	2020	2019	2018
Percentage of procurement volume from Germany	89 %	90%	92 %	89%
of which percentage Procurement volume from Bavaria	56%	52%	56%	53%

# GRI 205 (2016) Anti-corruption

# GRI 205 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Anti-corruption"

**SDG 16.5** UN GC 10

Combating corruption, bribery and other criminal acts across all branches is one of the core objectives of BayernLB's compliance management system. Compliance with the relevant standards ensures that (regulatory) sanctions and reputational damage are avoided.

In the materiality analysis (updated in 2022), the topic "Combating corruption and bribery" was defined as material according to GRI for BayernLB and its stakeholders.

Since 2021, BayernLB has been committed to the principles of the UN Global Compact, which state: "Businesses should work against corruption in all its forms, including extortion and bribery."

The Code of Conduct provides clear guidelines in this regard: "The prohibition on accepting or granting inducements applies not only to direct cash inducements but also to other benefits which may result in an actual or perceived advantage and which could cast doubt on the Banks professional independence. Moreover, whenever we grant or accept inducements or benefits, especially gifts or invitations, we always respect the limits of what is common practice and appropriate, as well as the tax regulations and any requirements to seek approval." In the Code of Conduct, BayernLB also commits to a zero tolerance policy. Both the Board of Management and the Supervisory Board are equally obliged to act in accordance with the Code of Conduct.

This is further specified in the Sustainability Strategy: "Regarding integrity, it [the Code of Conduct] describes our zero tolerance for corruption and criminal acts and the correct way to tackle potential conflicts of interest and insider knowledge. This underscores the importance we ascribe to transparent communication and rules in place on compliance, including whistleblowing. [...]. Regular measures to raise awareness for our employees and the members of the Board of Management and Supervisory Board ensure that these issues are as present as possible in their minds and are therefore highly enforceable."

BayernLB has implemented various measures in this context. The written rules stipulate, for example, that no business relationships are entered into with persons or companies managed by them who have been convicted of corruption, among other things. The "Regulations on accepting and granting benefits (in particular gifts and invitations)" make it clear that all gifts, invitations or benefits that could impair the personal independence of the recipient or could raise public doubts about the integrity of BayernLB or the recipient are not permitted. Donations and sponsoring are also clearly regulated and strictly separated from each other. Corresponding measures are also anchored for the granting of conditions and new loans.

Within the framework of obligatory, regular training courses for all employees (in accordance with the risk-oriented defined rotation), the existing regulations and behaviour to combat corruption are addressed. It is also possible to draw attention to conspicuous procedures via the whistleblowing system. This whistleblower system is also accessible to external whistleblowers via all communication channels. Information on this is available on BayernLB's website. For further information on whistleblowing, see GRI 102-33.

In addition, new employees and temporary staff are subject to an intensive screening process, which includes the presentation of a police clearance certificate. All employees are checked annually for behaviour that is immoral or in breach of duty.

Any corruption risks are reviewed and monitored throughout the Group by the respective Compliance Units. Based on regular risk analyses, they have taken appropriate precautions to combat economic crime, corruption and bribery and report on the effectiveness and any incidents to the Board of Management and the Audit Committee of BayernLB's Supervisory Board on an ad hoc and annual basis. The internal audit department regularly reviews the effectiveness and implementation of the relevant measures.

BayernLB's Sustainability Programme as from 2021 states the goal of becoming more transparent with regard to the Bank's compliance management system and integrating further content into public reporting. BayernLB's offshore policy was published externally for the first time in the year under review (see GRI 102-15 for more information on the Sustainability Programme).

For further information on compliance, see GRI 102-17.

*Further information on the Internet:* 

<u>Combined Non-financial Report of the BayernLB Group for 2021 (Annex to the Annual Report p. 310)</u>

Code of Conduct

Homepage of BayernLB: Compliance

#### SDG 16.5 UN GC 10

### GRI 205-1 (2016) Operations assessed for risks related to corruption

Combating corruption, bribery and other criminal acts across all branches is one of the core objectives of BayernLB's compliance management system. All employees and all locations are regularly audited for this purpose.

# GRI 205-2 (2016) Communication and training on anti-corruption policies and procedures

SDG 16.5 UN GC 10

All employees are regularly briefed and trained on the organisation's anti-corruption policies and procedures. For details, see GRI 205 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Anti-corruption".

### GRI 205-3 (2016) Confirmed incidents of corruption and actions taken

SDG 10 SDG 16.5 UN GC 10

There were no incidents of corruption in the reporting period.

Confirmed incidents of corruption	2021	2020	2019	2018
Number	-	-	-	-

# GRI 206 (2016) Anti-competitive behaviour

# GRI 206 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Anti-competitive behaviour"

BayernLB is committed to fair competition and does not gain any unfair advantages over customers, suppliers or competitors. In doing so, BayernLB complies with the provisions of competition law.

The Bank's Code of Conduct states: "We believe in fair competition. We therefore run our business in a professional and competent manner and do not seek any unfair competitive advantage over clients, suppliers, service providers or competitors. We comply with competition law. We do not participate in illegal actions aimed at restricting competition. We respect intellectual property rights, including commercial and non-technical property rights. We acknowledge the work of rights holders by dealing conscientiously with licensing rights, patents and copyrights."

In the materiality analysis (updated in 2022), the topic "Contribution to the regulatory framework" was defined as material according to GRI for BayernLB and its stakeholders.

*Further information on the Internet:* 

# Code of Conduct

**SDG 16.3** 

# GRI 206-1 (2016) Legal action for anti-competitive behaviour, anti-trust, and monopoly practices

In the period under review, there were no legal proceedings against BayernLB for anti-competitive behaviour or breaches of antitrust and monopoly law.

Legal proceedings based on anti-competitive				_
behaviour, cartel and monopoly formation	2021	2020	2019	2018
Number	-	-	-	-

# GRI 207 (2019) Tax

SDG 10 SDG 16 UN GC 10

# GRI 207 (2019) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Tax"

As a legal entity with its registered office and management in Germany, BayernLB is subject to unlimited tax liability on all of its worldwide income. In addition, it has limited tax liability abroad on its branches and local income. Consideration of tax issues is an integral part of the Bank's services in many of its business activities, both in its own interests and in the interests of its clients, and is anchored in its internal guidelines within the framework of applicable laws and regulations. Strict compliance with tax regulations can prevent both financial and reputational damage to the bank. Against this background, the Code of Conduct states: "We obey financial sanctions and embargoes imposed by national and international agencies and organisations, as well as the provisions of foreign trade law and tax law. We also seek to avoid unlawful transactions, tax/levy evasions and breaches of our duty to cooperate."

# In the materiality analysis (updated in 2022), the topic "Contribution to the regulatory framework" was defined as material according to GRI for BayernLB and its stakeholders.

BayernLB's commitment to the absolute legality of the Bank's tax system and, in tandem with this, to cooperative and transparent dealings with the tax authorities and to its claim to be an exemplary taxpayer applies worldwide.

In this respect, a good tax compliance culture is the basis for ensuring that employees behave in accordance with the rules. It is shaped in particular by the basic attitudes and behaviour of the management ("tone at the top"). Both senior management and the head of the tax department are unequivocally committed to tax compliance and communicate this commitment to all company employees inside and outside the tax department (for further details, see GRI 207-2). Accordingly, processes and measures have been developed to ensure that the importance of tax compliance is appropriately reinforced in the minds of BayernLB's staff.

In addition to its Code of Conduct, BayernLB is also committed in its tax strategy to compliance with laws and regulations in the area of tax law and to freedom from tax abuse in all its business activities. This tax strategy is derived from BayernLB's general risk strategy and is set out in the Group tax guideline, which includes a specific definition of responsibilities and competences as well as the main objectives of the tax department.

BayernLB also monitors legal standards on an ongoing basis to take account of the fact that the standards relevant to its business activities are subject to constant change. Legal changes that are relevant to tax risk are thus identified at an early stage and proactively addressed in order to take the necessary measures to minimise the risk. Moreover, BayernLB's tax risk strategy rules

out even legally compliant tax optimisation if it could be perceived as an 'aggressive' tax avoidance strategy in the outside world. BayernLB's business policy is accordingly not geared to exploiting comparative tax advantages.

All obligations to cooperate in connection with the taxation of third parties are fulfilled by the Bank, statutory disclosure and reporting obligations are met, and information required for tax transparency is provided. If there are significant differences between the actual tax rate and the expected tax rate, an explanation is provided in the notes to the Annual Report. BayernLB also adopts a transparent approach to transfer pricing, strictly complying with the provisions of the applicable double taxation agreements and the provisions of the tax laws of the countries concerned at the parent company and the foreign entities, and in particular observing the arm's length principle. The implementation of this principle in the determination of transfer prices is a focal point of almost every tax audit.

BayernLB also does not support any business relationships/activities in which money laundering or tax evasion or any other illegal use of offshore companies becomes apparent. A separate offshore policy explicitly excludes under the negative criteria business activities that serve to evade and/or reduce duties or taxes, or to conceal and/or unfairly benefit from such activities in one's own or another country (for offshore policy, see Guiding Principles for Transformation). In this regard, BayernLB has defined a group of countries as offshore countries and classifies them as permitted or (internally) blocked offshore countries according to external assessments regarding transparency, cooperation and (banking) supervision or the lesser business significance. This list is constantly adapted to current developments.

Furthermore, the Bank complies with the recommendations of the FATF when financing countries classified by the FATF (Financial Action Task Force) as non-cooperating countries and does not offer any objectionable products in the area of tax planning and optimisation.

BayernLB has also been registered under the Foreign Account Tax Compliance Act (FATCA) since 2014. In accordance with the relevant guidelines, BayernLB does not provide customer advisory services with the aim of reducing US taxes. The role of the Responsible Officer to review the processes required with the implementation of FATCA is performed by Group Compliance.

*Further information on the Internet:* 

# Code of Conduct

**Guiding Principles for Transformation** 

# GRI 207-1 (2019) Approach to tax

For information regarding BayernLB's tax approach, see GRI 207 (2019) - GRI 103-1 (2019), GRI 103-2 (2019), GRI 103-3 (2019) Management approach disclosures for "Tax".

**SDG 16** 

# SDG 16 GRI 207-2 (2019) Tax governance, control, and risk management

The full Board of Management of BayernLB is responsible for managing the Bank's tax affairs. The latter has transferred responsibility to BayernLB's CFO, who in turn delegates responsibility to the tax department via the Finance Division. The area of responsibility of the tax department is defined in detail by the Group tax guidelines and delimited from other departments. Accordingly, the tax department is responsible for the establishment and continuous development of a tax risk management system, which includes in particular the ongoing identification and assessment of tax risks. It is also responsible for setting up and maintaining an internal tax control system by means of which BayernLB's tax risks are managed and monitored centrally. This enables a precise understanding of the potential risks and, as a result, the derivation of (preventive) measures for risk reduction (e. g. the risk management system is based on the following principles: the issuance of specific work instructions, the implementation of training courses or the definition of controls). In addition to supporting tasks, the specialist departments outside the tax department are entrusted with the operational implementation of the corresponding or resulting tasks or requirements. A control to review the internal control system and its appropriateness and effectiveness takes place on an ad hoc basis.

A key element of BayernLB's supervisory and risk management systems is tax governance and tax compliance. Legal requirements should be fully met or taken into account. Compliance is given a very high priority within BayernLB. For this reason, numerous measures are being taken to raise awareness and sensitivity to the issue and to anchor compliance firmly within the corporate culture. In this respect, tax compliance is understood as part of the general compliance requirements, so that all general compliance measures explicitly include the tax area. This is also accompanied by sanctions for breaches of tax compliance. If there are any indications in this respect, the management will initiate an investigation into the facts and, if misconduct is discovered, will respond with appropriate measures. Here too, BayernLB's Code of Conduct stipulates that information on legal and compliance violations or risks of legal violations can be provided anonymously via the whistleblowing system (see also GRI 102-17 and GRI 205).

The general reporting on taxes in the Annual Report is reviewed by the auditor as part of the audit of the annual financial statements. In addition, recurring audits are carried out by Group Internal Audit with regard to tax compliance.

*Further information on the Internet:* 

# Code of Conduct

# SDG 16 GRI 207-3 (2019) Stakeholder engagement and management of concerns related to tax

BayernLB attaches great importance to taking into account the views and concerns of stakeholders or stakeholder groups, with whom the Bank actively seeks dialogue. For example, the tax risk strategy takes into account not only the legal requirements but also the interests of BayernLB's owners, insofar as this is legally permissible and compatible with the Bank's tax strategy. Significant tax issues and projects are also submitted to the Board of Management for information or approval.

BayernLB's Code of Conduct is firmly anchored in its commitment to a cooperative and transparent relationship with all authorities and other sovereign entities. Accordingly, the Bank attaches great importance to compliance with the legally prescribed procedures in investigations and other official activities. The legal sector is involved to safeguard procedural rights and to accompany the dialogue with supervisory and investigative authorities. In order to safeguard its own legal position, BayernLB also obtains binding information from the tax authorities in appropriate cases or, if necessary, second opinions from external consulting firms. Branches abroad also receive permanent tax compliance support from external consulting firms. In addition, the tax department is actively involved in various institutions, in particular the associations of public-sector banks (DSGV and VÖB), in order to identify trends in tax legislation in good time and to be able to react to them.

# GRI 207-4 (2019) Country-by-country reporting

**SDG 16** 

BayernLB presents its tax position in detail in its Group reporting in accordance with the International Financial Reporting Standards (IFRS). Country-by-country reporting is also carried out within this framework. This includes all countries in which BayernLB has tax-relevant units and can be found on page 305 of the 2021 Annual Report.

The country-specific reporting in accordance with the tax code is prepared by a specialised external consulting team in the standardised form customary in the industry and sent to the tax authorities after approval. Due to the manageability and constancy of the subject matter of the report, there is virtually no tax compliance risk.

*Further information on the Internet:* 

Annual Report 2021 (p. 305)



# **GRI 300 Environmental**

GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental"

In the materiality analysis (updated in 2022), the topic "Operational environment management" was defined as material for BayernLB and its stakeholders according to GRI.

EMAS SDG 7 SDG 12 SDG 13 UN GC 7 UN GC 8 UN GC 9

(Historical) background and normative anchoring

Operational environment management covers all direct environmental impacts caused by BayernLB's business operations. BayernLB has a long tradition of using valuable resources responsibly. BayernLB's environmental protection activities date back more than three decades.

From the very beginning, the central focus was on progressive ecological building management. This was and still is the foundation of operational environment management due to continuous modernisation measures in the Bank's buildings. Environmental quidelines were formulated in the early 1990s, and compliance with them was reinforced by the signing of the UNEP FI Declaration (United Nations Environmental Program Finance Initiative), a voluntary commitment at the United Nations level to integrate environmental protection into banking operations. Based on the environmental guidelines, the Environmental Policy that is still valid today was adopted at the Board of Management level in 1998 (see below). Since then, it has been the basis for all measures to improve environmental performance. BayernLB has been implementing these since 1999 in accordance with the European Environmental Management and Audit Scheme (EMAS) Regulation. The external audit of the environmental management system gives significant importance to internal environmental protection - standards audited accordingly are marked with the green "EMAS" marginalia in this Sustainability Report. Due to compensation measures BayernLB has also been climate-neutral at its Munich location since 2008 (all other German locations since 2015) (for further information on climate neutrality, see GRI 305 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Emissions").

Compliance with the statutory requirements, which BayernLB regards as minimum standards, is laid down in the Sustainability Policy, which was first adopted by the Board of Management in 2007. In addition, environmental aspects are regulated in the Sustainability Strategy 2021 (see below).

Since 2010, the topics of environmental protection and sustainability have also been firmly anchored in the Bank's Code of Conduct: "We are actively and thoroughly committed to the challenges of sustainable development and heed our responsibility by taking ecological, economical and social aspects into account along the entire value chain. We do this in our own day-to-day (banking)operations by being careful in our use of resources, avoiding harmful environmental impacts and treating our employees responsibly."

In September 2021, BayernLB signed the UN Global Compact, once again making its long-standing commitment to environmental protection visible. The signing is also stated as a goal in the Sustainability Programme as from 2021 (for further information regarding the Sustainability Programme, see GRI 102-15). The environmental principles to which BayernLB is committed, along with seven other principles, are:

• "Businesses should support a precautionary approach to environmental challenges.

- Businesses should undertake initiatives to promote greater environmental responsibility.
- Businesses should encourage the development and diffusion of environmentally friendly technologies."

BayernLB also uses this Sustainability Report as a progress report in this respect and indicates by means of dark blue "UN GC" marginalia where it is making a corresponding contribution.

The various measures in internal environmental protection not only lead to a reduction in the ecological footprint, but also form part of the Bank's overall sustainability performance. This is evaluated at regular intervals by specialised external sustainability rating agencies. Despite highly competent competitors with a similarly strong focus on sustainability issues and increasingly comprehensive agency requirements, BayernLB's sustainability performance was rated as pleasing in each case. The current ratings are published on BayernLB's homepage.

Following its longstanding commitment to operational environment management, the Bank continues to fulfil its corporate responsibility and to work continuously on improving its environmental performance, which is an important contribution to sustainable social development. Sustainability is also firmly anchored in the Bank's strategic realignment as part of its understanding of progress.

Milestones in corporate environmental protection

The most important milestones in corporate environmental protection are shown in the following table:

Year	Measures	Contents and successes
1993	full-time environmental protection officer	Coordination of all the Bank's environmental protection activities
1995	Signature of the UNEP Declaration ("Environmental Protection and Banks")	Voluntary commitment to integrate environmental protection into the Bank's operations and business processes
1996	Consideration of indirect environmental impacts	Integration of ecological aspects into the credit assessment
1998	Establishment of an environmental management system	Establishment of Environmental Policy on the basis of the 1994 environmental guidelines (1. Life Cycle Assessment)
since 1998	Use of renewable energy and rain/grey water	66 kW photovoltaics, approx. 65,000 kWh energy yield per year; saving of approx. 2 million litres of drinking water per year
1999	Validation of the environmental management system according to the regulation EWG 1836/93	Publication of the first Environmental Statement
2000	1. Sustainability rating	BayernLB becomes sector leader
2002	Monitoring of the Bavarian climate protection project at Munich Airport	Successful testing of the project-based mechanisms of the Kyoto Protocol
2003	Revalidation of the environmental management system	Publication 2. Environmental Statement
2004	Commitments	Commitment to comply with World Bank standards
2005	Climate-related product	Start of emissions trading
2005/ 2006	Participation in the "Corporate Mobility Management of the City of Munich" funding programme	Cost savings for employees and reduction of greenhouse gases through increased use of public transport
2006	Revalidation of the environmental management system	Publication of the 3. Environmental Statement, since then annual publication
2006	Financing of renewable energies	Financing of Germany's largest geothermal project in Unterhaching
2007	Purchase of certified hydropower	Savings of approx. 12,000 tons of CO2 per year
2007	Implementation of SRI products	BayernLB offers sustainable investments to both private and institutional customers
2007	Strategic further development	Adoption of a comprehensive sustainability strategy and the Group's "Renewable Energies" strategy
2008	Introduction of climate protection fee for air travel	Compulsory internal levy for air travel staggered according to environmental impact
2008	Climate strategy	Climate neutrality (via compensation measures) at the Munich branch
2009	Improvement of CO2 balance	Use of new lighting tube technology
2009	Expansion of committee and public relations work	Joining the Bavarian Environmental Cluster Implementation of the First Climate Day
2009	Expansion of range of sustainable investment opportunities	Market launch of Spendenbond

Year	Measures	Contents and successes
2010	Expansion of public positioning on climate protection	Establishment of Future Markets Department Preparation of Climate Study Chairmanship of the Finance Forum: Climate change Implementation of second climate day
2011	Expansion of the scope of consolidation EMAS	Extension of reporting limits regarding locations and input factors
2011	Commitments	BayernInvest signs UN Principles for Responsible Investment (PRI)
2012	Revision of the life cycle assessment survey mode	Improvement of the database, preparation for the use of the new VfU tool
2012	Commitments	Adoption of energy guidelines
2013	Social commitment	Joining "Economy white-blue
2013	Sustainability management system	Conversion of the environmental management manual into an sustainabaility management manual, supplementation by issue management manuals
2013	Commitments	Adoption of the guideline on speculation in foodstuffs
2014	Sustainability Reporting	BayernLabo publishes comprehensive sustainability brochure
2014	Commitments	Adoption of the Guideline on Arms Financing
2015	Commitments	Adoption of the Guideline on Lignite Financing
2015	Climate strategy	Climate neutrality (via compensation measures) at all locations in Germany
2015	Commitments	BayernLB's participation in the Munich Climate Pact
2016	Commitments	Development of specific guidelines (policies) for the evaluation of transaction requests (topics: Nuclear, coal, oil and gas)
2016	Materiality analysis	Developing a materiality matrix by identifying 12 key sustainability issues for BayernLB's value creation and its stakeholders. This will be a central component of sustainability seporting (including the Sustainability Programme).
2016	Expansion of the scope of consolidation EMAS	Certification of the Nuremberg site, Fritz-Haber-Straße
2016	Sustainability management system	Adoption of a Group-wide instruction on the assessment of environmental and social risks
2016	Sustainability management system	New Sustainability Programme, sustainability reporting in accordance with GRI G4
2017	Expansion of reporting	Preparation and implementation of reporting according to CSR RUG
2018	Sustainability Reporting	BayernLB Group publishes non-financial report for 2017 in accordance with CSR RUG for the first time (annually since then)
2018	Expansion of communication	Launch of the Green Finance microsite
2018	Review of sustainability programme	Updating materiality analysis
2019	Commitment	Revision of the policies of the nuclear fossil guidelines
2020	Reporting	Publication of first Sustainability Report in accordance with GRI (since then yearly)
2020	Organization	Establishment of Sustainability Executive Unit; centralization of responsibilities with now direct reporting line to the CEO
2021	Sustainability Strategy	Publication of Sustainability Strategy

Year	Measures	Contents and successes
2021	Commitments	Publication of energy policies in the Guiding Principles for Transformation, accession to UN GC and PRB
2021	Sustainability management system	New Sustainability Programme as from 2021, including integration of the Environmental Programme
2021	Reporting	Integration of Environmental Statement according to EMAS in Sustainability Report according to GRI
2022	Materiality analysis	Update materiality analysis

# **Environmental Policy**

As mentioned above, at the heart of BayernLB's environmental management approach is its Environmental Policy, which sets out the framework for taking account of ecological aspects along the entire value chain. Ten points cover all the main areas of environmental protection in the Bank. The Environmental Policy has been drawn up in 1998 as a Board of Management resolution and made known to all employees. The Policy is binding for all employees and applies throughout the Group. The Environmental Policy (with examples now largely implemented) is as follows:

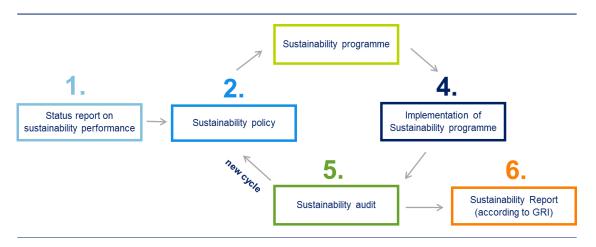
Env	rironmental Policy	Examples of implementation
1.	We are aware of our responsibility in furthering developments in the interest of the environment. To this end, we strive to invest our resources in these developments and also to take part in them together with all other publicsector companies.	Participation in the Environmental Pact of Bavaria (1998)  Signing of the UNEP declaration (1995)  Membership and work in the VfU (1997)  Participation in the Agenda 21 working group with other Munich banks  Contact with scientific institutions
2.	We see environmental protection as the responsibility of Manageme	For this reason, all our managers are also entrusted with the duty of helping to achieve the goals of environmental protection.
3.	We help make our staff more aware of environmental issues and involve them in all related measures taken by our Bank.	<ul> <li>Publishing of the Environment Manual (to be posted in the Intranet)</li> <li>Running environmental protection workshops</li> </ul>
4.	We inform our staff of all environment-related issues at the Bank and require of them their help in the further development of our environment management.	<ul> <li>Inclusion of environmental issues in the staff magazine</li> <li>Office communication as an information</li> </ul>
5.	We will install a viable and continuous system of economic controlling to gauge the effectiveness of our measures.	Transition to a permanent, analytical balance sheet for the flux of materials and energy  Use of environmental checklists  Keeping protocols on the results
6.	We conduct a systematic accounting of our inhouse ecology at regular intervals.	Setting deadlines     Exchange of data in an environmentallycompatible form     Appointment of the units responsible
7.	We aim to use all resources as effectively as possible and to reduce in particular the use of energy, water and all materials required for our operations	<ul> <li>Use of grey water in sanitary facilities</li> <li>Use of energy-efficient equipment (lamps, copy machines, IT hardware)</li> </ul>
8.	We will take account of environmentally-friendly technologies in all our decisions, giving this factor precedence.	Installation of photovoltaic apparatuses     Installation of cooling ceilings
9.	We strive for a further reduction in the waste produced at our Bank and to use environmentallycompatible waste removal sources wherever possible.	<ul> <li>Refuse is carefully sorted; this is monitored by way of a "refuse account".</li> </ul>
10.	We understand that protecting the environment can harbour both chances and risks for our customers. The analyses and assessments of ecological chances and risks are factors we consider when making operational decisions.	• Inclusion of ecological aspects in the corporate customer and real estate businesses

BayernLB's Sustainability Programme as from 2021 stipulates that the adjustment of the Environmental Policy (and, if applicable, integration into the Sustainability Policy) is to be reviewed by the end of 2022; this was started at the beginning of 2022 (for further information on the Sustainability Programme, see GRI 102-15).

#### **Approach**

The continuous improvement of environmental and sustainability performance required as part of EMAS certification presupposes a structured management approach that does justice to the multi-layered and complex nature of the issue of sustainability. After all, the successful handling of sustainability-related issues is not only a cross-sectional task with interfaces to all corporate divisions; it also requires, in particular, the consideration of sometimes competing interests and expectations of the most diverse stakeholder groups. The coordinated implementation of corresponding environmental protection measures is carried out within the framework of a structured management system, which is validated according to the EMAS regulation and certified according to the ISO 140001 standard. The annual revalidation of the environmental management system and the annual survey of environmental indicators for all of BayernLB's German (sales) locations are also anchored in BayernLB's Sustainability Programme as from 2021. The environmental indicators of the foreign entities are also to be collected by 2023, and the environmental indicators of the data centres and BayernBankett by 2024 (for more information on the Sustainability Programme, see GRI 102-15).

# Structure of the management system



Building on the results of an initial review of environmental and sustainability performance - first carried out at the beginning of the 1990s - an Environmental and Sustainability Programme was drawn up, comprising the key measures for the continuous improvement of environmental and sustainability performance. Since the first successful participation in EMAS (1999), the implementation status of the measures and the functionality of the management system have been reviewed in annual internal audits. In accordance with the results of these audits, both the target system and the programme of measures are consistently developed further, so that there is a system-immanent improvement in environmental and sustainability performance.

The Environmental Statement, which was published independently every year until the reporting year 2020, will be integrated into this Sustainability Report according to GRI from this reporting year (2021) onwards.

### Organization

In order to give even more weight to the Bank's strategic focus on sustainability, the Sustainability Executive Unit was established, reporting directly to the Chairman of the Board of Management. In addition to other tasks and competencies, Sustainability and Environmental Management have also been integrated here. For successful management and continuous improvement, cross-divisional employees at all management levels are involved and individual measures are implemented at the operational level by the respective specialist responsible (e.g. collection of environmental indicators by BayernFM) (for further information on the organisation and tasks of the Sustainability Executive Unit, see GRI 102-10, 102-17, 102-29, 102-31). BayernLB's strategic subsidiaries are also integrated into the sustainability management system; the intensification of this integration is also anchored in BayernLB's Sustainability Programme as from 2021 (for further information on the Sustainability Programme, see GRI 102-15).

Integration of Environmental Programme into Sustainability Programme as from 2021

BayernLB has been drawing up a comprehensive Environmental Programme every three years since 1995, setting out the goals and the measures needed to achieve them. The Environmental Programme also has a controlling function, as the achievement of goals is checked in the course of the annual audits. Depending on the audit results, the goals and measures are modified. In 2021, the previously independent, ongoing Environmental Programme was integrated into the Sustainability Programme as from 2021. The Sustainability Programme is published on BayernLB's website and in GRI 102-15. GRI 102-15 also records the current status of the respective goals and measures and refers to the GRI standard which provides further details on status reporting.

#### **Environmental indicators**

The environmental indicators documented and interpreted on the following pages include the EMAS-certified locations in Munich (Brienner Str. 18 (B18) and surrounding buildings) and Nuremberg (Lorenzer Platz 27 and Fritz-Haber-Str. 10) as well as the (currently non-certified) locations in Dusseldorf, Leipzig, Frankfurt, Grafenau, Hamburg and Stuttgart. The non-certified locations are mainly involved in sales activities and account for less than one percent of BayernLB's total energy consumption in Germany. The Berlin support office with two employees and BayernLB's activities in the foreign branches are not included here (however, the environmental indicators of the foreign branches are to be collected by 2023; this is anchored in BayernLB's Sustainability Programme as from 2021, see GRI 102-15). This means that more than 90 percent of employees are covered by EMAS.

Emissions are therefore calculated for a total of 2,965 employees:

• Munich location: 2,537

• BayernLabo (incl. Grafenau): 266

• Nuremberg locations: 119

• other German branches and bases: 43

In the year under review, as in 2020, the environmental indicators were strongly influenced by the effects of the coronavirus pandemic and the associated high home office quota. In addition, an adjusted conversion factor for district heating had a significant impact on CO2 emissions (see following pages). Therefore, BayernLB does not anticipate any representative consumption trends in the next reporting year either and difficulties in allocating/tracking individual key figures might arise.

For the presentation of the key figures and for the calculation of the GHG emissions caused by BayernLB, the key figure system of the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU) was used (key figures for operational environmental performance in the international version and version dated March 1st 2022 - released version 1.0 of the 2022 final update). Possible deviations from previously communicated data result from the increase in the level of detail in data collection or from the expansion of the scope of consolidation of the environmental management system.

The VfU indicators are based on international standards of environmental and climate reporting such as:

- the Global Reporting Initiative (GRI): www.globalreporting.org
- the Carbon Disclosure Project: www.cdp.net
- the Greenhouse Gas Protocol: www.ghgprotocol.org
- the Science Based Target Initiative: www.sciencebasedtargets.org

The 2022 update includes the following changes and new features:

- Update of the greenhouse gas emission factors to version Ecolnvent 3.7.1
- Consideration of power consumption in external data centres
- Supplementing heat production from internal heat pump
- New workbook on energy consumption for an internal combined heat and power system
- Addition of plug-in hybrid vehicles
- Addition of bike/bicycle couriers
- New workbook on climate compensation
- Addition of a new evaluation workbook C2 with the overview of the VfU key figures
- Updating the methodology of 1.5 ° compatible climate targets
- Updating the various evaluation routines with the above-mentioned new processes
- Supplement to the VfU licence and the EULA (End User Licence Agreement) for free use of the tool

For further information, in particular on emissions, see GRI 305 (2016) - GRI 103 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Emissions" and GRI 305-1.

# Representation of the EMAS sites

The exact consumption figures for the individual sites are shown on the following pages (for energy consumption see GRI 302-1 and water consumption see GRI 303-1). In the Sustainability Programme as from 2021 it is generally anchored to optimise the operating times at all locations — work on this regard is ongoing. For the B18 location, it was specifically stated that the lighting in the corridors and at the computer workstations should be renewed (not yet implemented) and

that four ventilator fans in the underground car park should be replaced (the motors were renewed here, but not the fan wheels). For the rear building at Brienner Strasse 24, the optimisation of the chilled water pumps on the cooling machine and the renewal of the cooling ceilings are also listed (not yet implemented) (for further information on the Sustainability Programme, see GRI 102-15).

Munich - Headquarters Brienner Str. 18 and surrounding buildings

The following takes place at this location	Group headquarters	Acchange And Manager M
Description	Munich location: Brienner Str.16, 18, 20, 24V, 24R Karolinenplatz 6R (vacant since 12/21) Türkenstrasse 4 Barerstrasse 24 (ground floor only)	Nacorphia Marweber Patt  Fulness, 7 Moutan School Bull  Did and BUY LUNE  I landinger For John  I sendinger Fo
Usable area	92.470 m² (thereof 63,011 m² in the main building Brienner Str. 18)	Richard  A Suburus  Fourholestele  A Suburus  Fourholestele
Floors	Main building Brienner Straße 18: 6 upper floors, 5 basement floors (technical facilities, parking spaces)	
Special features	Office and administration building with mailroom, safe, large trading room, unc	meeting rooms, canteen kitchen, casino, lerground car park
Power supply		tricity supply 100% hydropower; Maximum he roofs of Brienner Strasse 20 (36 kWp) and 'p)
Air conditioning	Partial and full air conditioning systems,	chilled ceilings at Brienner Straße 18
Heating	District heating (hot water), own steam	generation with natural gas
Water supply	City water, well water (for cooling), grey	water use in the buildings
Water treatment	Reverse osmosis; Softening	
Emergency power supply	UPS system (battery operation), 5 mains	backup units
Vehicle fleet	91 passenger cars (including 4 hybrid ve	hicles)
Location	Mixed-use area	
Legacy	none	
Noise emission	There is no adverse effect on the adjace	nt neighbours due to noise emissions.

Nuremberg I - Lorenzer Platz 27 + Nuremberg II - Fritz-Haber-Straße 10

The following takes place at this location	Branch
Description	Location Nuremberg I, Lorenzer Platz 27
Usable area	3.673 m²
Floors	5 upper floors, 2 basement floors
Special features	Vault system
Power supply	Power supply 100% Hydropower
Air conditioning	Small refrigeration systems, partial air conditioning systems, exhaust air systems, chilled ceilings
Heating	District heating (hot water), own steam generation
Water supply	Town water
Water treatment	None
Emergency power supply	USV system (battery operation), emergend
Vehicle fleet	s. Group headquarters
Location	Mixed-use area
Legacy	none
Noise emission	There is no adverse effect on the adjacent

The following takes place at this location	Precious metal and precious metal processing	
Description	Nuremberg site II Fritz-Haber-Straße 10	
Usable area	2.137 m²	
Floors	2 upper floors, 1 basement	
Special features	2. upper floor vacant till 12/21 (undeveloped), smelting furnace	
Power supply	Power supply 100% Hydropower	
Air conditioning	Refrigeration: via two chillers with dry coolers, partial air conditioning, exhaust air systems	
Heating	Gas condensing boiler system in modular design	
Water supply	Town water	
Water treatment	Softening	
Emergency power supply	USV system (battery operation), emergency diesel generator	
Vehicle fleet	s. Group headquarters	
Location	Mixed-use area	
Legacy	none	
Noise emission	There is no adverse effect on the adjacent neighbors.	

*Further information on the Internet:* 

BayernLB's Environmental Policy

BayernLB's Sustainability Policy

Sustainability Programme as from 2021

Code of Conduct

Homepage of BayernLB: Sustainability ratings

**EMAS** 

#### **GRI 301 (2016) Materials**

GRI 301 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Materials"

In the materiality analysis (updated in 2022), the topic "Operational environment management" was defined as material for BayernLB and its stakeholders according to GRI.

BayernLB is convinced that every company can and should make its own individual contribution to environmental protection by saving raw materials and reducing CO2 emissions. A bank can only credibly support its customers in the transition to a climate-friendly and resource-conserving economy if it is also committed to this itself.

The overall management approach to corporate environmental protection is presented in GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental". With regard to materials and their consumption, BayernLB has made specific provisions in its Code of Conduct: "Offices, furnishings and work equipment must be used in an economically and environmentally friendly way. This applies to energy and materials consumption as well as the maximising of economic life."

In addition, the Sustainability Strategy sets out, among other things, on the subject of material consumption: "The main areas for action in environmental management are waste, energy consumption, business travel, paper consumption, greenhouse gas emissions and water consumption. Even though the direct climate and environmental impact of BayernLB's business activities is relatively low, our most important contribution is to reduce resource consumption, reduce waste and ensure it is disposed of in an environmentally friendly manner, and use environmentally-friendly technologies. A sustainable workspace is defined by using the available resources responsibly. This includes conserving water, printing only when required and on recycled paper, separating waste correctly and consciously saving energy in day-to-day office operations (no stand-by mode). BayernLB sets great store by a green desk, in that it equips its employees in the office in an environmentally conscious manner with sustainable office materials and specifically makes them aware of environmental risks."

*Further information on the Internet:* 

BayernLB's Environmental Policy

BayernLB's Sustainability Policy

Code of Conduct

#### EMAS SDG 12.2 SDG 8.4

#### GRI 301-1 (2016) Materials used by weight or volume

The main material consumed by the Bank as a financial services provider is paper.

<del></del>				-	-
Paper consumption	Unit	2021	2020	2019	2018
Total paper consumption	t	41	65	95	131
thereof					
Recycled paper	t	35	54	81	102
ECF/TCF paper	t	6	11	14	29
New fibre chlorine bleached	t	0	0	0	0

	Change compared to previous year in %.	2021	2020	2019	2018
Relative paper consumption (in	•				
kg/employee)	- 33,3	14	21	29	42

Absolute paper consumption in the year under review was 41 t. Compared to 2020, this is a reduction of 24 t or 37%. BayernLB's absolute paper consumption continued to fall significantly compared with previous years, partly due to ongoing work from the home office.

All paper (virgin fibre or recycled) used at BayernLB bears either the "Blue Angel", FSC or Ecolabel and thus meets the highest international environmental standards. The continued use of such quality labels in paper purchasing is also anchored in BayernLB's Sustainability Programme as from 2021. The programme also stipulates that advice and recommendations on the use/usability of recycled paper are offered within the Group (for further information on the Sustainability Programme, see GRI 102-15). The predominant use of recycled paper makes a contribution to the conservation of water resources, which, however, cannot (yet) be mapped with the VfU tool used. Paper consumption plays a secondary role in BayernLB's overall carbon footprint (for further information on emissions, see GRI 305). The Sustainability Programme as from 2021 also includes targets to reduce relative paper consumption per employee by 2.5% (based on 2016 levels) and absolute paper consumption by 5% (based on 2016 levels) by the end of 2022. These targets were again clearly achieved for 2021; in 2016, total paper consumption was 101 t (2021: 41 t) and relative consumption was 34 kg per employee (2021: 14 kg).

#### EMAS SDG 12.2 SDG 12.5 SDG 8.4

### GRI 301-2 (2016) Recycled input materials used

BayernLB predominantly uses recycled paper. For more information see GRI 301-1.

#### **EMAS**

#### GRI 301-3 (2016) Reclaimed products and their packaging materials

BayernLB is not a manufacturing company. Therefore, there is no need for packaging materials or recycling of products.

#### GRI 302 (2016) Energy

GRI 302 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Energy"

EMAS SDG 7 SDG 12 SDG 13 UN GC 9

In the materiality analysis (updated in 2022), the topic "Operational environment management" was defined as material for BayernLB and its stakeholders according to GRI.

Energy as such is not a production factor for BayernLB, but is used to operate the buildings and ensure business travel. BayernLB therefore regards its contribution to reducing operational energy consumption as an important part of its corporate climate protection. As a non-manufacturing business, this is appropriate in terms of its climate footprint and is shown to be common in a sector comparison.

At the UN Climate Change Conference in Paris in December 2015, the international community agreed on a limit of a maximum of 2° Celsius, and if possible even only 1.5° Celsius, for the increase in the global average temperature. In order to achieve this ambitious goal, the Federal Government has adopted the Climate Action Plan 2050, while the Free State of Bavaria has adopted the Climate Action Programme Bavaria 2050. In 2021, the German government passed the (stricter) Federal Climate Change Act with binding emission targets for the years up to 2045. Germany is to achieve climate neutrality by 2045, five years before 2050.

As a public-sector bank, BayernLB supports these goals at all levels – also by reducing its own greenhouse gas emissions. It follows a three-step approach to climate protection (for more detailed information on the climate protection strategy, see GRI 305 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Emissions"):

- Reduce resource consumption
- Replace CO2-intensive energy sources
- Offset unavoidable CO2 emissions

BayernLB is thus committed to its Environmental Policy: "We aim to use all resources as effectively as possible and to reduce in particular the use of energy, water and all materials required for our operations."

The overall management approach to corporate environmental protection is presented in GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental".

*Further information on the Internet:* 

Homepage of BayernLB: Environmental and climate protection

#### GRI 302-1 (2016) Energy consumption within the organization

For BayernLB as a financial services provider, energy consumption in its buildings is the most significant direct environmental impact alongside business travel.

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Building energy consumption	Unit	2021	2020	2019	2018
Building energy consumption (total overview)	MWh	24.264	23.860	24.825	24.079
thereof					
Power	MWh	11.270	11.853	12.837	12.591
thereof cooling energy	MWh	7.150	8.606	8.785	9.462
Heat	MWh	12.933	12.007	11.999	11.488
thereof district heating	MWh	9.209	8.168	8.143	7.982
thereof natural gas	MWh	3.724	3.777	3.765	3.845
Diesel (emergency power units)	MWh	61	62	91	120
Building energy consumption (total overview)	MJ	87.131.822	86.854.743	89.407.199	87.115.248
Share of renewable energies in building energy consumption	%	46	49	52	52

Building energy consumption continues to be strongly dependent on weather influences; the ongoing pandemic has little influence on this. Electricity consumption has fallen by an average of just under 5 %. This shows that the (pandemic-related) presence and absence of staff has no significant influence on total electricity consumption. The technical supply systems must also be operated at low attendance rates in order to keep the building running. The goal from the Sustainability Programme as from 2021 to stabilise electricity consumption below 12,800 MWh was nevertheless also achieved for 2021 (11,270 MWh) (for more information on the Sustainability Programme, see GRI 102-15).

For heat, the consumption value in 2021 was 12,933 MWh. This represents an increase of 343 MWh and around 1% compared to the previous year. The goal from the Sustainability Programme as from 2021 to stabilise heating consumption (heat) below 13,000 MWh was nevertheless still achieved for 2021.

Where possible, conventional energy sources are replaced for power generation. For example, until the end of 2021 electricity was purchased from the energy producer Energiedienst Holding AG at the NaturEnergie tariff. The company supplies 100 percent emission-free, renewable green electricity from hydropower to all BayernLB's delivery points in Germany. The contract was signed in 2015 and renewed in 2019 through Dec. 31, 2021. For the period 01.01.2022 - 31.12.2023, a contract was concluded with Vattenfall; the green electricity again comes entirely from environmentally friendly hydropower plants. Ensuring an ecological electricity supply based on a certificate of origin and plant sourcing is also anchored in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

Steam and cold water (cooling energy) are generated at the Munich site itself. The own steam is generated using natural gas as the primary energy source. The cold water (cooling energy) is generated with the help of refrigeration machines, via outside air cooling by means of recooling plants (so-called free cooling) and room air conditioning systems. District heating is used for heating and hot water.

#### Selected building consumption (energy)

In the following, the energy consumptions from electricity, cooling and heating are presented and interpreted for the two most consumption-intensive buildings in Munich (B18 + B20) and for the two Nuremberg locations.

Munich - Brienner Straße 18

Energy consumption	2021	2020	2019	2018
Electricity (in MWh)	8.079	8.885	9.613	9.569
Cooling (in MWh)	6.396	7.705	7.812	8.352
Heat, climate-adjusted (in MWh)	10.130	10.849	9.875	10.360
Climate factor (postcode 80333)	0,98	1,11	1,02	1,08
Heat, absolute (in MWh)	10.336	9.774	9.681	9.593

Electricity consumption at the Brienner Strasse 18 property was approximately 806 MWh lower in 2021 than in 2020. The reduction of approximately 9% is largely due to the coronavirus related situation with significantly reduced staff attendance and the greater use of free cooling (i.e. cooling using outside air with temperature below the room air temperature). Refrigeration consumption decreased by about 17% in the same period. An increase of 6% can be seen in heat consumption. This is partly due to the fact that the winter of 2021 was more severe than the previous winter, but the climate-adjusted heat consumption was lower than in the previous year, taking a climate factor of 0.98 into account. The climate factor records the influence of weather and climate on heat consumption and takes into account both the temperature conditions during a calculation period and the climatic conditions in Germany. By using the climate factor, it is possible to compare the heat consumption characteristics of different calculation periods and of buildings in different climatic regions in Germany (the climate factor by postcode was retrieved here: https://www.iwu.de/publikationen/tools).

The target set out in BayernLB's Sustainability Programme as from 2021 of stabilising peak load electricity consumption at the Munich location at a maximum of 4,000 kW was also achieved in 2021 (not apparent from the figures available, but was requested and confirmed separately) (for further information on the Sustainability Programme, see GRI 102-15).

Munich - Brienner Straße 20

Energy consumption	2021	2020	2019	2018
Electricity (in MWh)	2.321	2.340	2.725	2.654
Cooling (in MWh)	295	429	431	580
Heat, climate-adjusted (in MWh)	1.300	1.225	1.219	1.323
Climate factor (postcode 80333)	0,98	1,11	1,02	1,08
Heat, absolute (in MWh)	1.327	1.103	1.195	1.225

Energy consumption for electricity has decreased by 1% to a total of 2,321 MWh in 2021 compared to the previous year. Cooling consumption has decreased considerably in the same period

and is 295 MWh/year. The reduction of about 31 % is due to the increased use of free cooling. However, the cold winter leads to an increase in both absolute (+20 %) and climate-adjusted heat consumption (+6 %).

#### Nuremberg - Lorenzer Platz 27

Energy consumption	2021	2020	2019	2018
Electricity (in MWh)	183	184	202	210
Cooling (in MWh)	0	0	0	0
Heat, climate-adjusted (in MWh)	461	436	483	479
Climate factor (postcode 90402)	0,96	1,06	1,1	1,16
Heat, absolute (in MWh)	480	411	439	413

At the Nuremberg location Lorenzer Platz 27, energy consumption has developed as follows: Electricity consumption has remained roughly the same in 2021 and is 183 MWh/a. Cooling consumption is included in electricity consumption and is currently not recorded separately. With regard to heating energy, the absolute district heating consumption in 2021 showed an increase of 69 MWh or 17 % to 480 MWh/a and the climate-adjusted heating demand an increase of 25 MWh or 6 % to 461 MWh/a.

#### Nuremberg - Fritz-Haber-Strasse 10

Energy consumption	2021	2020	2019	2018
Electricity (in MWh)	468	443	437	472
Cooling (in MWh)	0	0	0	0
Heat, climate-adjusted (in MWh)	300	273	253	289
Climate factor (postcode 90449)	0,95	1,05	1,1	1,16
Heat, absolute (in MWh)	316	260	230	249

At the second Nuremberg location (Fritz-Haber-Straße 10), the following energy consumption trends can be observed: Electricity consumption increased by 25 MWh or 6% to 443 MWh in 2021. Cooling consumption is included in electricity consumption and is not currently recorded separately. With regard to natural gas consumption, there was an increase of 56 MWh or 22% to 316 MWh in 2021. Climate-adjusted heat consumption also increased in 2021 by 27 MWh or 10% to 300 MWh/a.

*Further information on the Internet:* 

Homepage of BayernLB: Certificate NaturEnergie

Homepage of BayernLB: Certificate Vattenfall

#### GRI 302-2 (2016) Energy consumption outside of the organization

#### **Business travel**

Alongside building energy consumption, business travel accounts for the largest share of BayernLB's carbon footprint.

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Business travel	Unit	2021	2020	2019	2018
Total business travel	km	4.129.243	3.539.294	13.585.568	14.456.158
thereof					
Road traffic	km	2.162.146	2.078.284	3.958.306	4.200.129
thereof					
own car	km	82.269	116.647	547.252	558.995
Rental car	km	53.266	141.637	558.149 <sup>1</sup>	558.149
Company car	km	2.026.611	1.820.000	2.852.632	3.082.985
Rail traffic	km	1.746.747	472.106	2.396.658	2.361.529
thereof					
Long-distance traffic	km	1.585.811	435.510	2.210.885	2.178.235
Local traffic	km	160.936	36.596	185.773	183.294
Air traffic	km	220.350	998.904	7.230.604	7.894.500
thereof					
under 500 km	km	149.202	328.630	1.951.917	2.019.510
over 500 km	km	71.148	660.274	5.278.687	5.874.990

<sup>1</sup> Rental Cars 2019: At the time of reporting, no reliable data on car rental use was available. However, as no significant changes were expected, the previous year's values (2018) were used for the evaluation.

In 2021, a total of approx. 4.1 million kilometres were travelled in a business context. This corresponds to an increase of 589,949 km or 17 % compared to the previous year. However, it should be noted that the increase is almost entirely due to the increased use of rail transport. It increased by 1,274,641 km or 270% to 1,746,747 km in 2021. Road transport saw a slight increase of 83,862 km or 4% to 2,162,146 km in 2021. Air traffic decreased again by 78% to a total of 220,350 km compared to the previous year 2020. The goal from the Sustainability Programme as from 2021 of increasing the use of rail as a means of transport for business trips instead of air and car (compared to the base year 2019) was therefore well met for 2021 (for more information on the Sustainability Programme, see GRI 102-5).

Despite the continuing pandemic-related circumstances (and the resulting switch to virtual exchange formats), business travel continues to contribute a large share to BayernLB's carbon footprint. With a view to avoiding GHG emissions associated with business travel, as well as travel costs, employees are therefore required to consider possible travel alternatives - particularly for non-customer-related trips - before travelling. A look at the CO2 emissions (see in detail GRI 305) also reveals that despite an increase in kilometres, the number of tonnes of CO2 in the transport category was reduced from 835 t in 2020 to 770 t in 2021. This can be explained by the increase in "cleaner" rail kilometres compared to the decrease in "dirtier" air kilometres.

BayernLB also enables its employees to register free of charge with car sharing providers (e.g. Drive Now) whose portfolio includes electric cars. Corresponding invoices from these providers for use on business trips can also be settled. Since April 1st 2013, all BayernLB employees who are

bahn.corporate customers have been travelling on DB long-distance trains using 100 percent green electricity.

BayernLB is continuing its efforts to reduce the negative environmental impact of commuting. It has concluded a framework agreement with the Munich Transport and Tariff Association (MVV) and Deutsche Bahn on the use of discounted company tickets (Job-Tickets). Under certain conditions, these agreements grant employees discounts on the corresponding customer tariffs for travelling to work. In 2022, BayernLB introduced a bicycle leasing model, which will be reported on in more detail in the next Sustainability Report. In general, the Bank has included in its Sustainability Programme as from 2021 that it will review and develop a concept for company mobility and commuting by 2023; in addition, emissions and traffic analyses are to be carried out (for more information on the Sustainability Programme, see GRI 102-15).

#### Home office energy consumption

For 2021, as for 2020, the electricity consumption of home office activities was included (BayernLB's average home office rate for the reporting year was approx. 75 %). VfU adjusted the calculation tool for this purpose in the course of 2021 and updated it in 2022 to add this new category. The calculation of consumption is based on the hours actually recorded outside the business premises - time recording via "mobile work". These amounted to 2,733,015.47 hours in 2021 plus a 10% surcharge for employees who do not participate in time recording. These total annual hours worked in the home office were multiplied by the standard value of 100 Wh for the average electricity consumption of a home office workstation. In addition, for every eight hours worked, a further hour was added for breaks during which the equipment presumably continued to run. The country mix factor is used to determine the greenhouse gas balance. In total, the electricity consumption by home offices in 2021 was 338 MWh. The associated greenhouse gas emissions amounted to 141 t. The increase compared to 2020 (114 t) corresponds to nine pandemic months compared to twelve in 2021. A calculation of heating consumption in the home office is pragmatically omitted, especially since it is unclear whether the heating demand in the private flats actually decreases, while in the empty office buildings the constant room temperature leads to an increasing heating demand.

Home office	2021	2020	2019	2018
Workplace power consumption (in Wh/hour)	100	100	-	-
Total home office working hours (in hours)	2.733.015	2.151.703	-	-
Hours of employees outside of time recording (10 %)	273.302	215.170	-	-
Break times (in hours)	375.790	295.859	-	-
Total electricity consumption by home office (in MWh)	338	266	-	-
Greenhouse gas emissions home office (in tonnes)	141	114	-	-

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#### GRI 302-3 (2016) Energy intensity

Due to the slight increase in consumption compared to the previous year, energy efficiency has increased slightly again:

Energy efficiency	Change compared to previous year in %.	2021	2020	2019	2018
	111 70.	2021	2020		2010
Relative energy consumption (in					
MWh/employee)	7,6	8,3	7,7	7,6	7,7
Energy (total in MWh)	1,7	24.263	23.860	24.825	24.079
Business trips					
Business travel volume (thousand					
km/employee)	23,4	1,4	1,1	4,1 <sup>1</sup>	4,6
Business travel volume (total in thousand					
km)	16,7	4.129	3.539	13.586	14.456

#### GRI 302-4 (2016) Reduction of energy consumption

BayernLB has committed itself to reducing energy consumption in its Environmental Policy: "We aim to use all resources as effectively as possible and to reduce in particular the use of energy, water and all materials required for our operations."

This is the first step of the climate protection strategy, which is explained in GRI 305 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Emissions". The development of consumption is presented in GRI 302-1 and 302-2. Specific goals and measures are regularly presented in the Sustainability Programme, see GRI 102-15.

#### GRI 302-5 (2016) Reductions in energy requirements of products and services

BayernLB is not a manufacturing company. Therefore, no information is available on this indicator. For reduction of total energy consumption, see GRI 302-1 and GRI 302-2.

#### GRI 303 (2018) Water and effluents

GRI 303 (2018) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Water and effluents"

In the materiality analysis (updated in 2022), the topic "Operational environment management" was defined as material for BayernLB and its stakeholders according to GRI.

For a financial services provider like BayernLB, water is not a production factor, but is essential for operating the office buildings. Accordingly, water consumption is low compared to manufacturing companies.

Nevertheless, BayernLB has a long tradition of responsible use of valuable resources such as water. As early as 1998, the Environmental Policy formulated the following on water use: "We aim

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to use all resources as effectively as possible and to reduce in particular the use of energy, water and all materials required for our operations."

These include the use of grey water and the treatment of rainwater, e.g. for flushing toilets in parts of BayernLB's buildings. This effort relates to each and every workplace, as set out in the Sustainability Strategy 2021: "A sustainable workspace is defined by using the available resources responsibly. This includes conserving water, printing only when required and on recycled paper, separating waste correctly and consciously saving energy in day-to-day office operations (no stand-by mode)."

To this end, all employees receive advice on the correct use of resources in the workplace.

The overall management approach to corporate environmental protection is presented in GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental".

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#### GRI 303-1 (2018) Interactions with water as a shared resource

When the central operations building at Brienner Straße 18 was moved into, this building, which at the time was one of the most technically advanced buildings in Munich, set new standards in terms of energy and resource efficiency. For example, even back then the condensate from the heating return was used to heat drinking water. In addition, the water for the irrigation of green areas, for ornamental fountains and technical water has always been pumped from the company's own well and not drawn from the public water supply system.

Water consumption is as follows:

Water consumption	Unit	2021	2020	2019	2018
Water consumption (total overview)	m³	21.716	34.050	59.976	57.174
thereof					
Rainwater	m³	2.933	4.658	8.218	7.655
Groundwater and surface water	m³	7.631	12.119	21.380	19.915
Drinking water	m³	11.152	17.274	30.378	29.604

	Change compared to previous year in %.	2021	2020	2019	2018
Relative water consumption (in	·				
litres/employee)	- 32,5	7.324	10.858	18.246	18.185

The significant decrease in water consumption, as in the previous year, is also due to the change in usage patterns as a result of the Covid 19 pandemic, but is also due to annual fluctuations in flushing, which is sometimes necessary. Water consumption is made up of rainwater, groundwater, surface water and drinking water from the properties in Munich and the other locations in Germany. Thus, the goal from the Sustainability Programme as from 2021 of stabilising water

consumption at below 18,000 l per employee was again achieved in 2021 (for more information on the Sustainability Programme, see GRI 102-15).

BayernLB obtains most of its drinking water from the regional energy supplier Stadtwerke München. BayernLB produces its own process chilled water for cooling purposes at the certified locations. This is done with chillers via outside air cooling by means of recooling plants. The recooling systems are designed for free cooling and are integrated into the process chilled water generation. Depending on the outside temperature, it is thus possible to generate process chilled water without operating the chiller, which represents a significant contribution to electricity savings. The recooling plants in Munich are operated as wet plants. Here, the 42nd Ordinance on the Implementation of the Federal Immission Control Act (42. BImSchV) must be taken into account. Not least in order to keep the health risk for the population to a minimum, the circulating water is tested for legionella at regular intervals (for further information see GRI 303-4).

The grey water is fed by rainwater, wastewater from water treatment plants and wastewater from the cooling towers and is used to flush the WC facilities, some of which are located at Brienner Straße 18 and 20 in Munich. This amount of water therefore did not have to be drawn from the public drinking water network as a result of the treatment process.

By using recycled paper, BayernLB is helping to conserve water as a resource, although this cannot (yet) be reflected in the VfU tool.

#### Selected building consumption

In the following, the building-related water consumptions are presented and interpreted for the two most consumption-intensive buildings in Munich (B18 + B20) and for the two Nuremberg locations.

Munich - Brienner Straße 18

Water consumption	2021	2020	2019	2018
Water in m <sup>3</sup>	17.633	27.890	47.609	47.102

In the case of water consumption in the building at Brienner Straße 18, there is a clear correlation to the reduced presence of employees, among other things. Consumption fell by 10,257 m<sup>3</sup> or 37% compared to the previous year.

Munich - Brienner Straße 20

Water consumption	2021	2020	2019	2018
Water in m <sup>3</sup>	895	2.428	7.502	4.502

At Brienner Straße 20, water consumption fell even more sharply in 2021. Compared to the previous year, 1,533 m³ or 63% less water was consumed. The reduction is also partly due to a defective water meter.

#### Nuremberg - Lorenzer Platz 27

Water consumption	2021	2020	2019	2018
Water in m <sup>3</sup>	854	1.006	1.217	952

At the Nuremberg site Lorenzer Platz 27, water consumption was reduced by 152 m³ or 15 % in 2021 and totalled 854 m³.

#### Nuremberg - Fritz-Haber-Strasse 10

Water consumption	2021	2020	2019	2018
Water in m <sup>3</sup>	338	369	458	341

Water consumption was also reduced at the second Nuremberg site. Starting from a consumption of 369  $m^3$  in 2020, the reduction in consumption in 2021 was approx. 8 %. The absolute value was 338  $m^3$ .

#### EMAS SDG 6.4

#### GRI 303-2 (2018) Management of water discharge-related impacts

BayernLB uses grey water for toilet flushing at its Munich location. The grey water is fed by rainwater, wastewater from water treatment plants and wastewater from the cooling towers and is used for part of the flushing of the WC facilities in the properties at Brienner Straße 18 and 20 in Munich. This amount of water does not have to be drawn from the public drinking water network due to the treatment process. For further information, see GRI 303-1 and 4.

#### EMAS SDG 12.2

## SDG 6.3

SDG 6.4

**SDG 8.4** 

#### EMAS SDG 6

#### GRI 303-3 (2018) Water withdrawal

Water withdrawals are presented in GRI 303-1.

#### GRI 303-4 (2018) Water discharge

The grey water is fed by rainwater, wastewater from water treatment plants and wastewater from the cooling towers and is used to flush the WC facilities, some of which are located at Brienner Strasse 18 and 20 in Munich. This amount of water does not have to be drawn from the public drinking water network due to the treatment process.

BayernLB produces its own process chilled water for cooling purposes at the certified locations. This is done with chillers via outside air cooling by means of recooling plants. The recooling systems are designed for free cooling and are integrated into the process chilled water generation. Depending on the outside temperature, it is thus possible to generate process chilled water without operating the chiller, which represents a significant contribution to electricity savings. The

recooling plants in Munich are operated as wet plants. Here, the 42nd Ordinance on the Implementation of the Federal Immission Control Act (42. BImSchV) must be taken into account. Not least in order to keep the health risk for the population to a minimum, the circulating water is tested for legionella at regular intervals. In 2019, there were short-term limit exceedances. These were identified and successfully remedied by immediately initiating countermeasures and resampling using dip slides. The analysis of the water samples showed stable values in the normal range again after a short period of time. In 2020, UV lamps were therefore installed to reduce germ formation and thus reduce the need for rinsing or the use of biocides.

#### GRI 303-5 (2018) Water consumption

For all information on water consumption, see GRI 303-1.

#### EMAS SDG 12 UN GC 8 UN GC 9

#### GRI 304 (2016) Biodiversity

# GRI 304 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Biodiversity"

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The BayernLB premises are office buildings in an urban mixed-use area. The land used for this purpose is predominantly sealed.

Biodiversity	Change compared to previous year in %.	2021	2020	2019	2018
Sealed area (in %) The sealed area in % results from the non-natural area/total					
area	0,0	74	74	74	74

The addresses of all locations are published on the Internet.

For information on how to deal with the issue of biodiversity in relation to financing, see FS 2.

The overall management approach to corporate environmental protection is presented in GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental", herein the location of EMAS certified buildings is also presented.

*Further information on the Internet:* 

#### Homepage of BayernLB: Locations

# **EMAS**

SDG 6.6 SDG 14.2

SDG 15.1

**SDG 15.4** 

**SDG 15.5** 

#### **EMAS** SDG 6.6

SDG 14.2

SDG 15.1

**SDG 15.4** 

SDG 15.5

# GRI 304-1 (2016) Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

BayernLB has no buildings in protected areas or areas of high biodiversity value outside protected areas.

#### GRI 304-2 (2016) Significant impacts of activities, products, and services on biodiversity

BayernLB is not a manufacturing company. It has no production facilities, etc. Apart from waste water, there is therefore no discharge of substances into the environment. The buildings used by BayernLB are located in the inner-city area, and there is no change to habitats for this purpose.

For the handling of the topic "biodiversity" with regard to financial services and products, see FS 2. The overall management approach to corporate environmental protection is presented in GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental", herein the location of EMAS certified buildings is also presented.

#### **EMAS** SDG 6.6

**SDG 14.2** 

SDG 15.1

**SDG 15.4** 

#### **SDG 15.5**

# GRI 304-3 (2016) Habitats protected or restored

BayernLB is not a producing company, it has no buildings in protected areas and areas of high biodiversity value outside protected areas. In this respect, habitat renaturation is irrelevant for BayernLB in relation to its operational buildings.

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SDG 15.1

SDG 15.4 SDG 15.5

#### GRI 304-4 (2016) IUCN Red List species and national conservation list species with habitats in **SDG 14.2** areas affected by operations

BayernLB is not a manufacturing company. It has no production facilities, etc. The buildings used by BayernLB are located in the inner-city area, so there is no change to habitats. In this respect, no protected species are directly affected by BayernLB's business activities.

For the treatment of the issue of "protected species" with regard to financial services and products, see GRI FS 2.

#### **GRI 305 (2016) Emissions**

#### **EMAS SDG 12 SDG 13** UN GC 7

UN GC 8

UN GC 9

### GRI 305 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Emissions"

Aware that combating the negative effects of anthropogenic climate change is one of the greatest social challenges of the 21st century, BayernLB is particularly committed to climate protection. Thus, the reduction of direct and indirect emissions of the greenhouse gas CO2 is the main focus in the improvement of internal environmental performance.

This is set out accordingly in the Sustainability Strategy: "Reducing the Bank's own GHG emissions is part of a rigorous commitment to climate change mitigation and our commitment to the Paris Agreement climate targets. The ways in which we do this include using energy-efficient equipment, upgrading the energy performance of our buildings, and informing our employees and raising their awareness. In addition, CO2-intensive energy sources will be replaced as far as possible with renewable energy. The currently unavoidable CO2 emissions remaining after all these efforts are offset by purchasing and cancelling high-quality emissions certificates. As well as climate change mitigation, the offsetting measures entail additional, usually social, benefits for people in disadvantaged [...].

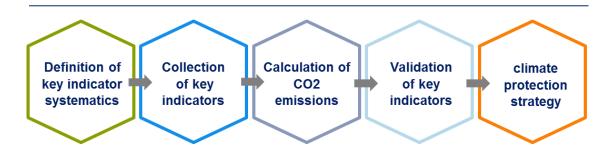
BayernLB publishes its progress in environmental management on a regular basis. We get involved in local and regional structures and make a contribution to environmental protection there as well. We will therefore incorporate our foreign branches into our commitment to environmental protection by 2023, and will also offset their CO2 emissions. With a view to transforming our customer portfolio, we have established a milestone plan for the next few years. First of all we intend to significantly increase the share of ESG-compliant financing in our portfolio by 2023 compared to the figures for 2020 (bottom-up approach). We will achieve this by increasing the sustainable impact primarily in accordance with the EU Taxonomy and by developing adequate risk management with the goal of establishing a well diversified and manageable ESG risk profile. We also take into account carbon emissions. When concluding financing and investments whose term extends past 2040, they must comply with the CO² emissions assigned in the German Climate Change Act (Klimaschutzgesetz - KSG). Striving to make our portfolio climateneutral before 2050 squares with the climate goals of the German government, the EU and the goals of the Free State of Bavaria, and is a clear statement that we stand staunchly behind the Paris Agreement."

The derivation of concrete goals and corresponding measures requires an operationalization of the target system. Against this background, annual emissions analyses are carried out, which include the reporting of CO2 emissions associated with business operations. These analyses cover the following aspects of business operations and include, but are not limited to:

Area	Impact on the environment	Examples
Energy use	Resource consumption Emissions	Electricity District heating
Water consumption	Resource consumption Quality deterioration Wastewater generation	Cooling Sanitary Kitchen
Paper consumption	Resource, energy and water consumption Emissions Waste generation	Copy paper Printing paper Envelopes Household waste
Waste generation	Consumption of landfill space Emissions Transport volume	Paper Residual and hazardous waste (e.g. grease separators)
Business trips	Emissions	Road transport (rental cars, company cars, private cars) Rail transport Air transport

The operationalisation of the target system created the basis for a climate protection strategy that has been consistently implemented since 2007.

The Environmental Management system in accordance with EMAS provides a sound basis for this:



The reasons for the intensive climate protection efforts are obvious: firstly, BayernLB's commitment to climate protection fulfils its special social responsibility for sustainable social development as a public-sector bank. Secondly, credibility in this area has a particularly positive effect on the sale of climate protection products.

BayernLB's climate protection strategy comprises three successive steps - in general, the ongoing implementation of the climate protection strategy is also anchored in BayernLB's Sustainability Programme as from 2021 (for further information on the Sustainability Programme, see GRI 102-15):

#### Avoidance of resource consumption:

The first and most important step in implementing the climate protection strategy is the continuous avoidance of operational CO2 emissions through active energy and resource management.

In this context, a wide variety of measures have been initiated and implemented in recent years for example, the use of energy-efficient appliances or the refurbishment of buildings from an energy efficiency perspective.

#### Substitution of CO2-intensive energy sources:

In a second step, conventional energy sources for power generation were and are being replaced where possible. For example, electricity is purchased from the energy producer Energie-dienst Holding AG at the NaturEnergie tariff. The company supplies 100 percent emission-free and regeneratively generated green electricity from hydropower. The contract with Energie-dienst Holding AG was extended in 2019 for a further two years until 31 December 2021. The financial statements cover all BayernLB's delivery points in Germany. A contract was concluded with Vattenfall for the period 01 January 2022 - 31 December 2023; the green electricity again comes entirely from environmentally friendly hydropower plants. Ensuring an ecological electricity supply based on a certificate of origin and plant sourcing is also anchored in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

Gas is mainly used to generate steam for humidification in winter, which is produced at Brienner Straße 18 and accounts for about 92% of total gas consumption. In 2022, the possibility of replacing primary energy was examined in order to reduce and possibly eliminate the dependence on gas. Given the technology currently used in the ventilation systems and the number of ventilation systems using steam, it would not be feasible to easily use electricity for steam generation.

In addition, the Bank has been generating electricity from (in the meantime) two photovoltaic (PV) systems at its Brienner Straße location since 1998. The sustainable electricity generated in this way is fed into the public grid.

#### Compensation of unavoidable CO2 emissions:

In a final step, the CO2 emissions caused by the unavoidable use of resources are offset. Within the framework of this compensation mechanism, which goes back to the Kyoto Protocol, emission certificates from various externally verified climate protection projects are purchased and devalued. These investments are refinanced, among other things, from a climate protection fee that has been levied on all of the Bank's air travel since 2008 (the levying of the climate protection fee for air travel is also anchored in BayernLB's Sustainability Programme as from 2021 - for more information on the Sustainability Programme, see GRI 102-15). In accordance with the Bank's purchasing process, a provider is regularly selected for appropriate, high-quality certificates. Thanks to the consistent implementation of its climate protection strategy, the Bank has been climate-neutral at its Munich location since 2008 (due to the mentioned compensation measures). This has also been applied to all other locations in Germany since 2015.

At the time of publishing, offsetting for the reporting year had not yet been completed; the plan is to offset the unavoidable CO2 emissions (3,078 tonnes, for further information see GRI 305-1) via atmosfair certificates and thereby support climate protection projects in countries that are particularly affected by climate change. In recent years, support has been given to equipping rural households in Rwanda with efficient cookers that use 80 per cent less wood and to the construction of biogas plants in Nepal that convert dung into gas, which is used for cooking on gas

cookers, for example. As soon as offsetting for the reporting year is complete, the certificates will be published (as in previous years) on BayernLB's homepage (see link below).

The overall management approach to corporate environmental protection is presented in GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental".

For further information on the handling of emissions in the portfolio, see FS1, FS 7 and FS 8.

*Further information on the Internet:* 

BayernLB's Environmental Policy

**BayernLB's Sustainability Policy** 

Homepage of BayernLB: Environmental and climate protection

Homepage of BayernLB: Overview CO2 certificates

#### EMAS SDG 3.9 SDG 12.4 SDG 13.1 SDG 14.3 SDG 15.2

#### GRI 305-1 (2016) Direct (Scope 1) GHG emissions

The locations covered by the environmental indicators, as well as information on the indicator system used, are presented in GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental".

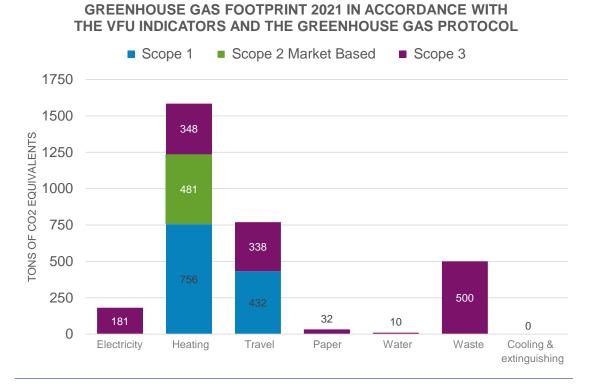
The emission volume of the reporting year was characterised by the Covid 19 pandemic and its effects as well as an adjustment of the conversion factor for district heating, which leads to a significant reduction in greenhouse gas emissions compared to the previous year (explanation see below).

Greenhouse gas emissions	Unit	2021	2020	2019	2018
absolute GHG emissions	t	3.078	4.446	5.824	5.974
relative GHG emissions	kg/employee	1.059	1.418	1.772	1.900
Number of employees	employee	2.912	3.136	3.287	3.144

In the year under review, BayernLB's business activities emitted a total of 3,078 tonnes of CO2 equivalents. This corresponds to a reduction of 1,368 tonnes or 30 % in relation to the year 2020. Converted to greenhouse gas emissions per employee, the key figure fell from 1,418 kg/employee to 1,059 kg/employee. The total emissions are divided into direct emissions (Scope 1) of 1,188 tonnes, indirect emissions (Scope 2 market-based) of 481 tonnes and indirect GHG emissions (Scope 3) of 1,415 tonnes.

As mentioned above, the conversion factor of Stadtwerke München (SWM) for the district heating procured from them was adjusted for the reporting year, as SWM recalculated the CO2 factor after the new Building Energy Act came into force (66 g/kWh). In the VfU tool, the average factor for district heating in Germany is replaced by this annually requested value in each case to enable a more accurate CO2 calculation for BayernLB. Since SWM does not publish the factor broken down into Scope 1-3, own extrapolations were made using the VfU tool. The GHG emissions are

generally shown as CO2 equivalents, as all greenhouse gases for which a global warming potential has been defined by the Intergovernmental Panel on Climate Change (IPCC) are taken into account.



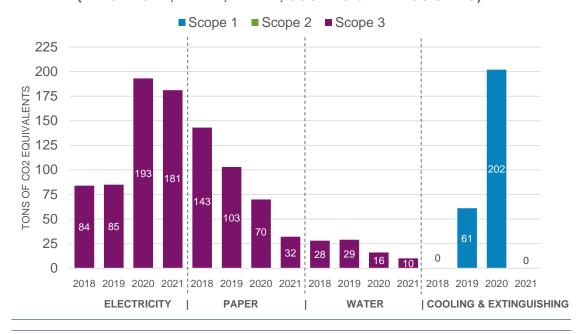
GHG emissions are broken down into direct, indirect and other indirect categories following the Greenhouse Gas Protocol:

Scope 1: Direct emissions from the combustion of fuels in the company itself, emissions from physical or chemical processes and fugitive emissions. This generally includes emissions from heating, the company vehicle fleet and coolants.

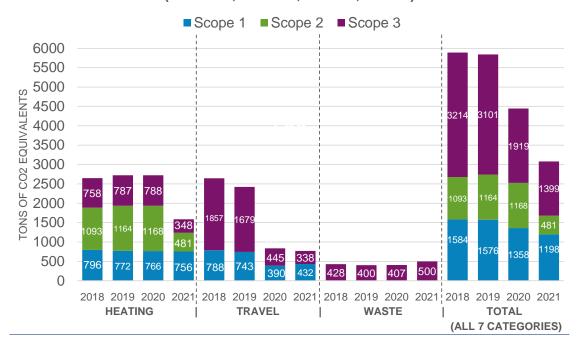
Scope 2: Indirect emissions from energy production. This includes GHG emissions caused by electricity and heat generation outside the company. At BayernLB, the use of district heating falls into this category. A distinction is made between two Scope 2 emission levels: The location-based method quantifies GHG emissions based on average emission factors for a given geographic region and activity data (e.g. energy purchased in MWh). The market-based method, on the other hand, quantifies GHG emissions based on the actual emissions generated by an energy producer from which the reporting company purchases energy, either combined with or solely through contractual instruments (e.g. RECs - Renewable Energy Certificates). The "market-based method" enables companies to present their individual emissions according to contractual agreements and energy purchases. This method is used to calculate GHG emissions for BayernLB.

Scope 3: Other indirect greenhouse gas emissions. These include emissions from employee travel, business trips by train, plane, taxi or rental vehicles, paper consumption in administration and water consumption.

# GREENHOUSE GAS FOOTPRINT IN ACCORDANCE WITH VFU AND GREENHOUSE GAS PROTOCOL OVERVIEW 2018 – 2021, PART I/II (ELECTRICITY, PAPER, WATER, COOLING & EXTINGUISHING)



### GREENHOUSE GAS FOOTPRINT IN ACCORDANCE WITH VFU AND GREENHOUSE GAS PROTOCOL OVERVIEW 2018 – 2021, PART II/II (HEATING, TRAVEL, WASTE, TOTAL)



The two graphs above provide an overview of CO2 emissions over the past four years. The first graph shows the development of CO2 equivalents associated with the categories electricity, paper, water and cooling & extinguishing (each colour-coded by scope). The second graph shows heat, transport and waste and adds up all seven categories as a total value. Note that the scaling of the Y-axis differs between the two graphs. The values of the categories in the first graph are generally lower, which is why the Y-axis only shows a total of 225 t CO2 equivalents. In the second graph, it includes a total of 6000 t.

The electricity category shows that from 2020 (start of the Covid 19 pandemic and increased work from the home office), the home office consumption of employees was included in the balance sheet. In general, BayernLB's CO2 emissions from electricity are comparatively low, as it obtains 100% of its electricity from hydropower (therefore only Scope 3 emissions are included here).

The continuous decline in the category of paper can be explained both by increased work from the home office and, in general, by advancing digitalisation and the greater willingness to do without printouts, etc.

The development of water consumption and the associated CO2 emissions also results on the one hand from the lower presence of employees in the offices, on the other hand there are partly unpredictable fluctuations with regard to water, as - in order to ensure the safety and health of the employees - sufficient flushing must be carried out.

The value of cooling & extinguishing depends on whether cooling & extinguishing agents were replenished in the reporting year and whether there were any losses (in 2020, one loss was due to a leak at the guide vane linkage at a chiller in the building Brienner Straße 18).

In the case of heat, it can be seen that the pandemic and the associated high absence of staff in the building does not necessarily have a reducing effect on consumption/CO2 emissions. There are various reasons for this, including the fact that the building has to be operated with few employees, that many offices were only occupied by individual employees (but were still heated), that generally more attention was paid to ventilation and that less equipment used generates less waste heat. In addition, heat consumption is strongly dependent on weather conditions; colder winters lead to increased consumption. The significant decrease in CO2 equivalents in 2021 is in turn due to the change in SWM's district heating factor (see above).

In transport, the effects of the Covid 19 pandemic can be seen most clearly - business travel decreased significantly. Fortunately, CO2 emissions were also slightly reduced again in 2021, although employees travelled more again: Rail kilometres produce significantly less CO2 than air kilometres, which has a positive effect on the balance.

The developments regarding waste are difficult to discern from the mere figures. The subcategory of hazardous waste is particularly CO2-intensive, which is why CO2 emissions increased in the reporting year compared to previous years despite the reduced total volume of waste.

Overall, BayernLB has succeeded in reducing its carbon footprint over the past few years. The greatest influence on this was the reduction in business travel due to the pandemic and the adjusted district heating factor.

**EMAS SDG 3.9**  GRI 305-2 (2016) Energy indirect (Scope 2) GHG emissions

GRI 305-3 (2016) Other indirect (Scope 3) GHG emissions

**SDG 12.4** 

For all information, see GRI 305-1.

**SDG 13.1 SDG 14.3** SDG 15.2

UN GC 7 UN GC 8

**EMAS** 

**SDG 3.9** SDG 12.4

**SDG 13.1** 

SDG 14.3 **SDG 15.2** 

**EMAS** 

SDG 13.1 SDG 14.3

**SDG 15.2** 

GRI 305-4 (2016) GHG emissions intensity

For all information, see GRI 305-1.

For all information, see GRI 305-1.

**EMAS SDG 13.1** SDG 14.2

#### GRI 305-5 (2016) Reduction of GHG emissions

Compared to the previous year, CO2 emissions decreased by 30% in 2021. For more detailed information, see GRI 305-1.

For BayernLB as a financial services provider, business travel represents the most significant direct environmental impact alongside energy consumption. For this reason, it is also anchored in the Sustainability Programme as from 2021 to stabilise the indirect environmental impact (i.e. the CO2 equivalents) caused by business travel at the 2019 level (in relation to employees); due to the changes caused by the Covid 19 pandemic, this target was well achieved in 2021 (as it was in 2020). For further information on the targeted reduction of CO2 emissions in this area, see GRI 302-2. In general, BayernLB has set the following net reduction targets in its Sustainability Programme (i.e. before unavoidable offsetting): by the end of 2025, a reduction of 10% compared to the base year of 2019 is planned, by the end of 2030 a reduction of 30% and by the end of 2040 a reduction of 70% (for further information on the Sustainability Programme, see GRI 102-15).

FMAS **SDG 3.9 SDG 12.4 SDG 13** 

#### GRI 305-6 (2016) Emissions of ozone-depleting substances (ODS)

BayernLB does not emit any ozone-depleting substances.

**EMAS** 

### GRI 305-7 (2016) Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions

There is no direct occurrence due to district heating. BayernLB does, however, operate refrigeration plants, among other things for the air conditioning of its office buildings. Coolants are necessary for this. This may result in losses.

Coolant losses	Year	2021	2020	2019	2018
Coolant	Kg	0	141	29	0

For 2021, no losses were identified and no refills of coolants were carried out.

#### GRI 306 (2016) Effluents and Waste

# GRI 306 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Effluents and waste"

EMAS SDG 6 SDG 12.5

As a non-manufacturing company, BayernLB does not generate waste water or waste through the manufacturing of products, but only in its own operations. Nevertheless, the responsible use of valuable resources has a long tradition. In 1998, the Environmental Policy was formulated for the first time: "We strive for a further reduction in the waste produced at our Bank and to use environmentally compatible waste removal sources wherever possible."

This is further elaborated in the Sustainability Strategy: "Even though the direct climate and environmental impact of BayernLB's business activities is relatively low, our most important contribution is to reduce resource consumption, reduce waste and ensure it is disposed of in an environmentally friendly manner, and use environmentally-friendly technologies. A sustainable workspace is defined by using the available resources responsibly. This includes conserving water, printing only when required and on recycled paper, separating waste correctly and consciously saving energy in day-to-day office operations (no stand-by mode)."

The overall management approach to corporate environmental protection is presented in GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental".

#### GRI 306-1 (2016) Water discharge by quality and Goals

Wastewater disposal in Munich is handled by the municipal wastewater network of the City of Munich. This is done analogously at the other locations.

For all other information, see GRI 306 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Effluents and waste".

EMAS SDG 3.9 SDG 6.3 SDG 6.4 SDG 6.6 SDG 12.4 SDG 14.1 EMAS SDG 3.9 SDG 6.3 SDG 12.4 SDG 12.5 UN GC 8

#### GRI 306-2 (2016) Waste by type and disposal method

Waste	Unit	2021	2020	2019	2018
Waste/Food leftovers	t	682	911	825	887
Thereof					
for recovery/recycling	t	333	522	420	430
For combustion	t	155	204	252	246
for landfill	t	32	75	49	112
Hazardous waste	t	163	110	103	100
	kg/				
Relative waste generation	employee	234	291	251	282
	kg/				
Relative volume of hazardous waste	employee	56	35	30	31

The total waste volume of all waste fractions in 2020 was approx. 911 t. This represents an increase of 86 t or 10 % compared to the previous year. Much of this increase was due to waste for recovery/recycling. In this category, consumption increased by 102 tonnes or 24 % to 522 tonnes. The reason for this are some evacuations of storage areas in Brienner Straße 18. On the other hand, waste quantities for incineration - such as residual waste - decreased by 48 t or 19 % to 204 t. The quantities of waste for landfill increased by 26 t or 53 % to 75 t in the building rubble sector. Hazardous waste showed an increase of 7 t, or 7 %, to 110 t. The increase is due to the increased quantities of computer scrap/electrical scrap/fluorescent tubes. Environmentally sound disposal of all waste fractions was achieved.

Due to the strategic realignment of the Bank (including the introduction of desk sharing), there will be many smaller renovation measures and relocations in the coming years, accompanied by office closures. The Bank has already announced that employees will be able to purchase discarded office equipment in return for a donation to Sternstunden, but an increased volume of waste is nevertheless expected.

EMAS SDG 3.9 SDG 6.3 SDG 6.6 SDG 12.4 SDG 14.1

SDG 15.1

#### GRI 306-3 (2016) Significant spills

There were no significant leaks of harmful substances at BayernLB in the years 2018 to 2021. For coolant losses, reference is made to GRI 305-7, for waste generation to GRI 306-2 and for wastewater to GRI 306-1.

EMAS SDG 3.9 SDG 12.4

#### GRI 306-4 (2016) Transport of hazardous waste

As a non-producing company, BayernLB does not transport waste. For waste generation by fraction, see GRI 306-2.

#### GRI 306-5 (2016) Water bodies affected by water discharges and/or runoff

As a non-producing company, BayernLB does not discharge any waste water into watercourses, and surface runoff does not occur in BayernLB's operations. For the handling of wastewater, reference is made to GRI 306-1.

EMAS SDG 6.6 SDG 14.2 SDG 15.1 SDG 15.5

#### **GRI 307 (2016) Environmental Compliance**

GRI 307 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental compliance"

EMAS UN GC 7 UN GC 8

In the materiality analysis (updated in 2022), the topic "Contribution to the regulatory framework" was defined as material according to GRI for BayernLB and its stakeholders.

The framework for environmental compliance is provided by the Code of Conduct: "BayernLB and its employees regard acting in a lawful, ethical and responsible way as a fundamental and essential part of their personal, corporate and social responsibility. Breaches of law and ethics are unacceptable to us. [...] A absence of trust in the integrity and reliability of our Bank would remove the most important basisfor sustainable business success."

For environmental compliance, this is specified in the Sustainability Policy: "At BayernLB we shoulder responsibility for economic, social and environmental developments in our home state of Bavaria and everywhere else we help our customers do business. These high ecological standards, which we apply to our sales activities, also apply to us as bank. For one thing, we keep optimising our in-house operations as part of our environmental management system, which has been certified under the strict EU Eco-Management and Audit Scheme, or EMAS." In the course of the annual (re-)validation of the main sites according to EMAS, legal conformity in the environmental area is also determined. For further information on EMAS, see in particular GRI 300 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Environmental".

In accordance with MaRisk AT 4.4.2, the MaRisk compliance function is responsible for identifying and analysing the key legal regulations and requirements, non-compliance with which may lead to a risk to the institution's assets.

BayernLB defines compliance risk as follows: "Compliance risk is part of legal risk and includes the risk of losses to the Group as a result of non-compliance with applicable legislation. This does not include violations of contractual agreements or internal rules. Compliance risk is characterized by actions or omissions in breach of duty that lead to sanctions - in particular in the form of fines or claims for damages. No compliance risk is the risk of loss as a result of inappropriate conduct in the provision of banking or financial services (conduct risk)."

BayernLB carries out a risk analysis in the area of MaRisk compliance at least once a year. In the corresponding annual report, the function addresses the adequacy and effectiveness of the arrangements for complying with the material legal rules and requirements.

#### **EMAS**

### GRI 307-1 (2016) Non-compliance with environmental laws and regulations

During the reporting period, no significant fines or non-monetary sanctions were levied or imposed on the Bank for non-compliance with environmental laws and/or regulations.

#### GRI 308 (2016) Supplier Environmental Assessment

#### EMAS SDG 12 UN GC 7 UN GC 8

# GRI 308 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Supplier environmental assessment"

For all relevant information, see GRI 204 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Procurement practices".

#### EMAS SDG 12 UN GC 8

#### GRI 308-1 (2016) New suppliers that were screened using environmental criteria

For all relevant information, see GRI 204 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Procurement practices".

#### EMAS SDG 12 UN GC 8

#### GRI 308-2 (2016) Negative environmental impacts in the supply chain and actions taken

No negative environmental impacts were identified for any supplier(s) in 2018, 2019,2020, and 2021. For more information, see GRI 204 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Procurement practices".



# **GRI 400 Social**

#### GRI 401 (2016) Employment

SDG 5.1 SDG 8.5 SDG 10.3 UN GC 6

GRI 401 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Employment"

#### Principles and guidelines

The basic principles of personnel policy and employee management are laid down in various principles and guidelines. This includes, on the one hand, the Code of Conduct, which contains, among other things, two chapters on the topics of "Personal rights and protection against discrimination" (for details, see GRI 405 and 406) and "Responsibility for employees". The following passages are essential: "We are all responsible for fostering a culture of mutual respect, trust and appreciation of the value of others." "We foster skills, creativity and open and uncensored dialogue. We also expect individual responsibility and commitment from our employees. Our aim is to develop and use the individual gifts and talents of our employees as best we can."

Key aspects of employee management are also set out in BayernLB's "Leadership Compass" (for information on the Leadership Compass, see GRI 404 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Training and Education"). Relevant individual aspects are regulated in binding guidelines. For example, principles of interaction between women and men are defined in the "Guideline for Conduct in Partnership, Protection against Sexual Harassment, Bullying and Discrimination", which was agreed with the General Staff Council in 2015 and communicated throughout the Bank via the Intranet. Finally, the framework conditions for human resources policy also include legal regulations such as the General Equal Opportunities Act (AGG) and external voluntary commitments (see GRI 405 for details).

In the materiality analysis (updated in 2022), the topic "Diversity & equal opportunities" was defined as material according to GRI for BayernLB and its stakeholders.

#### Organization

Responsibility for personnel policy issues lies with BayernLB's Human Resources Division. The human resources strategy developed there supports the business segments and central divisions in achieving their strategic and economic goals. As part of the annual strategy process, Human Resources reviews the extent to which the HR strategy is aligned with BayernLB's overarching business strategy; it is updated if necessary.

The central instrument of personnel management and development is the development and performance dialogue. This instrument promotes an open and constructive development dialogue between managers and employees and ensures a common direction. It regulates the consistent transformation of the objectives derived from the Bank's business strategy and risk culture down to the employee level. As part of this, all employees receive annual feedback on the extent to which they have achieved their goals, based on the target agreement concluded at the beginning of the year, as well as an orientation that enables them to determine their personal position and compare it with their personal career and development goals. The planning of individual development shows perspectives and fields of development. The assessment of potential ensures

that employees can make optimal use of their skills and at the same time forms the basis for potential development and talent management, in order to accompany and promote careers from within the company in a targeted manner (for more details, see GRI 404). BayernLB's Sustainability Programme as from 2021 includes the following measures relating to target agreements: Anchoring sustainability aspects in the target agreements of both the Board of Management and employees (where relevant) and harmonising the Sustainability Programme and target agreement cascade for relevant areas (for more information on the Sustainability Programme, see GRI 102-15).

#### Challenges

Employees play a central role in mastering the numerous current political, social and technological challenges. Fair dealings with each other, continuous personal and professional qualification and comprehensive information are essential factors for success.

As part of its strategic realignment, BayernLB Bank has decided to significantly reduce its workforce at the end of 2019. The reduction of an initial 400 employee capacity was already reported in detail in 2020 and an increase in scope was announced. Under the known socially acceptable conditions (exclusion of redundancies for operational reasons until autumn 2022, use of personnel management instruments negotiated with the General Staff Council [including redundancy, severance pay, early retirement, part-time work for older staff and early retirement, measures to qualify staff to take on other tasks]), further staff capacity will be reduced by the end of 2023, bringing the total to around 940. Corresponding restructuring provisions exist for a further reduction in the workforce by mutual agreement.

The personnel management instruments for socially acceptable staff reduction and restructuring were again well accepted by the employees in 2021. Staff reductions were on target at the end of 2021. At the halfway point of "Focus 2024", around 60 percent of the agreed staff reductions were contractually fixed or close to completion. The Bank is confident that it will be able to implement the remaining staff reductions despite challenging general conditions. Particular interest continues to be shown in the company's early retirement model and the virtual job pool; the perspectives and newplacement advice provided by Kienbaum Consultants is also increasingly being used.

The "Focus 2024" transformation programme is accompanied by intensive change measures, in particular to ensure continued operational stability and maintain the motivation of employees who continue to work at BayernLB. It is important for BayernLB to provide clear information and communication on all changes, and to listen to and involve the workforce. These principles are followed through semi-annual Pulse Surveys, a digital and anonymous survey of employees to evaluate and assess the individual steps in the transformation process. Measures for improvement are derived from this in a targeted manner. Accordingly, the information and communication surrounding the transformation programme has been made even more transparent and the visibility of the Board of Management to the workforce has also been significantly increased through regular video messages and town hall meetings. To address the desire for more transparency in concrete terms, a progress dashboard was implemented in the Intranet. It is updated quarterly and shows in detail selected strategic goals of BayernLB and the progress made to-

wards achieving them. New focus topics for the dashboard are identified through employee surveys. In general, the survey results in 2021 show that the Focus 2024 project and the changes are well received and that the willingness of the workforce to embrace change is high.

Through the introduction of intra-divisional initiatives, employees can participate more actively in the transformation and thus contribute their opinions and their ideas, for example through the "PitchNow" initiative. After "PitchNow for Profits" in 2020, the motto for the reporting year was "PitchNow for Improvements". A total of 25 ideas were submitted by employees, four of which are being pursued within the Bank. As part of the internal communication of BayernLB's values, BayernLB asked its employees what appreciation looks like to them on a small scale. The anonymous feedback was collected and published on the Intranet for everyone to use as inspiration for their everyday work. The implementation of satisfaction and opinion surveys, the continuous maintenance of an open, non-discriminatory platform for contributing ideas, and the integration of soft issues (such as social interaction) in employee surveys are also anchored as goals in the Sustainability Programme as from 2021. For further information on the Sustainability Programme, see GRI 102-15.

The divisions receive targeted support in the operational implementation of the strategy to become a focused specialist bank, including change workshops. Particular attention is being paid to the introduction of the new cooperation model in the Corporates & Markets division. Future-oriented topics, such as the expansion of digital and agile competencies, are being systematically worked on and implemented. Employees and managers are continuously trained in these success-critical competences, e.g. as part of the Digital Academy (see GRI 404-2).

In view of the ongoing pandemic, human resources work in the year under review continued to focus on protecting the health of employees and ensuring the smooth running of operations. Employees continued to work increasingly from their home offices in the reporting year and in some cases already used the newly rolled out desk-sharing model at the Munich location. In this way, the Bank not only reacted to the pandemic situation and compliance with occupational health and safety measures, but also took into account the requirements of the modern working world. By introducing the use of desksharing, the Bank is also making a significant contribution to the cost-saving use of building space. The aim is to achieve a desksharing ratio of 70%, and working inside and outside BayernLB are on an equal footing. The review of a possible further increase in the desksharing quota is also anchored in BayernLB's Sustainability Programme as from 2021 (for further information on the Sustainability Programme, see GRI 102-15). For further information on dealing with the ongoing pandemic situation, see GRI 403-7.

Employee structure	2021	2020	2019	2018
Active employees incl. junior staff as of 31.12.	3.108	3.317	3.491	3.343
of which domestic	2.955	3.150	3.303	3.157
of which Germans	2.799	2.990	3.137	3.007
of which non-Germans	156	160	166	150
of which abroad	153	167	188	186
of which Germans	27	26	31	34
of which non-Germans	126	141	157	152
of which BayernLB without BayernLabo	2.843	3.046	3.243	3.131
of which BayernLabo	265	271	248	212
of which Europe excluding Germany	75	83	101	98
of which America	78	84	87	88
of which men	40	42	45	45
of which women	38	42	42	43
of which full-time employees	2.247	2.369	2.467	2.355
of which men	1.488	1.583	1.645	1.579
of which women	759	786	822	776
of which part-time employees	861	948	1.024	988
of which men	178	222	258	247
of which women	683	726	766	741
of which with permanent employment contract	3.037	3.118	3.250	3.221
of which men	1.623	1.686	1.770	1.751
of which women	1.414	1.432	1.480	1.470
of which with fixed-term employment contract	163	199	241	122
of which men	43	119	133	75
of which women	28	80	108	47
of which junior staff (men + women)	92	102	106	56
of which with management responsibility	292	317	344	322
of which men	216	241	261	249
of which women	76	76	83	73
of which without management responsibility	2.816	3.118	3.250	3.221
of which men	1.450	1.686	1.770	1.751
of which women	1.366	1.432	1.480	1.470
of which junior staff	92	102	106	99
of which apprentices	22	24	26	32
of which dual students	38	45	45	40
of which trainees	32	33	35	27
Change in the number of employees compared to the previous year (in percent)	- 6,30%	-4.98%	4.43%	3.95%
Average age (in years)	45,6	45,2	44,7	44,4
Average length of service (in years)	16,5	15,9	15,1	15,1
of which less than one year with the company	95	116	271	291
of which men	56	71	162	162

Employee structure (further from top)	2021	2020	2019	2018
of which women	39	45	109	129
of which between two and five years of service	664	692	604	455
of which men	398	415	366	289
of which women	266	277	238	166
of which six to ten years of service	326	380	393	418
of which men	191	218	223	241
of which women	135	162	170	177
of which over ten years of service	2.023	2.129	2.223	2.179
of which men	1.021	1.101	1.152	1.134
of which women	1.002	1.028	1.071	1.045

*Further information on the Internet:* 

### Code of Conduct

<u>Combined Non-financial Report of the BayernLB Group for 2021 (Annex to the Annual Report p. 310)</u>

SDG 5.1 SDG 8.5 SDG 8.6 SDG 10.3 UN GC 6

### GRI 401-1 (2016) New employee hires and employee turnover

Information on newly hired employees and employee turnover can be found in the following tables:

Employee turnover	2021	2020	2019	2018
Active employees incl. junior staff as of 31.12.	3.108	3.317	3.491	3.343
Related turnover rate (number of employee terminations divided by the average number of employees)	2,1%	2.5%	2.5 %	2.2%
Total fluctuation (employee terminations)	63	85	86	71
Fluctuation in Germany	49	72	76	62
Fluctuation in Europe excluding Germany	7	8	6	3
Fluctuation in the USn	7	5	4	6
Proportion of men in fluctuation	61,9 %	54.1%	61.6%	57.7%
Proportion of women in fluctuation	38,1 %	45.9%	38.4%	42.3%
Proportion of employees under 30 years old in the fluctuation rate	23,8 %	28.2%	26.7%	33.8%
Proportion of 30 to 50 year olds in the fluctuation rate	61,9 %	57.6%	66.3%	54.9%
Proportion of over 50 years old in the fluctuation rate	14,3%	14.1%	7.0%	11.3%

Domestic admissions (excluding temporary staff and				
interns)	2021	2020	2019	2018
Recruitment within tariff and non-tariff	27	53	193	189
thereof trainees	17	20	23	23
Hiring of apprentices/dual students	27	27	26	32
thereof students of the Duale Hochschule BW (formerly Berufsakademie)	16	16	14	19
Re-entries including expiry of parental leave	110	113	140	146
thereof men	61	62	80	74
thereof women	49	51	60	72
Returnees from abroad	1	7	3	1
thereof men	1	4	3	1
thereof women	0	3	0	0
Returnees from subsidiaries/affiliates	0	3	2	4
thereof men	0	2	1	4
thereof women	0	1	1	0
Other cases (e.g. a. end of illness without continued pay)	2	4	4	6
thereof men	0	2	3	4
thereof women	2	2	1	2

Departures - Influenceable fluctuation	2021	2020	2019	2018
Contract cancellations	55	94	15	16
thereof employer terminations	1	3	2	2
thereof men	42	56	8	6
thereof women	13	38	7	10
Employee terminations (fluctuation)	63	64	71	56
thereof men	39	36	44	29
thereof women	24	28	27	27
Retirements due to special agreement	62	26	11	44
thereof men	44	16	11	25
thereof women	18	10	0	19
Company transfers	0	0	0	0
thereof men	0	0	0	0
thereof women	0	0	0	0
Termination of fixed-term contracts	18	40	15	13
thereof men	12	20	7	7
thereof women	6	20	8	6
Posting abroad	0	0	0	0
thereof men	0	0	0	0
thereof women	0	0	0	0

Departures - non-influenceable fluctuation	2021	2020	2019	2018
Early retirement under collective agreements or retirement due to reaching the age limit or due to	64	10	27	- 11
incapacity for work	64	10	27	11
thereof men	34	6	22	5
thereof women	30	4	5	6
Interruptions in activity due to parental leave and military or alternative service	59	122	138	171
thereof men	4	57	71	63
thereof women	55	65	67	108
Dormant employment contracts	1	1	1	14
thereof men	0	0	1	14
thereof women	1	1	0	0
Other cases (deaths, start of illness without continued pay)	24	28	15	11
thereof men	11	8	5	6
thereof women	13	20	10	5

#### SDG 5.4 SDG 8.5 UN GC 6

# GRI 401-2 (2016) Benefits provided to full-time employees that are not provided to temporary or part-time employees

Part-time and full-time employees at BayernLB receive the same company benefits. Apart from the company pension scheme, employees with a fixed-term contract and those with a permanent contract receive the same benefits. All permanent employees receive a pension commitment for the company pension scheme in accordance with the Bank's own defined-contribution pension schemes, as well as a further company pension scheme taken out via Versicherungsverein des Bankgewerbes (BVV), to which BayernLB pays pro rata contributions. In addition, for those joining BayernLB before 1 January 2002, there is still a pension scheme similar to that for civil servants in the form of a defined-benefit direct commitment (known as the pension scheme).

#### SDG 5.1 SDG 5.4 SDG 8.5

#### GRI 401-3 (2016) Parental leave

For all information on parental leave at BayernLB, see the table:

Parental leave	2021	2020	2019	2018
Employees entitled to parental leave <sup>1</sup>	3.108	3.317	3.491	3.343
thereof men	1.666	1.805	1.903	1.826
thereof women	1.442	1.512	1.588	1.517
Employees who have taken parental leave	167	152	181	178
thereof men	54	55	68	66
thereof women	113	97	113	112
Employees who returned to work after taking parental				
leave	98	105	136	125
thereof men	49	64	81	77
thereof women	49	41	55	48
Employees who returned to work at the end of parental				
leave and were still employed 12 months after their return	95	109	135	132
thereof men	48	56	74	73
thereof women	47	53	61	59

<sup>1</sup> Corresponds to all active employees including junior staff

#### **GRI 402 (2016) Labor/Management Relations**

# GRI 402 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Labor/management relations"

SDG 8.8 UN GC 3

BayernLB's Code of Conduct sets out the basis for this as follows: "BayernLB promotes a working environment based on respect and tolerance. We respect the opinion of others. We acknowledge employee rights as a matter of course." The basis for co-determination at BayernLB is the Bavarian Staff Representation Act (BayPVG). This stipulates, among other things, that the General Staff Council must be informed comprehensively and in good time in order to carry out its duties.

As a member of the Association of German Public Sector Banks (VÖB), BayernLB applies the collective agreements for the private banking sector and public sector banks. For details, see GRI 102-41.

BayernLB's Staff Council is divided into the Munich and Nuremberg Individual Staff Councils and the General Staff Council. On the subject of employee representation, see also GRI 102-41.

Employees with employee representatives	2021	2020	2019	2018
Active employees incl. junior staff as of 31.12.	3.108	3.317	3.491	3.343
of which employees for whom there is employee				
representation	2.909	3.256	3.414	3.278

Employees are informed transparently about information and contributions from the Staff Council and trade unions via the Intranet. In the year under review, as in the previous year due to the pandemic, neither the staff meetings nor the summer party and St. Nicholas party normally organised annually by the Staff Council could take place as usual. The Staff Council election in the year under review was conducted exclusively by postal vote, and the election campaign was moved to the virtual world. The Bank provided technical infrastructure for this purpose.

In addition, BayernLB's Youth and Apprentices Representative Council represents the affairs of employees under the age of 18 and apprentices and dual students when problems arise and in cases relating to personnel law, as well as in matters where the Staff Council has a right of codetermination or participation under the law. Events with all apprentices, dual students regardless of age and employees under 18 normally take place at least once per calendar year; due to the pandemic, virtual exchange rounds were used in the reporting year.

Cooperation between the employee and employer sides of BayernLB is characterised by mutual respect and trust. The joint service agreements take account of the Bank's objectives as well as the interests of the employees.

Service agreements	2021	2020	2019	2018
Number of service agreements concluded with the Staff				
Council	6	11	5	9

#### SDG 8.8 UN GC 3

#### GRI 402-1 (2016) Minimum notice period regarding operational changes

BayernLB complies with the minimum notification deadlines set out in the Bavarian Staff Representation Act (BayPVG). Within the framework of a trusting cooperation with the staff representatives, emerging issues are addressed at an early stage.

#### GRI 403 (2018) Occupational Health and Safety

#### EMAS SDG 3 UN GC 1 UN GC 6

# GRI 403 (2018) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Occupational health and safety"

BayernLB faces the challenge of maintaining and promoting the health of its employees. This commitment is highlighted by the Bank's Code of Conduct: "It is essential that occupational health and safety regulations are observed by all employees. It is one of the management duties of BayernLB to provide a healthy and hazard-free working environment. [...] In turn, we expect our employees to show a responsible approach to their health and fitness."

In the materiality analysis (updated in 2022), the topics "Health management" and "Handling of environmental and social risks" were defined as material according to GRI for BayernLB and its stakeholders.

#### Integrated Health Management and Occupational Health and Safety Committee

The Bank has an integrated Health Management System. It includes company doctors and nurses as well as specialised personnel experts. They work closely with the General Staff Council, the occupational health and safety specialist, the BayernLB sports club and the nutritionists in the staff canteen. In addition, there is an Occupational Health and Safety Committee in accordance with the legal requirements of the Occupational Health and Safety Act, which supports the monitoring of occupational health and safety programmes and also acts in an advisory capacity. It shall meet

at least once every three months. It comprises an employer's representative, an occupational safety specialist, two members of the Genereal Staff Council (including the representative for severely disabled persons), the company doctor and the Bank's safety officer. There were no indications of relevant (mainly health) risks in the area of occupational health and safety during the reporting period.

#### Prevention

In order to prevent "typical" health problems associated with primarily sedentary work at VDU workstations, the Safety and Health Officer shall ensure that the workstations are ergonomically designed. BayernLB also offers employees opportunities to take part in sporting activities as part of its health management programme and holds regular health days focusing on specific topics, e.g. exercise and healthy eating, for example.

BayernLB's company sports association has over 1,500 members. A training and gymnastics room is available in the Bank's main building in Munich to keep employees healthy, as well as its own sports grounds in the English Garden.

Due to the ongoing pandemic situation, the Health Days were held digitally in the year under review, as in 2020, with a wide range of lectures and workshops, and sports courses were again offered virtually for employees at home. Right from the start of the pandemic, certain offerings were published that addressed the challenge of maintaining health even in the home office, for example through webinars on topics such as "Successfully dealing with stress in times of covid & home office". These offers were also continued in the reporting year (for more detailed information on BayernLB's handling of the coronavirus pandemic, see GRI 403-7).

BayernLB offers comprehensive support on the issues of mental health problems, stress management and burnout, including extensive information on the Intranet and seminars for employees and managers. BayernLB has also successfully implemented an occupational integration management scheme in accordance with Section 84 (2) of the German Social Code (SGB) IX, which provides employees with professional support in reintegrating into working life after an extended illness.

The success of the health management is demonstrated by the following table:

Health rate / days of absence	2021	2020	2019	2018
Health rate in percent (100 - (sick days of all employees of the bank / number of planned working days of all	06.0	06.3	05.50	05.64
employees of the bank *100))	96,8	96,3	95,58	95,64
Absence days due to illness per employee	8,03	9,24	10,93	10,77

The continuation of focused health management and the intensification of occupational health protection are also anchored in BayernLB's Sustainability Programme as from 2021. The same applies to stabilising the health rate at at least 95% (for more information on the Sustainability Programme, see GRI 102-15).

For information on work-related injuries, see also GRI 403-9. For more detailed information on other health promotion offerings, see GRI 403-5 and 403-6.

#### **EMAS**

### GRI 403-1 (2018) Occupational health and safety management system

The management system for occupational health and safety is described in GRI 403 (2018) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Occupational health and safety".

#### EMAS SDG 3.3 SDG 3.4 SDG 3.9 SDG 8.8

#### GRI 403-2 (2018) Hazard identification, risk assessment, and incident investigation

The Occupational Health and Safety Committee is the point of contact for all matters relating to occupational health and safety and accident prevention at BayernLB. The company doctor and the occupational safety specialist, if necessary together with other members of the Occupational Safety Committee, carry out site inspections at regular intervals in the various buildings of the Bank. Depending on the circumstances, representatives of the responsible accident insurance institution, the trade supervisory authority or the fire department may also be called in. Suggestions and information on possible deficiencies in occupational health and safety and accident prevention issues are followed up. Any deficiencies identified are discussed at the regular meetings of the Occupational Health and Safety Committee and passed on to the responsible specialist departments of the Bank in the form of comments or requirements, and the elimination of identified deficiencies is monitored. Where necessary, appropriate investigations and expert opinions are initiated by external institutions (e.g. pollutants, noise pollution, etc.). No relevant incidents were identified for the year under review.

When the coronavirus pandemic began in 2020, BayernLB set up a crisis team that met regularly (for more detailed information on BayernLB's handling of the coronavirus pandemic, see GRI 403-7).

As in previous years, the accident insurance institution responsible for the Bank, the Kommunale Unfallversicherung Bayern (Bavarian Municipal Accident Insurance Fund), and the responsible trade supervisory office confirm that BayernLB has effective occupational health and safety, as reflected in consistently low accident figures (see GRI 402-9), among other things. TÜV Süddeutschland, with which BayernLB cooperates closely, agrees with this statement.

#### EMAS SDG 3.3 SDG 3.4 SDG 3.9 SDG 8.8 UN GC 1

#### GRI 403-3 (2018) Occupational health services

The range of occupational medicine services for BayernLB employees includes: First aid in emergencies, health check for new hires, checking health values, vaccination campaigns, screen vision tests, advice on workplace design/ergonomics, advice on addictions, advice on personal and family emergencies, company integration management. Appointments with the company doctors can be arranged via the company nurses. BayernLB also has trained company paramedics who are notified by the security centre via a beeper in the event of an emergency. The security centre is equipped with an emergency backpack and defibrillator and can be reached at any time via an internal extension number.

In addition to the annual flu vaccination programme, BayernLB made a significant contribution to the fight against the pandemic in the year under review with the successful implementation of

the COVID 19 vaccination campaigns at its locations in Munich and Nuremberg. A total of almost 3,700 vaccinations (first, second and booster vaccinations) were carried out at the vaccination centre set up for this purpose. Vaccinations were also offered to family members of BayernLB employees. BayernLB also offered all employees FFP2 masks for use in the offices and certified rapid tests for self-testing free of charge.

# GRI 403-4 (2018) Worker participation, consultation, and communication on occupational health and safety

EMAS SDG 3 SDG 8.8

The composition, organization and scope of the Health and Safety Committee are described in GRI 403-1 and GRI 403-2. Employee participation is ensured through the composition of the committee. Both the Health and Safety Committee and the health management team operate Intranet sites where all employees can obtain information. Employees are made aware of special announcements and campaigns through Intranet messages.

# GRI 403-5 (2018) Worker training on occupational health and safety

EMAS SDG 3

When working at VDUs and office workplaces, increased physical, visual and mental stress can pose health hazards. In addition to ergonomically equipped workstations, BayernLB therefore provides its employees with information and instructions on workplace design on the Intranet. The occupational safety specialist is always available to answer questions. In addition, special seminars are offered, such as "Mindfulness in everyday life - dealing with stress more consciously" for employees or "Stress, burnout, depression - dealing with mentally stressed employees", "Prevention of mental stress - leading yourself and others healthily" and "Healthy leadership in times of corona & home office" for managers. In cooperation with Mobil Krankenkasse, BayernLB also introduced two new series of courses on online eye training in the reporting year. What is learned is intended to help relax the eyes and strengthen vision again in everyday digital life. The provision of offers to maintain and promote health in the workplace (e.g. ergonomics) is also anchored in BayernLB's Sustainability Programme as from 2021 (for further information on the Sustainability Programme, see GRI 102-15). For information on other measures to promote health, see GRI 403-6.

### GRI 403-6 (2018) Promotion of worker health

EMAS SDG 3

Health maintenance and preventive health care are the key objectives for BayernLB's Health Management. To achieve this, continuous and long-term measures are required in order to achieve the highest possible health benefits for employees with the available resources.

Against the backdrop of the ongoing pandemic situation and the associated infection protection measures as well as hygiene rules, health management has changed since 2020 and focused on the implementation of virtual support services, such as interactive webinars, in times of a hybrid everyday working life. Particular attention was paid to mental health in the reporting year and

managers were offered impulses on the topic of mindfulness, healthy leadership in the hybrid working environment and the prevention and management of mental stress (see also GRI 403-5). Since the beginning of 2022, BayernLB has also been offering its employees the "Phileo" health app, which presents current topics from the areas of health management and occupational medicine and offers health tips and motivation.

In the year under review, as in the previous year, the two Health Days were held digitally under the motto "BayernLB@Work - Healthy in the (Home) Office" with a focus on the topics "Brainfood" and "Ergonomic in the (Home) Office" and "BayernLB@Work - Consciously Mindful and Healthy in the (Home) Office" with a focus on "Mindfulness" and "Stress & Resilience".

BayernLB actively contributes to maintaining the health of its employees with a needs-oriented health management system, especially in these particularly challenging times. The aim is always to raise awareness of the issue of health, provide impetus and highlight a wide range of options that employees can implement on their own responsibility. For this reason, an "Infothek" is also available to employees on the intranet, where they can proactively obtain information on topics such as mindfulness, blood donation, cancer prevention, stress, burnout and depression, and eye tests (screen glasses), or find exercises and instructions for eye yoga or a moving break (it was implemented digitally with great success in the reporting year).

In the reporting year, an agreement was reached with the Staff Council on a health premium of EUR 300 gross per year. This health premium will be paid in monthly instalments of EUR 25 gross for each calendar month from 1 January 2022 to 31 December 2023. The premium serves to promote health concerns and can be used according to individual needs.

The provision of services to maintain and promote health in the workplace is also anchored in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

For information on work-life balance and support and respite services, see GRI 103-1 (2016) - 103-2 (2016), 103-3 (2016) Management approach disclosures to "Diversity and equal opportunities".

#### EMAS SDG 3

# GRI 403-7 (2018) Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

In the materiality analysis (updated in 2022), the topic "Handling of environmental and social risks" was defined as material according to GRI for BayernLB and its stakeholders.

At the beginning of the Covid 19 pandemic, an overarching "Corona Task Force" working group and a "Corona mailbox for questions from the workforce" were installed at BayernLB. The measures implemented included, for example, drawing up a comprehensive hygiene and room concept, increasing the number of licences for remote access to the bank network and carrying out a stress test of the technical infrastructure to ensure home office capability, supporting employees' families by providing additional days of care, as well as softening variable working hours and ongoing assessment of the Covid 19 situation. The existing pandemic plan, including the process-specific emergency plans, was updated. Throughout the period, BayernLB provided

its employees with reliable, up-to-date and transparent information. BayernLB continued to implement all legal requirements in the reporting year and considered the health of its employees to be a top priority. In addition, from mid-2021, 3,700 vaccinations were carried out for employees and their families in the specially established vaccination centre in cooperation with the company medical service (see also GRI 403-3).

Following the payment of a voluntary special payment of EUR 1,000 gross at the end of 2020 (or the equivalent amount in the foreign branches), employees received a further one-off payment of EUR 500 gross in June 2021 to support them during the ongoing pandemic, particularly in view of their continued willingness to work on the move outside BayernLB and the various challenges associated with this (for example, for the (dis)use or new acquisition or replacement of their own technical equipment or additional furniture).

### GRI 403-8 (2018) Workers covered by an occupational health and safety management system

EMAS SDG 3

In BayernLB, 95,08 % of employees were covered by the Health and Safety Management System described above in 2021 (see GRI 403 (2018) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Occupational health and safety"). This results from the regulations and requirements of the Occupational Health and Safety Act (the percentage in each case corresponds to all BayernLB employees in Germany, see also GRI 401 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Employment").

Employees covered by an occupational health and				
safety management system	2021	2020	2019	2018
Active employees incl. junior staff as of 31.12.	3.108	3.317	3.491	3.343
of which covered in the management system in percent	95,08	94,97	94,61	94,44

### GRI 403-9 (2016) Work-related injuries

EMAS SDG 3

BayernLB's accident figures do not indicate any particularly hazardous areas or work processes. There were no serious accidents at work, nor was there any accumulation of similar accidents or any conspicuousness in certain houses of the Bank. Most of the accidents reported were so-called commuting accidents, most of which occurred on the way to or from work.

Accident figures	2020	2020	2019	2018
Active employees incl. junior staff as of 31.12.	3.108	3.317	3.491	3.343
Health rate (100 - (sick days of all employees of the bank / number of target working days of all employees of the bank *100)) in percent	96,80	96,3	95,58	95,64
Sickness rate (absence days per year divided by target days per year) in percent	3,20	3,70	4,42	4,36
of which commuting accidents in %	0,01	0,03	0,02	0,02
of which occupational accidents in %	0	0	0,01	0
Deaths due to accidents at work	No information is available on this.  Medical confidentiality applies.			

# **EMAS**

### GRI 403-10 (2016) Work-related ill health

There is no data on work-related illnesses and deaths due to work-related illnesses. Medical confidentiality applies.

#### **GRI 404 (2016) Training and Education**

GRI 404 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Training and education"

In the materiality analysis (updated in 2022), the topic "Employee development" was defined as material according to GRI for BayernLB and its stakeholders.

#### Development and training

The promotion of the personal and professional development of employees is facing ever greater challenges against the background of the changing requirements of the banking business. The ongoing development of the skills and expertise of all BayernLB employees is expressly demanded and encouraged, and is set out as such in the Code of Conduct: "In a world that never stands still, the commitment of our employees to a life-long learning is a key success factor. We provide appropriate opportunities for further training and professional development." Digital skills, creativity, innovative strength, agility and networked working are just as much a focus as further training courses on diversity, health management (see GRI 403-6), social skills and the permanent increase in understanding of all topics relating to sustainability. The provision of a training budget for ESG topics by the end of 2023 is also anchored as a goal in the Sustainability Programme as from 2021 (for further information on the Sustainability Programme, see GRI 102-15).

BayernLB's managers also play a key role in the development and promotion of employees. They are responsible for the planning and monitoring of development measures through continuous dialogue with their employees. As part of the annual development and performance dialogue (based on a service agreement between the Bank and the Staff Council), individual career and

SDG<sub>3</sub>

SDG 4

SDG 5 SDG 8

**SDG 10** UN GC 6 qualification goals are discussed between managers and employees at all levels in addition to performance appraisals and an assessment of individual potential, and appropriate development measures are agreed. To ensure the transfer of learning and the success of the development measures completed, there is close monitoring of learning progress during the year by means of feedback from the manager (see also GRI 401 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Employment").

Personal development always means self-development at the same time and presupposes self-initiative and self-responsibility. Therefore, employees are also promoted and encouraged in their self-image to give impulses for their own development. This includes the autonomous definition of personal development goals as well as the necessary active commitment to the implementation and achievement of these goals.

BayernLB is also convinced that each age group has its strengths, which need to be exploited intelligently. Talent management therefore specifically promotes different groups of employees. In a 2-year cycle, so-called "potential rounds" are held, in which talents are identified for the Bank. Over a two-year period, talent management supports and empowers talented individuals in their personal and skills development, enabling them to boldly drive forward necessary changes and help shape BayernLB's future. The new round started at the beginning of 2022 with 21 female and 7 male colleagues.

The Bank's human resources strategy seeks to gain an early insight into anticipated staffing gaps and skills shortages in the various areas of the Bank and to take the necessary countermeasures in the sense of active risk management. In addition, as part of systematic succession planning in the divisions, managers identify employees who show potential for taking over key positions in the short to medium term (e.g. in the event of retirements or employees leaving the company). Depending on individual previous experience and function-related qualification requirements, development measures are agreed between the potential successor candidates and the manager.

Everyday leadership is becoming faster, more multifaceted and therefore more complex. However, leadership is essential for the success of the transformation and for good cooperation. In order to address this area of tension, an important focus of HR work in the reporting year was on the topic of leadership. The Leadership Compass as a uniform, further developed and agile understanding of leadership and cooperation was derived directly from the overarching strategy of the #ProgressFinancier with the involvement of a wide range of stakeholder groups and translates this vision through "I. You. Us. Our #Progress" to the individual level of daily cooperation. Impulses from the Leadership Compass were taken up in the management events during the Leadership Week as well as, for a sustainable anchoring, in the Leadership Academy. The focus was on reflecting on one's own leadership attitude, the current and future challenges such as agile leadership and innovation and efficiency culture. Through the online format "Compass Check", employees were anonymously and voluntarily involved in the development process of their leaders as feedback providers in order to support them in determining their position and reflecting on their leadership attitude.

In 2022, the Leadership Academy will continue to be consistently aligned with the Leadership Compass in order to support the sustainable anchoring and rethinking of the understanding of

leadership and cooperation. The main topics will be learning paths on hybrid leadership, empowerment of teams, leadership in times of change and transformation and feedback culture, as well as on inclusive leadership in order to take up the idea of diversity in the leadership setting. Since leadership is an essential driver and directional factor on the way to becoming a #progress financier, participation in one of the courses is mandatory for all leaders.

#### Education

BayernLB's cooperation with universities and colleges is an important means of contacting high potentials, students and graduates and transferring knowledge. For this reason, the Bank has maintained contact with the major universities in Munich and Bavaria for many years and is involved with universities throughout Germany. These collaborations result, for example, in workshops and lectures at universities, company visits by students to BayernLB, projects with students on site or visits to trade fairs. BayernLB is also aware of its responsibility towards young talents and teaching and supports several students from different universities, for example with the Deutschlandstipendium and the Deutsche Studienstiftung scholarship.

Number of scholarships	2021	2020	2019	2018
Number	18	21	22	22

The coronavirus pandemic also necessitated a rapid and flexible adaptation of processes in contacting, recruiting and supporting junior staff in order to comply with the principle of "social distancing" on the one hand, but at the same time to be able to continue to exist in the "war for talents" on the other. Establishing contact with pupils and students proved to be a great challenge due to the cancellation of training and university fairs and internships. Recruitment fairs in the virtual world were able to remedy this situation, gaining increasing acceptance as evidenced by rising visitor numbers. The internal selection procedures have also been virtualised. Despite the more difficult conditions and the increased time required, almost all apprentices and trainee positions were filled successfully and on time in the year under review.

The following programmes are available at BayernLB: Apprenticeship as a bank clerk, dual study programme leading to a Bachelor of Arts (specialising in banking) or Bachelor of Science (specialising in business informatics). Both courses are offered in cooperation with the Baden-Württemberg Cooperative State University. University graduates can find the best possible career start at BayernLB through various trainee programmes (general or with a focus on Risk Management, Corporates & Markets, Accounting, Regulatory Reporting & Taxes, Compliance & Audit, Quantitative Models and Data Analytics, Human Resources, IT, Real Estate, Project Management or Finance Controlling). In addition, the bank offers the possibility of internships for pupils and students (career orientation - in the reporting year, digital trial internships took place during the Bavarian Easter and autumn holidays) as well as internships and theses for students. Since 2017, BayernLB has been cooperating with the international student organisation AIESEC, which places young people worldwide in volunteer projects focusing on education, poverty and environmental protection through its Global Volunteer Programme. The possibility of such a stay abroad is available to apprentices, dual students and trainees. BayernLB pays the AIESEC fee, travel expenses (by arrangement) and paid leave of absence for the duration of the stay abroad (in the

reporting year, stays were not possible due to the Covid 19 pandemic; the programme will be resumed within Europe in mid-2022).

It is planned to maintain recruitment of junior staff at a similar level in the coming years (see tables below) in order to meet the challenges of demographic change. BayernLB again received various awards in 2021, ranging from the "Trainee-Siegel" to recognition for fair training and as a Fair Company (the current awards are published on BayernLB's website).

Junior staff	2021	2020	2019	2018
Total number of junior staff in training as of 31.12.	92	102	106	99
thereof trainees	32	33	35	27
thereof men	21	20	16	14
thereof women	11	13	19	13
thereof dual students	38	45	45	40
thereof men	23	26	27	26
thereof women	15	19	18	14
thereof apprentices	22	24	26	32
thereof men	12	19	17	19
thereof women	10	5	9	13
Recruitment of junior staff	54	49	54	57
thereof trainees	26	22	28	25
thereof men	17	13	14	13
thereof women	9	9	14	12
thereof dual students	17	16	14	19
thereof men	10	9	9	11
thereof women	7	7	5	8
thereof apprenticess	11	11	12	13
thereof men	3	8	10	7
thereof women	8	3	2	6

# GRI 404-1 (2016) Average hours of training per year per employee

In the reporting year, as in 2020, training and seminars had to take place mainly as virtual formats. Despite the difficult circumstances, training is important. BayernLB therefore invested around EUR 1.36 million in training and qualification measures in the reporting year. The budget of EUR 1.46 million was therefore not fully utilised. Reasons for this included more cost-effective virtual formats as well as Covid-related uncertainty among many employees who were waiting for a resumption of face-to-face formats. The training budget for 2022 is at the previous year's level of 1.4 million euros.

In addition to the centrally managed continuing education measures, there were also target group-specific initiatives by individual departments in 2021. The focus here was primarily on technical topics and regulatory content.

SDG 4.3 SDG 4.4 SDG 4.5 SDG 5.1 SDG 8.2 SDG 8.5 SDG 10.3 UN GC 6

#### SDG 8.2 SDG 8.5

### GRI 404-2 (2016) Programs for upgrading employee skills and transition assistance programs

BayernLB's personnel development programme includes a wide range of courses on various topics for the different roles of employees: From competence training (e.g. IT, sales, agility, leadership, languages), seminars for junior staff, offers for coaching and moderation as well as project management to subsidies for in-service measures. In the year under review, 7 employees began a BayernLB-sponsored in-service training course (usually a part-time Bachelor's or Master's degree course). In more than 20 years, 447 employees have already been supported in this context.

Subsidised, in-service training	2021	2020	2019	2018
Number of employees	7	20	27	7

In addition, there is a range of online learning platforms and other target group and subject-specific offerings on internal topics. In the reporting year, employees were also able to benefit from many other digital learning programmes with the introduction of the eLibrary "Bookboon".

In order to successfully meet the growing demands placed on employees in the context of increasing digitalisation in their day-to-day work, BayernLB has set up the Digital Academy, among other things. It provides the necessary tools to enable employees to deal constructively with the digital cultural change and to actively shape the digitalisation of BayernLB. So-called "digital competences" are taught. BayernLB defines digital skills as relevant knowledge or skills from the areas of "technology", "innovation" and "agility" that enable employees to act successfully in line with the business strategy and in their day-to-day work. For the Digital Academy, 36 internal colleagues were trained in 2020 as digital coaches, who in turn pass on their knowledge in accordance with their vision "by us, for us - shaping collaboration together". In the reporting year, over 1,000 employees were trained by the digital coaches. They received very positive feedback from the participants (9/10 points). The high demand and the desire for further training courses shows that there is still a high internal need for further training in "digital competences".

Furthermore, BayernLB launched an internal training series on ESG topics at the beginning of 2022. In four modules (introduction to ESG, sustainability risks, sustainable portfolio, diversity), employees have the opportunity to receive further training on a voluntary basis. The offer was very well received by the editorial deadline for this Sustainability Report and will be included in detail in the reporting for 2022. The development and introduction of an expanded training con-

<sup>1 20</sup> registrations without indication of gender, therefore counted with women

cept on ESG topics for all employees by the end of 2022 is also anchored as a goal in the Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15). In addition, the conclusion of ESG certificates with an external provider for sales employees is planned for 2022. At the end of 2021, ESG topics were also integrated into the annual risk culture training that is mandatory for all employees. Employees are now also trained on the common understanding of sustainability, the sustainability strategy, sustainability risks and reputational risk management, among other things. For information on workforce reductions and resulting career departures/other employment, see GRI 401 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Employment".

# GRI 404-3 (2016) Percentage of employees receiving regular performance and career development reviews

SDG 5.1 SDG 8.5 SDG 10.3 UN GC 6

All employees below Management Board level receive annual feedback on the extent to which they have achieved their targets as part of their development and performance dialogue based on the target agreement concluded at the beginning of the year. At the same time, they receive an orientation that enables them to determine their personal position and to compare personal career and development goals. Junior staff (trainees, apprentices, dual students) as well as interns and working students are excluded from the target agreement process. Their performance is evaluated in writing by the training officers or managers in their respective deployment stations (from at least 15 working days of deployment) and discussed in a joint meeting.

# GRI 405 (2016) Diversity and Equal Opportunity

GRI 405 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures to "Diversity and equal opportunity"

SDG 5 SDG 8 UN GC 1 UN GC 6

**Diversity & Anti-discrimination** 

# In the materiality analysis (updated in 2022), the topic "Diversity & equal opportunities" was defined as material according to GRI for BayernLB and its stakeholders.

The prerequisite for respectful and tolerant interaction is conduct in a spirit of partnership without discrimination. BayernLB is publicly committed to eliminating discrimination, and not only by signing the UN Global Compact (in September 2021). Literally, Principle 6 states: "Businesses should uphold the elimination of discrimination in respect of employment and occupation." In BayernLB's understanding, diversity, equal opportunities and (anti-)discrimination are different aspects of the same basic issue and are therefore treated integratively under the diversity approach.

The diversity approach takes into account not only gender and gender orientation, age, physical and mental abilities, but also sexual orientation, ethnic origin and nationality, social origin, reli-

gion and world view. BayernLB employs people from a wide range of backgrounds and with diverse (employment) biographies. Diversity is an important building block for BayernLB's success. BayernLB employees can and should be themselves, and the LGBTQI+ community should also feel accepted.

Diversity management aims to make this diversity visible, to tolerate individual differences and to make the added value visible and usable for the corporate culture, the interaction with each other and also the success of the company. The Diversity Officer's task is to make diversity at BayernLB visible and promote it, facilitate exchange and highlight the added value for employees and the company, so that all employees feel valued and are motivated to contribute their potential for the benefit of BayernLB. BayernLB's goal of implementing a human resources and diversity strategy by the end of 2022 is anchored in the Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

The principles of cooperation are anchored, among other things, in the Code of Conduct and in the "Policy on Conduct in Partnership, Protection against Sexual Harassment, Bullying and Discrimination". The Code of Conduct states: "We respect the rights of our employees. We protect them from discrimination of all types. [...] 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." In addition, the Policy defines undesirable and unacceptable behaviour, strengthens the possibilities for action for all employees and establishes a complaints procedure and sanctions. Since the introduction of this Policy, no such incidents of discrimination have been documented. Literally, the Policy states: "BayernLB takes its responsibility and obligation to protect employees against discrimination, bullying and sexual harassment and to take precautions against it very seriously. It encourages and supports those affected to seek counselling in conflict situations in order to jointly find appropriate measures to remedy the situation. To this end, BayernLB is setting up a complaints office and providing affected employees with a counselling team [...] to jointly develop and facilitate solutions from the perspective of those affected."

The Bank believes that a mix of people from different genders and cultural and social back-grounds is enriching for BayernLB. Colleagues from different generations and with 50 different nationalities work together at the headquarter and in the domestic and foreign branches.

Age & Origin	2021	2020	2019	2018
Active employees incl. junior staff as of 31.12.	3.108	3.317	3.491	3.343
of which men under 30 years old	176	198	222	205
of which women under 30 years old	147	162	193	179
of which men between 30-50 years old	763	853	969	980
of which women between 30-50 years old	744	807	876	901
of which men over 50 years old	727	754	712	641
of which women over 50 years old	551	543	519	437
of which Germans	2.826	3.016	3.168	3.041
of which EU nationals without Germans	138	146	150	135
of which remaining employees worldwide	144	155	173	167
Total average age	45,6	45,2	44,7	44,4

For BayernLB, employing people with disabilities is a natural contribution to inclusion. At the end of 2021, BayernLB had 97 employees with disabilities. This corresponds to 3.1% of the workforce. The representation of people with disabilities is ensured by the representation of severely disabled persons in the General Staff Council.

Employees with disabilities	2021	2020	2019	2018
Active employees incl. junior staff as of 31.12.	3.108	3.317	3.491	3.343
of which employees with disabilities	97	103	99	94
In percent	3,1 %	3.1%	2.8%	2.8%

As part of a diversity podcast, diversity at BayernLB is to be made more visible and examined from different perspectives (e.g. women in project management leadership and the advantage of diversity in projects). Fathers on parental leave have also already been portrayed through the podcast - in general, BayernLB's Sustainability Programme as from 2021 aims at communication campaigns to bring certain "role models" from the Bank into the focus of all employees and to report transparently on them (for more information on the Sustainability Programme, see GRI 102-15).

#### **External initiatives**

Since 2010, BayernLB has supported the "Diversity Charter - For Diversity in the World of Work", a corporate initiative to promote diversity in companies and institutions. By signing the agreement, BayernLB commits itself to create a working environment for all employees that is free of prejudice and characterised by mutual respect and appreciation - irrespective of age, ethnic origin and nationality, gender and gender orientation, physical and mental abilities, religion and world view, sexual orientation and social origin. BayernLB creates the conditions for managers and employees to recognise, share and live these values and to be informed about the added value of diversity. Since 2018, the Charter has held a nationwide competition, the Diversity Challenge, in which young employees tackle the topic of diversity. In 2021, six young employees from BayernLB took part in this challenge for the first time. As part of a design thinking process, the young employees looked at the possibility of offering employees a platform to make diversity more visible interactively and digitally. Since 2021, the German Diversity Day, also initiated by the Diversity Charter, has been celebrated, in 2022, for example, with a Diversity Week and a variety of workshops, keynote speeches, exchange formats, etc. Regular communication - internally, but also on social media channels - as well as measures and offers continuously raise employees' awareness of the issue of diversity and its importance for BayernLB as a #progress financier.

Since 2001, the company Cross Consult has been offering the "Cross-Mentoring Programme Munich", a program especially for female managers. The core element of the programme is the accompaniment, support and promotion of female managers by experienced managers from other companies participating in the programme. The tandems act on their own responsibility and individually define their goals and measures, such as coaching, counselling and networking. The framework is formed by lectures, fireside chats, feedback events and workshops. BayernLB has participated continuously since 2001 with at least one tandem per year. Participants are female managers with ambitions for the next higher management level. Four female colleagues took part in the programme in 2021. In 2022, up to four female colleagues will again complete the

cross-mentoring programme. The continuation of the cross-mentoring programme is also anchored in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

Cross-Mentoring Programme Munich	2021	2020	2019	2018
Participants from BayernLB	4	4	3	4

BayernLB is a founding member and in 2010 signed the "Munich Memorandum for Women in Leadership", an initiative that has emerged for more mixed leadership and grown to become a seal of approval for modern, flexible and gender-appropriate employers. The signatory companies undertake to promote their female managers in a targeted and verifiable manner. The focus is on achieving a balanced participation of women in management positions at all hierarchical levels and in all positions of responsibility. In regular working meetings the participating companies maintain the professional exchange among each other as well as with the initiators, the company Cross Consult GbR. Measures and strategies are discussed, new models are discussed and ideas are passed on in the circle of participating companies as well as experiences and results are exchanged. Currently, 17 other major companies and organisations are taking part in the regular exchange alongside BayernLB.

Since 2018, BayernLB has held its annual Girls' Day with a focus on IT. This orientation day is sponsored by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth and the Federal Ministry of Education and Research. Since many schoolgirls make their career choices based on their gender and influenced by social role models, the aim of this day is to broaden the range of careers available to girls. Girls' Day offers schoolgirls their first insights into working worlds previously unknown to them. In 2020, Girls' Day could not take place due to the Covid 19 pandemic. In 2021, six schoolgirls took part in the digital Girls' Day. In 2022, Girls' Day was also held digitally; six schoolgirls nationwide were again interested in robotics, SQL programming and many other topics.

Girls' Day	2021	2020	2019	2018
Participating schoolgirls	6	-	6	5

#### Reconciliation of family and career

A family-friendly work culture, in which the compatibility of family and career can be lived by women and men, mothers and fathers, is now one of the main criteria of tomorrow's skilled workers when deciding on an employer, and is therefore consequently written down in the Code of Conduct: "We support our employees in striking a balance between their work and personal lives and in increasing job satisfaction. We attach particular importance to ensuring that one's family life is compatible with their professional life." Among other things, the "Family Pact of Bavaria" (Familienpakt Bayern) was concluded to optimize this compatibility and create family-friendly conditions. The partners in this pact are the Bavarian State Government, the Association of Bavarian Chambers of Industry and Commerce (BIHK), the Association of Bavarian Industry and Commerce (vbw) and the Bavarian Handicrafts Association e.V. (BHT). BayernLB has also been a member of the pact since 2017. The partners of the pact make use of advisory services, benefit

from pioneers and good examples and, through networking with other companies, help to ensure that the working environment in companies adapts even further to family concerns.

As part of its measures to reconcile family and career, BayernLB offers its employees a wide range of solutions: BayernLB takes account of the life phases of its employees by designing appropriate working time models that are as flexible as possible. BayernLB supports parents with children or employees with dependents in need of care by offering a wide range of options with cooperation partners and flexible working hours (e.g. conversion of working time credits into days off). During the daycare and school closures related to the coronavirus pandemic, employees affected by this were supported in 2020 with three paid days off per household. In addition, the existing working time regulations (e.g. opening of the working time window) have been made more flexible in order to enable, among other things, the care of children and relatives requiring nursing care. Mobile working was made more flexible with the "Service agreement on mobile working" in order to promote the compatibility of family and career. Working within the Bank and working outside the Bank are on an equal footing. Within the framework of legal and company regulations, employees are free to choose whether and to what extent they work inside or outside the Bank.

Through its cooperation with famPlus GmbH, BayernLB is able to offer its employees simple, direct and tailored childcare support. With an online platform, famPlus provides support with a large selection of, for example, childminders, nannies and babysitters as well as in the search for a place in a nursery. BayernLB covers the costs of arranging the above-mentioned childcare for employees.

There is a municipal kindergarten on the BayernLB site which has an occupancy quota for BayernLB. BayernLB regularly offers childcare during the summer holidays and on the Day of Prayer and Repentance. In addition, parents can use parent-child offices for short-term childcare shortages. The creation of opportunities to offer childcare days, holiday offers, daycare places, etc. is also anchored in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

BayernLB works with awo lifebalance GmbH to support employees caring for family members. Among other things, it provides information on the costs and financing options of care, advises on care insurance benefits and care classification, arranges nationwide care and support services as well as domestic help, and much more. BayernLB covers the costs of advice and mediation by awo lifebalance GmbH for its employees.

Further information on the Internet:

#### Code of Conduct

### GRI 405-1 (2016) Diversity of governance bodies and employees

The ratio between women (46.4 per cent) and men (53.6 per cent) in the workforce is almost balanced. At the end of 2021, the proportion of women in management was 26.2 per cent. The goal of increasing the proportion of women in management positions (cumulative, i.e. 1st management level + all others) to 30 percent by the end of 2024 is also anchored in BayernLB's Sustainability Programme as from 2021; it also states that the number of applications from women for vacant management positions, particularly at the 2nd and 3rd levels, should generally increase (for more information on the Sustainability Programme, see GRI 102-15). Equal opportunities are a focus when filling vacant management positions as well as in succession planning and in the identification of talent. The 2022/2023 talent round started with a proportion of 75 per cent women and 25 per cent men.

Equality and diversity are also key success factors for BayernLB's future on the Board of Management and supervisory bodies. Attributes such as age, gender/gender identity, ethnic origin/nationality, religion/belief or sexual orientation do not determine appointment. The decisive factors are experience and skills to fill the role and ensure long-term company success. For this reason, the Bank pays particular attention to the aspect of diversity when making new appointments to committees (for further information, see GRI 102-22).

SDG 5.1 SDG 5.5 SDG 8.5 UN GC 6

Structure of management levels below the Board of				
Managememt (Germany)	2021	2020	2019	2018
Active employees incl. junior staff as of 31.12.	3.108	3.317	3.491	3.343
of which men (total)	1.666	1.805	1.903	1.826
of which men (in percent)	53, 6%	54.4%	54.5 %	54.6%
of which women (total)	1.442	1.512	1.588	1.517
of which women (in percent)	46,4 %	45.6%	45.5%	45.4%
of which men with managerial responsibility in total (2nd to 4th management level) (total)	211	236	256	243
of which male team leaders (4th management level) (total)	106	106	107	112
of which male head of department (3rd management level) (total)	84	84	103	116
of which male divisional management (2nd management level) (total)	21	21	23	26
of which women with managerial responsibility in total (2nd to 4th management level) (total)	76	76	83	73
of which female team leader (4. management level) (total)	49	52	57	49
of which female head of department (3. management level) (total)	24	21	23	23
of which female divisional management (2. management level) (total)	3	3	3	1
Project managerst as of 31.12	49	36	30	28
of which men (total)	38	30	22	19
of which women (total)	11	6	8	9

Structure of the Management Board and Supervisory				
Board	2021	2020	2019	2018
Board of Management members	5	5	5	6
of which men	5	5	5	6
of which women	0	0	0	0
Supervisory Board members	11	11	11	11
of which men	9	9	9	9
of which women	2	2	2	2

A variety of measures have been implemented to support the achievement of the goal of increasing the proportion of female managers:

- At the beginning of 2016, a working group (WoMen-Power. Vielfalt macht stark.) was formed to gather ideas and plan and implement concrete actions. One of the first measures was the establishment of a women's network. The working group was expanded into a diversity working group at the end of 2021.
- The women's network (#Fortschrittsfrauen) is being gradually expanded. 195 female colleagues from BayernLB and its subsidiaries BayernInvest and Real I.S. currently meet regularly to discuss technical topics (e.g. the new IT strategy) and leadership (e.g. part-time leadership). In addition, successful managers from BayernLB or other companies (role models) pass on valuable experience and recommendations by presenting their career paths. Mentoring within

the network complements the offers within the network. A direct exchange between participants in the network and the Board of Management has also been set up. Raising the profile of the women's network, creating protected spaces for open exchange and offering cross-divisional mentoring are also anchored in BayernLB's Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15). The activities within the women's network are initiated and supported by the working group.

- In 2021, eight seminars were offered to specifically support female experts and managers (e.g. unerringly to success: strategic planning, clear decisions, successful implementation; agility needs the courage to be imperfect). This offer will again be adapted to the changed framework conditions in 2022 and expanded to eleven seminars. The events in 2020 and 2021 were held virtually due to the Covid 19 pandemic and could thus take place as planned. From 2022 onwards, face-to-face and online formats will be offered.
- In the case of vacant management positions, women are actively approached to submit an application. If possible, there should be at least one female applicant for each management position to be filled. The employment portfolios of the departments are also regularly examined for high-potential women as part of recurring succession planning and these are encouraged accordingly. Both measures are also anchored in BayernLB's Sustainability Programme as from 2021. Targeted succession planning will be designed and implemented in 2022 (for more information on the Sustainability Programme, see GRI 102-15).

The development of the promotion of women in management is reported annually to the Remuneration Committee.

SDG 5.1 SDG 8.5 SDG 10.3 UN GC 16

### GRI 405-2 (2016) Ratio of basic salary and remuneration of women to men

The principle of "equal pay for equal work" is the subject of the collective agreement applicable to BayernLB (for more information on collective agreements, see GRI 102-41). Classification in the pay scale groups depends exclusively on the function and the degree to which it is performed and not on gender. For the remuneration of non-pay-scale employees, there are service agreements concluded with the General Staff Council. All service agreements - as well as collective agreements - are published transparently for employees on the Intranet. Together with the departments, Human Resources regularly reviews the salaries paid to non-pay-scale on the basis of gender-neutral criteria agreed with the Staff Council. The requirement profiles and function catalogues on which the non-pay-scale salary system is based are updated on an ongoing basis and are known to the General Staff Council. Job families, career levels and functions do not differentiate by gender. The individual positions for non-pay-scale employees are described and evaluated transparently by means of a co-determined "remuneration matrix"; the requirements are defined in advance in a gender-neutral manner.

As part of the implementation of the "Institutsvergütungsverordnung" (Remuneration Ordinance for Institutions), a Remuneration Officer was appointed at BayernLB to monitor the appropriateness of the remuneration system for employees within the Bank with regard to the regulatory requirements (for more information on remuneration, see GRI 102-35 to 102-39). According to the Remuneration Ordinance for Institutions (Institutsvergütungsverordnung) of 25 September

2021, the appropriateness of remuneration is expressly conditional on the exclusion of any disadvantage in terms of remuneration on the grounds of gender for the same work or work of equal value. The measures taken to ensure equal treatment of women and men, including in terms of salary and promotions, are the subject of the Equal Opportunities Report published by BayernLB Bank every five years. BayernLB's company pension benefits are also not linked to gender.

Vacancies at BayernLB are always advertised throughout the Bank and are therefore open to all employees.

#### GRI 406 (2016) Non-discrimination

# GRI 406 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures to "Non-discrimination"

SDG 10 UN GC 6

BayernLB reports on non-discrimination in GRI 405.

#### GRI 406-1 (2016) Incidents of discrimination and corrective actions taken

SDG 5.1 SDG 8.8 SDG 10 SDG 16.b UN GC 6

No incidents of discrimination were reported in the year under review.

Discrimination incidents	2021	2020	2019	2018
Number of reported discrimination incidents	-	-	-	-

### GRI 407 (2016) Freedom of association and collective bargaining

# GRI 407 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Freedom of association and collective bargaining"

SDG 8 UN GC 2 UN GC 3

BayernLB is committed to the core labor standards of the International Labour Organisation (ILO). Almost all BayernLB employees work in EU countries that have enshrined the ILO standards in law. BayernLB is also bound by the OECD's Guidelines for Multinational Enterprises, as well as by regional, national and supranational legal requirements (including Article 9 of the German Basic Law, freedom of association and freedom of assembly).

In September 2021, BayernLB signed the UN Global Compact, thereby committing itself to respecting and promoting fundamental human rights, fair working conditions, combating corruption and promoting sustainable development, as explicitly stated in Principle 3, among other things: "Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining."

For information on staff representation at BayernLB, see GRI 402 (2016) - 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Labor/management relations"; for information on collective bargaining/collective agreements, see GRI 102-41.

#### SDG 8.8 UN GC 3

# GRI 407-1 (2016) Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

The following is laid down in BayernLB's Code of Conduct: "BayernLB also expects suppliers and service providers to provide fair employment conditions and allow employees the freedom to hold meetings and the right to negotiate collectively." This is specified in the Sustainability Agreement for Suppliers and External Service Providers. In the year under review, as in the previous years, the right to freedom of association and collective bargaining was not threatened at any of the company's own sites.

The Sustainability Agreement commits suppliers to respecting the right to freedom of association. For further information on suppliers and external service providers, see GRI 204, 308 and 414; for further information on collective bargaining/collective agreements, see GRI 102-41.

### GRI 408 (2016) Child Labor

#### AUDITED SDG 8.7 SDG 16.3 UN GC 5

# GRI 408 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures to "Child labor"

At BayernLB, minors are only employed as part of a trial internship, Girls' Day or an apprentice-ship or as dual students. In this way, the Bank is making a contribution to education and attracting future junior staff through its offerings. The regulations of the Youth Employment Protection Act and the Vocational Training Act are observed/complied with. BayernLB's approach to child labor outside its operating sites is presented in GRI 412.

#### SDG 8.7 SDG 16.2 UN GC 5

### GRI 408-1 (2016) Operations and suppliers at significant risk for incidents of child labor

BayernLB commits itself and all suppliers and external service providers not to permit child labor. The Bank has not identified any significant risk of incidents of child labor, either in its own operations or those of its suppliers. For detailed information, see GRI 412.

### GRI 409 (2016) Forced or Compulsory Labor

# GRI 409 (2016) - 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures to "Forced or compulsory labor"

AUDITED SDG 8.7 UN GC 4

BayernLB's treatment of forced or compulsory labor is presented in GRI 412.

# GRI 409-1 (2016) Operations and suppliers at significant risk for incidents of forced or compulsory labor

SDG 8.7 UN GC 4

BayernLB commits itself and all suppliers and external service providers not to allow any forced or compulsory labor. The Bank has not identified any significant risk of incidents of forced or compulsory labor, either at its own facilities or at those of its suppliers. For detailed information, see GRI 412.

# **GRI 410 (2016) Security Practices**

# GRI 410 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Security practices"

AUDITED UN GC 1 UN GC 2

As a financial services provider, BayernLB needs security personnel. For this purpose, BayernLB mainly uses a subsidiary for the Munich and Nuremberg locations. Renowned security companies from the region are contracted for the other domestic and foreign branches.

### GRI 410-1 (2016) Security personnel trained in human rights policies or procedures

SDG 16.1 UN GC 1 UN GC 2

For information, see GRI 410 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Security practices".

### GRI 411 (2016) Rights of Indigenous Peoples

# GRI 411 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Rights of indigenous peoples"

AUDITED SDG 16 UN GC 1 UN GC 2

BayernLB's treatment of the rights of indigenous peoples is presented in GRI 412.

#### AUDITED SDG 16 UN GC 1 UN GC 2

### GRI 411-1 (2016) Incidents of violations involving rights of indigenous peoples

In the year under review, BayernLB was not aware of any incidents in which the rights of indigenous peoples were violated.

Violation of the rights of indigenous peoples	2021	2020	2019	2018
Number of known incidents	-	-	-	-

### GRI 412 (2016) Human Rights Assessment

AUDITED UN GC 1 UN GC 2

GRI 412 (2016) - 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Human rights assessment"

In the materiality analysis (updated in 2022), the topic "Handling of environmental and social risks" was defined as material according to GRI for BayernLB and its stakeholders.

BayernLB is committed in several ways to protecting and respecting human rights, rejecting child, forced or compulsory labor and protecting the rights of indigenous peoples. This applies not only to the company itself, but also to the entire upstream and downstream value chain. The Sustainability Policy states: "We pursue our goals in compliance with all legal regulations and in express consideration of all human rights, whereby, as far as BayernLB is concerned, these requirements pose bare minimum standards."

Within BayernLB itself, employees are treated with dignity. The Bank is not only bound by legal regulations such as the German Basic Law, the Youth Employment Protection Act or the ILO core labour standards, but also by its own values and standards (see, among others, the excerpts from the Code of Conduct below). For more information on dealing with its own employees, see GRI 401-407.

In the Code of Conduct, all employees and managers commit themselves to the following requirements, among others, in their own company and also towards customers and society:

- "BayernLB and its employees regard acting in a lawful, ethical and responsible way as a fundamental and essential part of their personal, corporate and social responsibility. Breaches of law and ethics are not acceptable to us."
- "BayernLB promotes a working environment based on respect and tolerance. We respect the opinion of others. We acknowledge employee rights as a matter of course."
- "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 expects suppliers and service providers to provide fair employment conditions and allow employees the freedom to hold meetings and the right to negotiate collectively. We say no to exploitative (child)labour and forced labour."

In September 2021, BayernLB also signed the UN Global Compact, thereby making a further public commitment to comply with and enforce the following principles, among others:

- Principle 1: "Businesses should support and respect the protection of internationally proclaimed human rights."
- Principle 2: "Businesses should make sure that they are not complicit in human rights abuses."
- Principle 4: "Businesses should uphold the elimination of all forms of forced and compulsory labour."
- Principle 5: "Businesses should uphold the effective abolition of child labour".

Accordingly, BayernLB has taken measures to implement the commitments:

- As a matter of principle, BayernLB does not engage in any business connected with drug trafficking, human trafficking, sexual exploitation, exploitative child and forced labor, slavery, smuggling of migrants, organ trafficking, prostitution, pornography or product piracy.
- BayernLB takes the Equator Principles into account in all relevant financing where the intended use is known. These are based on the environmental standards of the World Bank and the social standards of the International Finance Corporation, a subsidiary of the World Bank. The Equator Principles define comprehensive requirements for the protection of the environment and the observance of labour and human rights, for example in large infrastructure projects. They also contain criteria for the protection of indigenous peoples and for the inclusion and protection of the population affected by the projects, such as local communities. Violations of human rights and the rights of indigenous peoples are often associated with largescale mining and infrastructure projects in emerging and developing countries. This is why the Equator Principles are of central importance for earmarked project financing. BayernLB complies with these principles, as well as thematic and sector-specific policies, to ensure that human rights are protected in project financing. This often involves dealing with local communities and indigenous peoples. In the case of indigenous peoples, for example, it is important to ensure that they are not resettled without voluntary prior consent and that they receive appropriate compensation (BayernLB published all standards, guidelines and sector-specific policies for business activities externally and in full for the first time in its Guiding Principles for Transformation in December 2021).
- BayernLB is opposed to all forms of slavery and forced labor and has therefore pledged to comply with the UK Modern Slavery Act.
- BayernLB expects suppliers and external service providers who wish to work with BayernLB to
  comply with recognised environmental and social standards, including the core labor standards of the International Labour Organisation (ILO). For this purpose, a corresponding publicly
  accessible Sustainability Agreement will be concluded.

The Sustainability Agreement includes the following points, among others:

- "BayernLB requires its suppliers to observe basic rights and human rights."
- "BayernLB requires suppliers to ensure the rights of its employees, particularly with regard to occupational health and safety, working hours regulations and health, and to prevent discrimination on the basis of skin colour, race, nationality, social background, disability, sexual orientation, political or religious beliefs, gender or age."
- "BayernLB requires suppliers to not employ and to not allow or tolerate the employment of persons who cannot prove they are at least 15 years of age or older or who are employed in countries where an exception under ILO Convention 138 is deemed to exist."
- "BayernLB requires suppliers to not support forced labour in any way."

• "BayernLB requires suppliers to grant its employees freedom of association and the right to collective bargaining."

For more detailed information on the Sustainability Agreement and BayernLB's requirements for its suppliers and external service providers, see GRI 204.

Further information on the Internet:

<u>Combined Non-financial Report of the BayernLB Group for 2021 (Annex to the Annual Report p.</u> 310)

**BayernLB's Sustainability Policy** 

Code of Conduct

Sustainability Agreement

Modern Slavery Act Statement

Homepage of BayernLB: Memberships and commitments

Homepage of BayernLB: Sustainable procurement

Guiding Principles for Transformation

#### AUDITED UN GC 1 UN GC 2

# GRI 412-1 (2016) Operations that have been subject to human rights reviews or impact assessments

Human rights are respected at all BayernLB's business locations (see GRI 102-4 for the location of the business locations).

#### AUDITED UN GC 1 UN GC 2

# GRI 412-2 (2016) Employee training on human rights policies and procedures

BayernLB's Code of Conduct is at the heart of its compliance culture. It applies to employees of all business areas of BayernLB as well as to members of the Board of Management and the Supervisory Board. Everyone is obliged to observe the principles and guidelines laid down and to base their actions on the principles. All new employees (including junior staff) joining BayernLB receive a physical copy of the Code of Conduct. In addition, the Code of Conduct is published on the Internet and Intranet. All employees and managers also receive mandatory training on the General Equal Treatment Act (AGG) every two years. At the end of 2021, ESG topics were also integrated into the annual training on risk culture, which is mandatory for all employees. Employees are now also trained on the common understanding of sustainability, the Sustainability Strategy, sustainability risks and reputational risk management.

*Further information on the Internet:* 

#### Code of Conduct

# GRI 412-3 (2016) Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

UN GC 1 UN GC 2

All business activities with potential social and/or environmental risks must be reviewed at BayernLB. The exact process of the audit (including the audit of human rights aspects) is described in GRI FS 2. The criteria for this are presented in GRI 102-16, 412 and GRI FS 1.

#### GRI 413 (2016) Local Communities

# GRI 413 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Local communities"

SDG 11 SDG 16

BayernLB's commitment to social causes and education, to art and culture, and to science and research is an important component of its social responsibility in Bavaria and is also enshrined in its Sustainability Policy (with similar wording in the Code of Conduct): "For BayernLB and its employees, corporate responsibility is inextricably linked to corporate citizenship. By supporting social, cultural, scientific and sports projects and initiatives, we look to empower our local communities."

In this way, the Bank directly supports the social communities in which it operates.

Donations and volunteering	2021	2020	2019	2018
Expenditure for donations, sponsoring and memberships (in Euro)	1.2 million	1.6 million	1.7 million	1.7 million
(iii Laro)	1.2 111111011	1.0 111111011	approx.	approx.
Days of corporate volunteering <sup>1</sup>	approx. 73	approx. 80	200	200
Days spent on voluntary activities <sup>2</sup>	approx. 44	approx. 57	approx. 60	approx. 36

<sup>1</sup> Corporate volunteering: voluntary work organised through BayernLB; see below

Instead of spreading donations widely, BayernLB has opted to concentrate on selected projects. In the area of sponsoring, the Bank focuses on education and scientific cooperation. In the reporting year, BayernLB spent around EUR 1.2 million on donations, sponsorship and memberships. BayernLB is committed to its Code of Conduct: "We keep organisation memberships, sponsorship commitments and charitable donations separate. 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."

BayernLB has been supporting Sternstunden e.V., a charity campaign run by Bayerischer Rundfunk, since it was founded in 1993. The non-profit association is committed to the welfare of sick, disabled and distressed children. Since 1993, the association has been able to collect a total of more than 330 million Euros for over 3500 children's aid projects. By assuming administrative costs, BayernLB ensures that 100 percent of every Euro donated goes to the projects. In addition, e.g. office space and equipment as well as storage facilities are provided free of charge. BayernLB also takes care of the printing and mailing of donation transfer forms and the processing of all payment transactions free of charge.

<sup>2</sup> Voluntary activities: includes the assignments of employees for disaster control, the volunteer fire brigade, as election workers and other honorary positions

Among other things, Sternstunden pays the logistics costs for parcels when humedica e.V., an international non-governmental organisation headquartered in Kaufbeuren, distributes its "Gifts with a Heart" in Bavaria and to Southern and Eastern Europe at Christmas. Here, too, the employees showed their great commitment and donated 178 parcels.

Another BayernLB initiative for Sternstunden is the Sterntaler campaign, which was launched in 2001 in connection with the introduction of the Euro. To date, more than two million Euros in donations have been collected. The idea: Collection boxes for leftover old currencies, for money left over from trips abroad, but also for Euro donations have been set up at BayernLB and at many Bayarian Savings Banks and are still being diligently filled.

Various campaigns by BayernLB and its employees in support of Sternstunden again demonstrated the Bank's strong identification with the association in the year under review. Whether it was an appeal to all employees to make a donation to Sternstunden as part of a marketing campaign, an online auction of works from the paintings archive or the organisation of Christmas markets at the Bank's locations in Munich and Nuremberg - proceeds totalling more than EUR 30,000 were generated.

The Code of Conduct also states that BayernLB "[...] support[s] the voluntary social commitment of our employees through, among other measures, our Corporate Volunteering programme." To this end, an annual quota of 500 working days is made available, on which employees are released from their professional duties and can contribute their energy and ideas to volunteering projects.

In this context, BayernLB is a founding member of the "Unternehmen für München" (Companies for Munich) association, in which a large number of Munich companies coordinate their voluntary commitment and extend and deepen their cooperation with state, municipal and charitable institutions.

BayernLB has also been an official corporate partner of JOBLINGE gemeinnützige AG Munich since October 2012. As part of the cooperation, BayernLB supports the initiative by assuming the costs of scholarships to qualify unemployed young people for a training place or job. BayernLB employees have been volunteering as mentors for young people at JOBLINGE since 2009.

Further mentoring programmes with active participation by employees relate to the programme of the "Service Agency for the Development of Foreign Qualifications" at the Social Department of the City of Munich. In addition to voluntary mentors, BayernLB also provides an extraordinary internship programme, which has already resulted in several permanent positions at the Bank.

Mentors are also provided for "business@school", a programme to deepen business knowledge at upper secondary schools, the mentoring programme for students at LMU Munich and the language teaching programme via the Internet "Volunteer Vision".

BayernLB also finances Deutschlandstipendien and Deutsche Universitätsstiftung scholarships for refugees and offers them internships where possible.

BayernLB also sponsored the student initiative "TUM Boring - Innovation in Tunneling e.V." at the Technical University of Munich, in keeping with the principle of financing progress and promoting progress. The students entered entrepreneur Elon Musk's "Not-a-Boring-Competition" in

which they were challenged to design and build a small-scale tunnel boring machine to develop solutions to increasing traffic, especially in urban areas. The team from "TUM Boring - Innovation in Tunneling e.V." emerged as the winner of the competition.

BayernLB also sponsored another student initiative, "HORYZN - Mission Pulse 2021". Students at the Technical University of Munich founded NEXT Prototypes e.V., an association with the goal to develop and construct a drone that can transport a defibrillator to the scene of an emergency faster than an ambulance and thus significantly increase the chances of survival for those affected.

The branch in Nuremberg also provided voluntary services in cooperation with the Stadtmission there. The foreign branches in New York, London and Paris are also involved with individual campaigns.

In the wake of the flood disaster in the year under review, which hit North Rhine-Westphalia and Rhineland-Palatinate particularly hard but also left devastating damage in Berchtesgadener Land, BayernLB supported Sparkasse Berchtesgadener Land's relief campaign with a donation of EUR 100,000. At the start of the Ukraine war in February 2022, BayernLB donated EUR 500,000 to the City of Munich's fundraising campaign. Employees organised a donation campaign in kind, and it was also possible to participate in relief efforts via the Corporate Volunteering Workday scheme.

BayernLabo takes over the competition-neutral housing and urban development promotion business for BayernLB on behalf of the public sector. As an organ of state housing policy, it is responsible by statutory mandate for the promotion of housing in the Free State of Bavaria. In addition, in cooperation with the Kreditanstalt für Wiederaufbau (KfW), as the municipal and development bank of the Free State of Bavaria, it supports Bavarian municipalities and special-purpose associations with municipal loans and its own development programmes, including on the topics of barrier-free accessibility and energy-efficient building optimisation.

*Further information on the Internet:* 

Homepage of BayernLB: Corporate responsibility & corporate citizenship

# GRI 413-1 (2016) Operations with local community engagement, impact assessments, and development programs

SDG 11 SDG 16

BayernLB is not a manufacturing company and operates offices and branches mainly in major European cities. Where relevant, see disclosures in GRI 413 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Local communities".

# GRI 413-2 (2016) Operations with significant actual and potential negative impacts on local communities

AUDITED SDG 16

As a financial services provider, BayernLB does not engage in any business activities that have a significant actual or potential negative impact on local communities. As part of the environmental analysis required for EMAS certification, BayernLB conducts annual neighbourhood talks with

neighbouring companies. These discussions do not indicate any negative impact on the local community by BayernLB and its operating units.

For further information on indirect economic impacts see GRI 203, for information on environmental indicators and their potential impacts see GRI 303-306, for occupational health and safety see GRI 403. The fact that BayernLB's business/financing activities do not have a negative impact on any community outside the local community is set out in GRI 408, 409, 411, 412, GRI FS 1 and GRI FS 2, among others.

## GRI 414 (2016) Supplier Social Assessment

#### AUDITED SDG 12 UN GC 2

# GRI 414 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Supplier social assessment"

For all relevant information, see GRI 204 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Procurement practices".

### **AUDITED**

SDG 12 SDG 16.1 SDG 5.2 SDG 8.8

UN GC 2

# GRI 414-1 (2016) New suppliers that were screened using social criteria

For all relevant information, see GRI 204 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Procurement practices".

#### AUDITED SDG 12

SDG 16.1 SDG 5.2 SDG 8.8 UN GC 2

## GRI 414-2 (2016) Negative social impacts in the supply chain and actions taken

No negative social impacts were identified for any supplier in the year under review.

Negative social impacts with suppliers	2021	2020	2019	2018
Number	-	-	-	-

# GRI 415 (2016) Public Policy

#### SDG 16.5 UN GC 10

# GRI 415 (2016) - 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Public policy"

As a Landesbank, BayernLB is almost 75 percent owned by the Free State of Bavaria, and its tasks are laid down in the Law on Bayerische Landesbank. No employees are seconded to state or federal ministries, and no representations are maintained in Berlin or Brussels.

In the materiality analysis (updated in 2022), the topic "Contribution to the regulatory framework" was defined as material according to GRI for BayernLB and its stakeholders.

BayernLB is active in various associations and federations. These include the German Savings Banks Association (DSGV), the European Association of Public Banks (EAPB), the Association of German Public Banks (VÖB) and the Association of German Pfandbrief Banks (vdp). These associations advocate for the interests of their members and engage in professional lobbying.

Under Section 20 of the Law, BayernLabo has the State mandate "to financially promote the plans of natural persons and legal entities under private or public law as well as other measueres 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 [...].".

*Further information on the Internet:* 

## Law on Bayerische Landesbank

### GRI 415-1 (2016) Political contributions

SDG 16.5 UN GC 10

BayernLB excludes donations to political parties. The Code of Conduct states: "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." Accordingly, no donations have taken place.

Donations to political parties	2021	2020	2019	2018
Donation amount	-	-	-	-

*Further information on the Internet:* 

# Code of Conduct

#### **GRI 416 (2016) Customer Health and Safety**

# GRI 416 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Customer health and safety"

EMAS SDG 3

As a financial services provider, BayernLB does not sell any physical products or services that have an impact on customer health and safety.

# GRI 416-1 (2016) Assessment of the health and safety impacts of product and service categories

EMAS SDG 3

As a financial services provider, BayernLB does not sell any physical products or services that have an impact on customer health and safety.

EMAS SDG 3 SDG 16.3

# GRI 416-2 (2016) Incidents of non-compliance concerning the health and safety impacts of products and services

As a financial services provider, BayernLB does not sell any physical products or services that have an impact on customer health and safety.

## GRI 417 (2016) Marketing and Labeling

SDG 10.5 SDG 12 UN GC 7

GRI 417 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Marketing and labeling"

In the materiality analysis (updated in 2022), the topic of "Customer satisfaction" was defined as material according to GRI for BayernLB and its stakeholders.

BayernLB's Code of Conduct defines key points for dealing with customers. The topics addressed include data protection, information and transparency, and product design. The Code of Conduct also clearly regulates the topic of communication with customers: "We regard appropriate advice, comprehensible products and services, suitable risk warnings and transparent documentation as essential in our work if our clients are to make informed decisions for themselves. Misleading or deceitful advertising is unacceptable to us. In order to meet clients' expectations fairly, we only offer products and services we can provide professionally. This entails, among other things, holding any necessary licences and possessing the requisite infrastructure and technical expertise. We provide honest and unambiguous corporate data and facts and information on our products and services. The Board of Management ensures that the financial reporting is accurate. All employees involved in reporting therefore take steps to ensure that their contributions are accurate and complete."

This is further specified in the Sustainability Strategy: "We pursue a policy of fair interaction with our customers, by setting high standards for responsible sales practices, product responsibility (prevention of green washing), consumer protection and compliance with provisions of competition law. To ensure comprehensive product governance, new products are reviewed for sustainability aspects before they are launched."

Accordingly, the Bank has drawn up detailed rules for the presentation of information and advertising notices in accordance with the German Securities Trading Act. Information must be honest, clear and not misleading, irrespective of customer classification, and advertising messages must be recognisable as such. All information must be appropriate and proportionate regarding the nature and content of the communication. Professionalism and honesty are required. Essential statements must not be expressed in an unclear manner and must not be left unmentioned. Due to the large number of regulations, there is a comprehensive internal Bank checklist on this subject called "Information and marketing communications in accordance with the WpHG and advertising in accordance with the Prospectus Ordinance". The details are also regulated throughout the Bank in a binding work instruction. Measures to improve transparency in compliance management with regard to investor protection and adherence to corresponding regulations are

also anchored in BayernLB's Sustainability Programme as from 2021 (for further information on the Sustainability Programme, see GRI 102-15).

BayernLB complies with all legal requirements in terms of product information on financial products. Corresponding internal audits are carried out on a regular basis. The Sustainability Strategy goes one step further in this regard: "In addition, we define clear framework conditions and in particular our own minimum standards/policies for transactions and customer relationships in business and sectors that are controversial from an ESG perspective. We continually refine these conditions." For more information, see GRI FS 2.

*Further information on the Internet:* 

### Code of Conduct

## BayernLB's Sustainability Strategy

<u>Homepage of BayernLB: Base prospectuses for tap issuance programmes (only available in German)</u>

## GRI 417-1 (2016) Requirements for product and service information and labeling

**SDG 12.8** 

For all information, see GRI 417 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Marketing and labeling".

# GRI 417-2 (2016) Incidents of non-compliance concerning product and service information and labeling

SDG 12 SDG 16.3

In the year under review, there were no violations confirmed by the courts in connection with product and service information and in connection with the labeling of the same.

Infringements concerning product and service				
information & labelling	2021	2020	2019	2018
Number of court-confirmed violations	-	-	_	-

# GRI 417-3 (2016) Incidents of non-compliance concerning marketing communications

AUDITED SDG 12 SDG 16.3

In the year under review, there were no violations of regulations relating to marketing and communications, including advertising, sales promotion and sponsoring, that were identified by the courts.

Infringements concerning marketing and communication, including advertising, sales promotion				
and sponsorship	2021	2020	2019	2018
Number of court-confirmed violations	-	-	-	-

### GRI 418 (2016) Customer Privacy

**SDG 12** 

# GRI 418 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Customer privacy"

The responsible use of sensitive data is an important maxim for BayernLB in its dealings with customers and employees. The Code of Conduct states: "It is particularly important when working with clients, business partners and suppliers to protect confidential information and expertise and to comply with the Bank's duty of confidentiality. 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 Bank or beyond, it is essential to check that the recipient is entitled to receive it. Care must always be taken that the information is passed on in a secure manner. Additional security measures, such as confidentiality agreements or audits, must be arranged depending on the importance of the information. We respect and protect other people's confidential information. Knowledge from third parties, in particular personal data, may be collected, processed or used solely for the specified purpose, and only where necessary and legal."

#### Data protection

It is the task of the Data Protection Officer (DPO) to ensure, among other things, compliance with legal data protection requirements in order to protect the data subjects, in particular customers and employees, from misuse of data. According to the requirements of the General Data Protection Regulation (GDPR), the DPO is the company contact person for data protection. He\*she reports directly to the Chairman of the Board of Management of BayernLB and is not subject to instructions in the exercise of his\*her expertise in the area of data protection. The DPO shall not be discriminated against in the performance of his\*her duties and shall be bound by a special duty of confidentiality. The focus of his\*her activities lies in the examination of the permissibility of data processing and the proper handling of personal data (ensuring compliance with the GDPR).

Data protection can only be effectively implemented in a secure overall system and must be supported by all operational functions. To this end, BayernLB operates an efficient data protection management system that takes account of all the necessary interfaces. On the legal side, the Legal Division is involved, and on the technical side, Group IT, IT Security and (Physical) Security. The Data Protection Management System is regularly audited by the internal audit department. Data protection, in turn, is part of BayernLB's risk management. In concrete terms, this means for the work of the DPO to submit appropriate measures and to control their implementation as well as to constantly promote data protection and security awareness through targeted training and concrete individual discussions. In addition, the rights of the persons concerned must be adequately safeguarded. Contact with the Staff Council and the supervisory authority responsible for data protection is also important and must be maintained. The Bank fully implements these requirements in various ways.

In order to ensure data protection, the Bank has developed a standard procedure that regulates compliance with detailed, comprehensive audit obligations that must be repeated at regular intervals. BayernLB also monitors external service providers who process data on its behalf.

In order to promote the responsible handling of data protection-relevant data, all employees must participate in a mandatory annual training course.

BayernLB analyses rulings with far-reaching data protection implications without delay and takes appropriate measures to ensure that it continues to operate in compliance with data protection law.

#### **Information Security**

Information and the processes and systems used to process it represent fundamental assets for the Bank. The protection of these values is indispensable in order to maintain and secure the Bank's performance and competitive position, the trust of its business partners and customers, and its reputation in the eyes of the public.

The Group Information Security Officer (CISO) and BayernLB's Information Security Officer (ISO) are responsible for the ongoing development of all information security issues, the (further) development of methods and processes for information security and risk management and the definition of information security requirements, including monitoring of compliance and implementation. The Group Information Security Officer (CISO) and BayernLB's Information Security Officer (ISO) are responsible for this. BayernLB's Information Security Management System (ISMS) ensures the protection targets of confidentiality, integrity/authenticity and availability in line with the international ISO/IEC 27000 series. It serves to protect against dangers or threats, to avoid economic damage and to minimise risks. Reports on information security risks, risk-induced measures and any security events are submitted to the Board of Management on a regular basis as well as on an ad hoc basis. The Information Security team conducts regular audits to monitor the proper implementation of Information Security Management.

The internally published "Information Security Guideline" acts as the Bank's overarching information security policy. It serves to meet the regulatory and supervisory requirements relevant to information security [including minimum requirements for risk management (MaRisk), bank regulatory requirements for IT (BAIT), the NIST Framework for Improving Critical Infrastructure Cybersecurity and ISO/IEC 27001]. The Bank's information security requirements must also be contractually agreed with the relevant third parties when commissioning service providers and outsourcing activities.

Information risk management (IRM) serves to systematically identify and comprehensively manage information security risks. This includes risk-adequate measures for monitoring potential threats from cyber space (e.g. pentests, vulnerability analyses, ISMS audits) as well as appropriate countermeasures in the event of cyber attacks (e.g. cyber response plans, regular system hardening, uniform reporting processes). Regular and ad hoc communication of information security risks via the CISO to the Board of Management and OpRisk serves to ensure risk transparency and integration into the Internal Capital Adequacy Assessment Process.

In order to minimise the impact of potential security incidents, all employees are required to immediately report all observed or suspected security incidents as well as all observed or suspected information security vulnerabilities. The implemented Security Incident Management (SIM) aims to limit the effects of security incidents (information security incidents), to remedy them and to

learn from these incidents in order to be able to avoid them if necessary. The CISO/ISO is responsible for monitoring and overall control of the analysis, processing and follow-up of security incidents.

All employees share responsibility for information security and are required to familiarise themselves with the applicable quidelines, instructions and regulations on information security. In addition, BayernLB offers numerous training and awareness measures to sensitise employees to current threats and information security-compliant behaviour. Web-based information security training is compulsory for all employees on an annual basis and for new employees and junior staff (including temporary employees such as interns or indirect employees such as temporary workers) as soon as they start work. If necessary, the CISO/ISO can arrange for more frequent or interim training (e.g. in the case of new legal regulations or an accumulation of security incidents). In addition, new employees and junior staff members are required to attend the training course "Information security - potential threats and possible attack scenarios as well as behaviour for prevention and defence". The package of mandatory training measures is supplemented by an explanatory video on confidentiality and classification of information. In addition to the compulsory measures, target group-oriented (specialist) training (e.g. cyber security, current attack vectors, cyber emergency exercise) as well as ad-hoc measures on current events (e.g. Log4J, Spring4Shell, Kaspersky, threats due to the Ukraine crisis) or on relevant topics (e.g. secure mail traffic, receiving encrypted ZIP files) are carried out. External service providers are generally not required to attend BayernLB's information security training courses, as compliance with information security requirements is contractually agreed as standard, including the acquisition of the necessary information security skills.

The above tools, methods and measures are embedded in BayernLB's information security management system and serve in their entirety to strengthen and maintain BayernLB's cyber resilience in the long term.

*Further information on the Internet:* 

### Code of Conduct

Homepage of BayernLB: Data protection

Data protection information for customers of BayernLB and other data subjects

Data protection information for suppliers/service providers and other third parties of BayernLB

SDG 12 SDG 16.a SDG 16.3 SDG 16.10

# GRI 418-1 (2016) Substantiated complaints concerning breaches of customer privacy and losses of customer data

In the year under review, there were no complaints relating to breaches of customer data protection and loss.

Complaints regarding breach of protection and loss of				
customer data	2021	2020	2019	2018
Number of substantiated complaints	-	-	-	-

#### **GRI 419 (2016) Socioeconomic Compliance**

GRI 419 (2016) - 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Socioeconomic compliance"

In the materiality analysis (updated in 2022), the topic "Contribution to the regulatory framework" was defined as material according to GRI for BayernLB and its stakeholders.

The framework for socio-economic compliance is provided by the Code of Conduct: "BayernLB and its employees regard acting in a lawful, ethical and responsible way as a fundamental and essential part of their personal, corporate and social responsibility. Breaches of law and ethics are unacceptable to us. [...] An absence of trust in the integrity and reliability of our Bank would remove the most important basis of sustainable business success."

In accordance with MaRisk AT 4.4.2, the MaRisk compliance function is responsible for identifying and analysing the key legal regulations and requirements, non-compliance with which may lead to a risk to the institution's assets.

BayernLB defines compliance risk as follows: "Compliance risk is part of legal risk and includes the risk of losses to the Group as a result of non-compliance with applicable legislation. This does not include violations of contractual agreements or internal rules. Compliance risk is characterized by actions or omissions in breach of duty that lead to sanctions - in particular in the form of fines or claims for damages. No compliance risk is the risk of loss as a result of inappropriate conduct in the provision of banking or financial services (conduct risk)."

BayernLB carries out a risk analysis in the area of MaRisk compliance once a year. In the corresponding annual report, the function addresses the adequacy and effectiveness of the arrangements for complying with the material legal rules and requirements. For further information, see GRI 102-17.

# GRI 419-1 (2016) Non-compliance with laws and regulations in the social and economic area

SDG 16.3

During the period under review, no significant fines or non-monetary sanctions were levied or imposed on the Bank for non-compliance with laws and/or regulations in the social and economic field.

Non-compliance with laws and/or regulations in the				
social and economic field	2021	2020	2019	2018
Total/number of fines/non-monetary sanctions	-	-	-	-



# **GRI FS Financial Services - Industry-specific Disclosures for the Financial Service Sector**

#### **Product Portfolio**

**EMAS** 

### GRI FS 1 to GRI FS 8 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Product portfolio"

BayernLB's integration of sustainability aspects into its product portfolio is governed by various guiding documents.

The Environmental Policy states: "We understand that protecting the environment can harbour both chances and risks for our customers. The analyses and assessments of ecological chances and risks are factors we consider when making operational decisions."

To this end, the Sustainability Policy further explains: "Because we integrate social and environmental aspects into our financing and capital market products, both we and our customers weigh the risks and opportunities that come with such global challenges as climate change and dwindling resources and thus make an active contribution to a sustainable development. In addition to setting and continuously improving basic social and ecological standards for our financing and capital market transactions, we set out to serve companies and projects that explicitly tackle these global challenges through, for instance, renewable energy."

Further in the Code of Conduct: "Our Bank, our products and our services are characterized by transparency, professionalism and seriousness. Sustainable financial solutions are important to us. Because we integrate social and environmental aspects into our financing and capital market products, both we and our customers weigh the risks and opportunities that come with such global challenges as climate change and dwindling resources and thus make an active contribution to a sustainable development."

In the materiality analysis (updated in 2022), the topic of "Sustainable finance solutions" was defined as material according to GRI for BayernLB and its stakeholders.

Against this backdrop, sustainable banking and corresponding financial solutions at BayernLB encompass the following areas:

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

In the Sustainability Strategy, these principles are combined into an overall concept. The main points are: "Our business model is actively guided by sustainability considerations. With a view to our core business, we are further expanding our understanding of sustainable benefits (ESG Impact) and sustainable risks and we manage BayernLB's portfolio with this in mind. We have undertaken to significantly increase the share of ESG-compliant financing. We also take into account carbon emissions. Financing and investments whose term extends past 2040 comply with the CO2 emissions assigned in the German Climate Change Act (Klimaschutzgesetz - KSG). Striv-

ing to make our portfolio climate-neutral before 2050 squares with the climate goals of the German government, the EU and the goals of the Free State of Bavaria, that we stand staunchly behind the Paris Agreement. By the end of 2023 we will also markedly increase the ESG-compliant share of our portfolio. This in turn will also boost the Bank's Green Asset Ratio monitored by the supervisory authorities.

We want to help our corporate clients prepare for these changes actively and in good time. At the same time, we want to be a top partner when it comes to financing investments for the climate-neutral transformation of our customers' business models. We underscore this step by setting a level of ambition for the increasingly climate-neutral alignment of our credit portfolio and higher requirements for transparency on opportunities and risks in relation to sustainability at our customers. Our current priority is generating a green finance portfolio that is as comprehensive as possible, to act as a foundation for issuing sustainable products. Since the existing requirements, such as the EU Taxonomy, are currently still evolving, the Bank's ESG criteria for the real estate business are continually being refined. The goal is to create a comprehensive ESG framework that enables the Bank to establish CO2- weighted RWA management and to generate funding via green bonds in combination with green loans.

In asset finance and corporate finance, we assist our customers with project and special financing with terms of 20 years and longer, including leasing if required. Our sustainability and ESGlinked loans tie the conditions of the financing to the borrower's sustainability performance. We provide green loans to directly finance investment in environmental protection and climate change mitigation. An additional focus is sustainable subsidy programmes, in which we bundle our expertise in subsidy programmes and sustainability and support the entire transaction. In the capital market we focus strongly on helping corporate clients and special customers conduct capital market transactions with sustainable products and services. We provide the entire spectrum of debt capital products with green, social and sustainable bonds and Schuldschein note loans (SSD), and support customers from structuring to creating a framework and commissioning a second party opinion to placement. We support sustainable real estate and structured finance with interest rate derivatives. Emissions trading is a central instrument of international climate change mitigation policy and BayernLB makes its longstanding experience in emissions trading available to corporate clients, supporting them with tried and tested products, such as certificates. Furthermore, we will increase our range of sustainable investment products that we use partly to sustainably refinance selected asset pools. Regular emissions of green and social bonds already allow investors to participate in financing projects to promote climate and environmental protection and build homes and social facilities. We act as sales partners for special funds and special AIF strategies, giving investors the opportunity to invest in sustainable investments, preferably in Germany, Austria and France. As part of its 360° real estate expertise, BayernLB, in conjunction with its real estate service providers, also provides a closely meshed product offering, ranging from advice on energy-efficiency upgrades to sustainable valuation, to green financial products also incorporating state subsidies, to institutional investment in green assets. BayernLB has set medium-term goals for sustainable real estate finance. By 2024, the share of ESG-compliant loans and credit lines in new business will be doubled.

In the real estate business we are increasing the financing of sustainable projects across all asset classes, such as office, retail, residential, logistics and management properties, focusing on the

German and selected, established, international markets. We incorporate sustainable finance into project and commercial finance (short-term to long-term) - encompassing state-subsidised loans and in conjunction with syndicate banks and savings banks. Specialised services along the entire value chain [...] supplement our product offering. As the central bank to the Bavarian savings banks, we assist the savings banks and their customers reliably and competently, in a period of necessary structural change towards more sustainability, with a tailored product and service offering. With the growing range of sustainable products and services, we also want to support the savings banks in achieving their own sustainability goals. Public-sector development institutions are increasingly focusing their subsidy programmes on sustainability. Systematic advisory services on these sustainable subsidy programmes mean BayernLB's state-subsidised business contains a continually increasing share of sustainable development loans.

A key aspect of our sustainable financial solutions is setting and refining minimum social and environmental standards for financing and capital market transactions. With competitive ESG products and services and a holistic approach to supporting our customers, we want to make a major contribution to their and ultimately society's transformation and innovation."

In order to operationalise the concepts from the Sustainability Strategy cited above, BayernLB has anchored goals and measures in its Sustainability Programme as from 2021 that are to be addressed and implemented in the coming years. The following goals and measures are relevant to the product portfolio, among others, and others are referred to in other standards (for more information on the Sustainability rogramme and a general (status) overview, see GRI 102-15):

- Survey of sustainability of new lending business in % (the survey takes place quarterly and is communicated transparently to the bank as a key figure of the progress dashboard).
- Development of an extension of the previous control methodology to include the control variable CO2
- Further and new development of the product range towards selected sustainable products with ESG components (planning has already started for some products, others are still pending):
  - Identification of product approaches to sustainability products (accompaniment of capital market transactions + loans)
  - Launch of one new ESG product each for the Real Estate, Corporates, Markets & Treasury divisions
  - Expansion of the range of sustainable investment products

BayernLB's (existing) sustainable financial solutions, current products and services and the reporting on them are discussed in detail in GRI 102-2.

Further information on the Internet:

BayernLB's Sustainability Strategy

BayernLB's Environmental Policy

BayernLB's Sustainability Policy

Code of Conduct

#### Homepage of BayernLabo

EMAS SDG 10.5 PRB 3.1 PRB 3.2

### GRI FS 1 (2013) Policies with specific environmental and social components applied to business lines

The management of sustainability issues is a cross-sectional task with interfaces to several Group units and almost all corporate divisions. The role of Sustainability Management is anchored in the Sustainability Executive Unit. The central task is to design and develop the necessary structures and processes (especially policies, standards and guidelines). It is also the centre of competence for fundamental issues relating to transaction evaluations according to ESG criteria and, through the integration of the Reputational Risk Management, prepares the evaluations/votes for requesting units at BayernLB Bank "with one voice" (for a process description, see GRI FS 2).

The aim is to create a framework for all of BayernLB's business activities, in particular the assessment of business relationships and transactions, by means of a clear positioning and the specification of guidelines that are as specific as possible.

The framework for this is provided by central documents:

Code of Conduct: "We also consider sustainability issues when looking at (business) transactions. Our actions, as well as our business relationships and transactions, are always guided by ethical principles and sustainability aspects. We ensure that these are compatible with the relevant international environmental, ethical and social standards we have signed up to."

Sustainability Policy: "National and international agendas like the United Nations Sustainable Development Goals provide guidance to us. We pursue our goals in compliance with all legal regulations and in express consideration of all human rights, whereby, as far as BayernLB is concerned, these requirements pose bare minimum standards."

This is further specified in the Sustainability Strategy: "A key aspect of our sustainable financial solutions is setting and refining minimum social and environmental standards for financing and capital market transactions. The general perception of sustainability is currently governed by the 17 global Sustainable Development Goals of the UN Agenda 2030 and the climate goals of the Paris Agreement. BayernLB also takes into account the Bavarian Sustainability Strategy and the objectives of the EU Taxonomy Regulation and its standards where already established."

Guiding Principles for Transformation: With this document, BayernLB published its standards and guidelines, in particular its internal policies for particularly sensitive sectors and topics (armaments, coal, nuclear power, oil & gas, forest, food, gambling, offshore), in unabridged form externally for the first time in December 2021. In addition to publishing its policies, BayernLB also takes a position on key social challenges in its Guiding Principles and formulates its understanding of itself and its values as well as general ethical, environmental and social standards. The standards and policies are reviewed regularly (at least every two years) on the basis of new (scientific) findings to determine whether they need to be adapted. This is the responsibility of the Sustainability Executive Unit (focus on environmental/social issues) and Group Compliance (focus on governance) with corresponding Board of Management responsibility for approval. For example, the Armaments and Weapons Policy was revised at the end of 2020 in view of the changed

orientation of both the Bank and the requirements of its stakeholders, and the Coal Policy was updated in 2021. All BayernLB policies were adopted by the Board of Management. For all content, direct reference is made to the Guiding Principles for Transformation, the latest version of which is published on BayernLB's website. In general, BayernLB's Sustainability Programme as from 2021 is based on the German government's transformation path for German industry by sector and therefore also includes a regular review and, if necessary, adjustment of the policies (for more information on the Sustainability Programme, see GRI 102-15).

*Further information on the Internet:* 

BayernLB's Sustainability Strategy

BayernLB's Environmental Policy

BayernLB's Sustainability Policy

Code of Conduct

**Guiding Principles for Transformation** 

### GRI FS 2 (2013) Procedures for assessing and screening environmental and social risks in business lines

EMAS SDG 10.5 PRB 5.3

In the materiality analysis (updated in 2022), the topic "Handling of environmental and social risks" was defined as material according to GRI for BayernLB and its stakeholders.

The handling of risks is described in general terms in BayernLB's Code of Conduct: "Our risk culture promotes the identification and targeted handling of risk, with decision-making processes that achieve balanced outcomes not least from a risk point of view. An effective control system is a major element of our (risk)management system. The Board of Management is responsible for installing, and the managers for organising, a functioning internal control system for their areas of responsibility that is based on the "three lines of defence" principle. As a learning organisation, BayernLB views mistakes and weaknesses as opportunities for improvement."

In the Sustainability Strategy, this is detailed in relation to ESG issues: "Taking the same view as the banking supervisory authorities, we do not manage ESG risks as a distinct risk type, instead we regard them as a risk driver for the already familiar risk types (credit risk, market risk, liquidity risk, etc.). In the next few years, we will further expand our holistic approach to identifying and managing ESG risks. To achieve this goal, we will constantly develop the methods, procedures, support tools and processes required for this, obtain the requisite data of sound quality and continue to build up ESG know-how along the entire value chain and along the three lines of defence models. We include both the operating model (inward-looking) and the business model (outward-looking) in this. We therefore examine the operating model for any ESG risks and refine it if required. In specific scenario analyses (e.g. climate stress test), we evaluate potential development paths and their impact on the sub-portfolios, and derive recommendations for action. We enter into new business (new customers/new transactions) after carefully weighing the risk and profitability, taking account of the established exclusion criteria and the various policies. ESG

impact/risk considerations will also feature more strongly in future decisions with regard to the planned portfolio restructuring.

The availability of well-founded data and comprehensive data management is essential to record and assess risks and opportunities. To this end, we have created an ESG Assessment Tool, which is continually adjusted to reflect growing analysis and reporting requirements. This enables us to assess the sustainability risks associated with the business relationship and the positive effect of financing on achieving climate and sustainability goals (impact), and thus also make them transparent for our customers."

The following process is established: BayernLB considers and assesses social, environmental and reputational risks as part of an overall process. If a (planned) business activity (potentially) falls within the scope of existing ESG standards and policies relating to environmental or social issues (see GRI FS 1 and Guiding Principles for Transformation), or is potentially subject to social and/or environmental or reputational risks, the business activity must first be examined in more detail by the person responsible for the matter. If (potential) social and/or environmental risks are identified, a forwarding to the Sustainability Executive Unit (which combines the roles of Sustainability Management and Central Reputational Risk Management (CRRM)) for further review and application of the standards and policies and final evaluation is possible.

In the case of identified (potential) reputational risks, the responsible Decentralised Reputational Risk Manager (DRRM) must be involved in order to support the necessary active reputational risk management. The person responsible and the DRRM jointly determine the severity of the reputational risk with the aid of a standardised form, document the facts in writing and decide whether to follow up (with adjustment if necessary) on the business activity. If a medium or high risk is identified, a statement must be obtained from the CRRM/Sustainability Executive Unit. The latter can, among other things, draw on external data sources. The opinion may be a release, a release with conditions or a prohibition. In the event of a high risk, a decision must also be taken by the Board of Management.

Irrespective of whether a social, environmental or even a reputational risk is identified, the Chief Sustainability Officer has the fundamental right to issue instructions to cancel, terminate or prohibit business activities.

The introduction of the database-supported ESG Assessment (ESGA) (see above and also in GRI 102-17), which also includes the assessment of reputational and eco-social risks, enables automated documentation and an improved workflow. In the (at the time of writing) current ESGA, the valuation of real estate, project and corporate financing is technically possible. In addition to the reputational risk module (incl. eco-social risks), the ESGA contains two further modules for ESG-relevant topics. In the ESG risk module, the front office and back office assess on a four-eye basis whether environmental, social or governance issues could have a negative impact on the ability to service debt, the probability of default or the creditworthiness of the customer. In this way, ESG risks are recorded qualitatively by means of business area-specific guiding questions. In the ESG Impact Module, front office colleagues assess on a four-eye basis whether the financing contributes to sustainable development and has a positive impact on the achievement of climate and sustainability goals.

The Sustainability Executive Unit carries out regular spot checks and evaluates the quality of the stored modules and, if necessary, offers assistance in improving the quality of the content.

For the handling of the ESGA, detailed training and information documents are available to all employees (via framework instructions, process description, etc.) in German and English. For the introduction of the ESGA, training courses were held for all market and back office colleagues concerned. They are still available as a recording. In addition, multipliers act as an active link for each business area

In general, BayernLB has anchored compliance with, further development of and management of high environmental, social and ethical standards in (earmarked) financing and capital market transactions in its Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15).

*Further information on the Internet:* 

BayernLB's Sustainability Strategy

Code of Conduct

## GRI FS 3 (2013) Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions

SDG 10.5

Monitoring processes are provided for in the Code of Conduct as follows: "We are actively and thoroughly committed to the challenges of sustainable development and heed our responsibility by taking ecological, economical and social aspects into account along the entire value chain. [...] We also consider sustainability issues when looking at (business) transactions. Our actions, as well as our business relationships and transactions, are always guided by ethical principles and sustainability aspects. We ensure that these are compatible with the relevant international environmental, ethical and social standards we have signed up to."

The Sustainability Policy specifies this accordingly: "The integration of social and environmental aspects into our financing and capital market products offers our clients and us the opportunity to comprehensively consider risks and opportunities arising from global challenges such as climate change and the scarcity of resources and thus make an active contribution to sustainable development. In addition to setting and further developing basic social and ecological standards for financing and capital market transactions, we set out to serve companies and projects that explicitly tackle these global challenges through, for instance, renewable energy."

In accordance with these requirements, customers are intensively screened at the Bank, see Code of Conduct: "We check the identity, integrity and credit standing of our clients and business partners. We conduct regular due diligence to ensure we are not being used for unlawful business practices such as the financing of terrorism, money laundering or other criminal acts; Our actions, as well as our business relationships and transactions, are always guided by ethical principles and sustainability aspects. We ensure that these are compatible with the relevant international environmental, ethical and social standards we have signed up to."

With reference to the policies mentioned in GRI FS 1 and in the Guiding Principles for Transformation, the Sustainability Strategy specifies: "We enter into new business (new customers/new transactions) after carefully weighing the risk and profitability, taking account of the established exclusion criteria and the various policies. In joint products (e.g. syndicated loans, letters of credit), we actively ensure that our customers comply with BayernLB's policies."

The monitoring of this compliance varies depending on the customer, the product and the contractual arrangement. For example, BayernLB takes the Equator Principles into account in all relevant financing where the intended use is known. These are based on the environmental standards of the World Bank and the social standards of the International Finance Corporation, a subsidiary of the World Bank. The Equator Principles define comprehensive requirements for the protection of the environment and the observance of labour and human rights, for example in large infrastructure projects.

As Germany has very comprehensive legal regulations with regard to the responsible handling of the environmental and social impacts of projects, the minimum standard for project financing in Germany is to verify compliance with the relevant national legislation. A more extensive review with regard to international standards, e.g. the above mentioned Equator Principles, is possible on a case-by-case basis. For further information, see GRI FS 1 and 2.

*Further information on the Internet:* 

Homepage of BayernLB: Memberships and commitments

**Guiding Principles for Transformation** 

EMAS SDG 4.7 SDG 10.5 UN GC 1

### GRI FS 4 (2013) Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

BayernLB's Code of Conduct sees training as a joint responsibility of employees and the Bank: "In a world that never stands still, the commitment of our employees to life-long learning is a key success factor. We provide appropriate opportunities for further training and professional development." (for general information on training at BayernLB, see GRI 404).

In particular, the conventional understanding of what a financial institution must achieve or offer in terms of services is undergoing a transformation with Sustainable Finance, and the orientation towards sustainability is also gaining in importance in operations. In order to sensitise its employees, managers and board members to sustainability in the business model and company and to be able to consolidate and expand its position in the financial sector in the future, BayernLB has included in its Sustainability Programme as from 2021 (for more information on the Sustainability Programme, see GRI 102-15) not only a general commitment to increase the understanding of sustainability issues through regular training, but also more specifically that a training budget or training days for ESG issues should be made available by the end of 2023. In addition, a training concept on ESG topics is to be developed and introduced for all employees by the end of 2022. To this end, an internal training series was started at the beginning of 2022. In four modules (introduction to ESG, sustainability risks, sustainable portfolio, diversity), employees have the possibility to receive further training on a voluntary basis. The offer was very well received at

the time of writing and will be included in detail in the reporting for 2022. Furthermore, account managers in the Corporates and Markets division are being prepared for the ESG dialogue with corporate clients with an additional training series in order to bring the topic of sustainability to the centre of the dialogue. The training courses were launched at the beginning of 2022 and will be fully implemented by the end of 2022. In addition, the completion of ESG certificates with an external provider for sales staff is planned for 2022. Already firmly anchored in the continuing education programme are online training courses that all employees must attend regularly on the topics of the General Equal Opportunity Act (AGG), data protection, anti-money laundering/anti-fraud, capital market compliance, information security and risk culture. At the end of 2021, additional ESG topics were integrated into the risk culture training. Employees are now also trained on the common understanding of sustainability, the Sustainability Strategy, sustainability risks and reputational risk management.

For the newly introduced ESG Assessment (review of business transactions according to ESG and reputational risk aspects), employees of the market and risk units concerned are trained on an ongoing basis; in addition, training materials and video recordings of training sessions are made available via the Intranet (for further information, see GRI FS 2).

### GRI FS 5 (2013) Interactions with clients/investees/business partners regarding environmental and social risks and opportunities

EMAS SDG 17.17 UN GC 8 PRB 3.1

In the materiality analysis (updated in 2022), the topic "Handling of environmental and social risks" was defined as material according to GRI for BayernLB and its stakeholders.

BayernLB discusses environmental and social risks and opportunities both within relevant associations (see GRI 102-12 and 13) and with individual customers and business partners.

To this end, the Sustainability Policy provides a guideline: "In prioritising our areas of action and setting ambitious standards, we take account of the needs and requirements of our stakeholders, whom we seek to bring into the conversation. Whenever our partners have conflicting interests, we work to strike a fair balance between these. National and international agendas like the United Nations Sustainable Development Goals provide guidance to us."

Specifically, according to the Sustainability Strategy, this means: "We work closely with companies from the real economy and financial sector and are committed to promoting and disclosing transparency with regard to relevant sustainability criteria and key performance indicators. In cooperation with political decision makers, sector leaders, customers, NGOs and other stakeholders, we promote the transition to a sustainable and low-emission economy and support changes in behaviour to achieve this. We help our customers to prepare for these changes actively and in good time and want to be a top partner in financing the transformation of their business models and/or of innovations in relation to sustainability. As such we make an active contribution to sustainable development. We consistently place our customers at the heart of our activities, drawing on longstanding customer relationships and an all-round consulting approach along our customers' needs. Corporate responsibility for more sustainable business plays an ever more important role. We see our role as helping our customers on their path to transformation. That

means that we remain a reliable partner while they transition to more sustainable business practices."

The aim is to gain an even better and more comprehensive understanding of customers' business models and needs. The Bank wants to discuss trends and future topics with them at eye level and accompany them in the further development and transformation of their business models. Taking into account the sector-specific challenges, BayernLB aims to provide the best possible support for its customers on the transformation path.

In this way, the Bank aims to make sustainability a standard topic in its customer dialogue. The different stages of development of the customers with regard to sustainability are taken into account. As a result, BayernLB supports its customers in their transformation towards greater sustainability as a partner, advisor and #progressfinancier.

For further information regarding ESG-Advisory see GRI 102-12; on interaction with and involvement of stakeholders, see GRI 102-43 and 44.

#### SDG 8.10 SDG 9.3

### GRI FS 6 (2013) Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector

For the breakdown of the portfolio, please refer to BayernLB's financial reporting. Detailed information on this is provided, for example, in the Individual Financial Statement 2021 (only available in German) on page 47. For information on the business model, see GRI 102-2; for information on the markets served, see 102-6.

Further information on the Internet:

Individual Financial Statement 2021 (only available in German)

#### SDG 11.1 PRB 3.2

### GRI FS 7 (2013) Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose

The Sustainability Strategy sets out the following for capturing the social and environmental benefits of products and services: "The availability of well-founded data and comprehensive data management is essential to record and assess risks and opportunities. To this end, we have created an ESG Assessment Tool, which is continually adjusted to reflect growing analysis and reporting requirements. This enables us to assess the sustainability risks associated with the business relationship and the positive effect of financing on achieving climate and sustainability goals (impact), and thus also make them transparent for our customers. We also expect the ESG Assessment to provide information for portfolio management and/or portfolio development and for the dynamic development of transactions within our framework for sustainable capital market business. Transparency is a key factor for our governance and for the confidence of all stakeholders. When it comes to our business, we will make the ESG impact and the ESG risks at the sector, country, sub-portfolio and existing individual customer level even more transparent and will develop relevant key risk indicators."

BayernLB's Sustainability Programme as from 2021 also stipulates the establishment of SDG mapping by the end of 2022 to increase the transparency of the impact in the portfolio. A systematic implementation was started at the beginning of 2022 (for more information on the Sustainability Programme, see GRI 102-15).

Within BayernLB, BayernLabo is responsible for housing promotion business and reports on this in detail in its Annual Report. For more information, see GRI 203 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Indirect economic impacts".

In general, BayernLB provides an overview of its other sustainable products within the Non-Financial Report 2021 (p. 300). For more information, see also GRI FS 1 to GRI FS 8 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for the "Product portfolio" and GRI 102-2. The Sustainability Programme also states that BayernLabo continues to promote the energy-efficient refurbishment of rented housing as part of the Bavarian Modernisation Programme and the Energy Loan for Municipalities in Bavaria programme.

BayernLB's sustainable financial solutions, current products and services and the reporting on them are discussed in detail in GRI 102-2.

*Further information on the Internet:* 

BayernLB's Sustainability Strategy

BayernLabo Annual Report 2021

## GRI FS 8 (2013) Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose

BayernLB has been committed to the UN Global Compact since September 2021. It states: "Businesses should encourage the development and diffusion of environmentally friendly technologies."

The corresponding procedure is formulated in the Sustainability Strategy: "We also take into account carbon emissions. Financing and investments whose term extends past 2040 comply with the CO2 emissions assigned in the German Climate Change Act (Klimaschutzgesetz - KSG). Striving to make our portfolio climate-neutral before 2050 squares with the climate goals of the German government, the EU and the goals of the Free State of Bavaria, and is a clear statement that we stand staunchly behind the Paris Agreement. A focus in the coming years is therefore on establishing and expanding information availability and systems. To this end we have joined the renowned PCAF initiative acting on scientific and industry-based data and are also in discussion with the RSU regarding ESG data and its measurement. Parts of the portfolio that ultimately do not make a positive contribution to the 1.5 degree target in the Paris Agreement will have to be offset in future using compensation models or pricing solutions.

Our business model is actively guided by sustainability considerations. With a view to our core business, we are further expanding our understanding of sustainable benefits (ESG Impact) and sustainable risks and we manage BayernLB's portfolio with this in mind. We have undertaken to

SDG 13.1 SDG 14 SDG 15 UN GC 9 PRB 3.2 significantly increase the share of ESG-compliant financing. We will achieve this by increasing the sustainable impact primarily in accordance with the EU Taxonomy and by developing adequate risk management with the goal of establishing a well diversified and manageable ESG risk profile. By the end of 2023 we will also markedly increase the ESG-compliant share of our portfolio. That means financing with a contribution to the Free State of Bavaria's sustainability goals, but especially financing for Taxonomy-compliant business activities, will rise considerably compared to the starting point identified (zero measurement). This in turn will also boost the Bank's Green Asset Ratio monitored by the supervisory authorities."

BayernLB's Sustainability Programme as from 2021 also sets out the ongoing goal of increasingly financing companies and projects that help to address social challenges such as climate change and the energy transition (for more information on the Sustainability Programme, see GRI 102-15).

Within BayernLB, BayernLabo is responsible for housing promotion business and reports on this in detail in its Annual Report. For more information, see GRI 203 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Indirect economic impacts".

The BayernLB Sustainbale Financing Framework has its own detailed reporting for the corresponding products that fall under this framework. This is published on BayernLB's website. In general, BayernLB provides an overview of its other sustainable products within the Non-Financial Report 2020 (p. 300). For more information, see also GRI FS 1 to GRI FS 8 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for the "Product portfolio" and GRI 102-2.

In the Non-Financial Report 2021, BayernLB also complied for the first time with the disclosure requirements of the EU Taxonomy Regulation (short version for: EU Taxonomy Regulation VO (EU) 2020/852). The contents reported there are included here and expanded with detailed explanations of the key figures (the reporting of the Green Asset Ratio is also generally anchored in BayernLB's Sustainability Programme as from 2021 (for further information on the Sustainability Programme, see GRI 102-15).

The aforementioned regulation came into effect on 12 July 2020. The objective of this action plan is to reorient capital flows towards ecologically sustainable activities. The EU Taxonomy Regulation is supplemented by the Delegated Act on climate taxonomy (C(2021) 2800 final) and the Delegated Act on the disclosure obligations of the EU Taxonomy Regulation (C(2021) 4987 final). The BayernLB Group is implementing the disclosure requirements arising from the EU Taxonomy Regulation.

This will mean that the companies concerned will disclose in their non-financial reporting information on how and to what extent their activities are associated with environmentally sustainable economic activities that can be classified as ecologically sustainable. Credit institutions will initially benefit from a facilitation measure in financial years 2021 and 2022 with regard to their reporting obligations. Only the proportion of the transaction that is taxonomy-eligible (eligible asset ratio, ratio no. 1), supplemented by non-financial and revenuebased ratios, will initially need to be reported to classify the total assets eligible for taxonomy. From the reporting date of

31 December 2023 it will be necessary to disclose further information, including the proportion of a transaction that is taxonomy-compliant (the green asset ratio).

Where the counterparty is a non-financial or financial undertaking, the EU Taxonomy Regulation permits positions to be taken into account to determine the proportion of the transaction that is taxonomy-eligible only if the counterparties are subject to a non-financial reporting obligation (NFRD obligation). The European Commission's FAQs of 20 December 2021 stipulate that the proportion of the transaction that is taxonomy-eligible is to be derived with the help of EU taxonomy ratios published by the aforementioned non-financial or financial undertakings.

As disclosure pursuant to Article 8 of the EU Taxonomy Regulation comes into effect for the first time for the reporting date as at 31 December 2021, no information is available for the aforementioned non-financial or financial undertakings. These positions are therefore weighted as having a taxonomy-eligibility of 0 percent and included in the proportion of positions that are not taxonomy-eligible (ratio no. 2).

The proportion of taxonomy-eligible positions (ratio no. 1) includes loans to private households that are, for instance, secured by residential property and also loans to local government (including those under the federal government's and federal states' development programmes).

Total assets amount to EUR 267.4 billion (denominator of the indicators).

The ratios below, to be disclosed pursuant to Article 8 of the EU Taxonomy Regulation, stood as follows as at 31 December 2021:

No. Ratios to be disclosed pursuant to Article 8 of the EU Taxonomy Regulation as at 3 2021		
1	Share of exposures eligible for taxonomy	6,9 %
2	Share of exposures not eligible for taxonomy	19,8 %
3	Share of exposures to central governments, central banks and supranational issuers	8,6 %
4*	Share of derivatives	0,2 %
5	Share of exposures to undertakings not obliged to publish according to NFRD	43,7 %
6	Share of trading portfolio	3,3 %
7	Share of interbank loans that can be called up as required	11,9 %

<sup>\*</sup>Share of derivatives that are not classified as HFT according to IFRS (hedge accounting)

The narrow methodological specifications of the EU taxonomy for determining positions eligible for taxonomy (ratio no. 1), one of these being the restriction to positions vis-à-vis customers subject to an obligation under NFRD, mean that BayernLB's sustainable loans for purposes such as renewable energy and sustainable mobility are not included in ratio 1. BayernLB therefore agrees with the criticism of the requirements because they run counter to the original intention, i.e. to show how much e.g. taxnomic compliant renewable energies were financed.

More detailed explanations of the individual key figures are provided below:

• Indicator 1 "Share of exposures eligible for taxonomy": Indicator 1 comprises the exposures for which taxonomy compliance is to be examined from the 2023 reporting year onwards and thus represents the population of potentially taxonomy-compliant exposures. The determination of the taxonomy eligibility of an exposure is generally dependent on the type of counterparty, whereby a distinction is made between non-financial institutions, financial institutions,

local governments and private households. In addition, assets available through the realisation of real estate collateral are taken into account in ratio 1.

If the counterparty is a (non-)financial institution, Article 7(3) of the Delegated Act on the disclosure obligations of the Taxonomy Regulation only allows assets to be taken into account for taxonomy eligibility if the counterparty falls under the NFRD obligation. This restriction leads to a significant reduction in the proportion of taxonomy-eligible assets.

For positions vis-à-vis non-financial corporations, in accordance with Annex V, 1.2.1.1.1. and 1.2.1.1.2. of the Delegated Act on disclosure obligations, the taxonomy eligibility of a position is derived from the sector information of the respective counterparty and the resulting allocation to an economic activity using the Delegated Act on EU climate taxonomy.

For positions vis-à-vis financial undertakings, Annex V, 1.2.1.2. of the Delegated Act on disclosure obligations requires a valuation of the positions with the help of the key figures published by the respective financial undertaking within the scope of the EU taxonomy disclosure obligations. Due to the first-time disclosure on the reporting date of 31 December 2021, such ratios are not available; positions vis-à-vis financial institutions are valued with 0% taxonomy eligibility and contribute to a reduction of ratio 1.

The delimitation of taxonomy-eligible exposures to local governments and households is based on Annex V, 1.2.1.3 and 1.2.1.4 of the Delegated Act on disclosure obligations.

- Indicator 2 "Share of exposures not eligible for taxonomy": Indicator 2 includes exposures that do not fulfil the criteria relevant for indicator 1 depending on the type of counterparty and are also not to be allocated to the so-called deduction positions in the numerator of indicators 3 7.
- Indicator 3 "Share of exposures to central governments, central banks and supranational issuers": In accordance with the FAQ published by the European Commission on 20 December 2021, a narrow definition of the term "central governments" is assumed for ratio 3, which means that exposures vis-à-vis regional and local governments are not included in the numerator of ratio 3. In addition to exposures to central governments, the numerator of indicator 3 includes exposures to central banks and supranational issuers.
- Indicator 4 "Share of derivatives": Indicator 4 only includes derivatives in the banking book in order to avoid a partial duplication of exposures in Indicator 4 and Indicator 6.
- Ratio 5 "Share of exposures to undertakings not obliged to publish according to NFRD": Non-NFRD-obligated entities are exempted from the assessment necessary for the derivation of tax-onomy eligibility in accordance with Article 7(3) of the Delegated Act on disclosure obligations; risk positions vis-à-vis non-NFRD-obligated counterparties are to be disclosed in ratio 5. For ratio 5, the NFRD obligation of the counterparty is derived using the country of domicile, type of counterparty, number of employees, total assets, turnover and capital market orientation of the counterparty in accordance with Article 19a and Article 29a, Directive 2013/34/EU. In the case of a group, a single company view is taken: In the case of a non-NFRD-obligated subsidiary in an NFRD-obligated group, there is no inheritance of the NFRD obligation to the subsidiary. A group subsidiary that is in principle subject to NFRD, which makes use of the group exemption and for this reason does not prepare its own non-financial statement, is considered to be subject to NFRD due to the fulfilment of the requirements regarding the country of domicile, type of counterparty, number of employees, balance sheet total, turnover and capital market orientation.

- Indicator 6 "Share of trading portfolio": The numerator of indicator 6 is delimited by BayernLB's trading portfolio.
- Indicator 7 "Share of interbank loans that can be called up as required": Indicator 7 includes in the numerator the receivables from credit institutions with daily maturity or receivables from credit institutions repayable on demand.

*Further information on the Internet:* 

BayernLB's Sustainability Strategy

BayernLabo Annual Report 2021

<u>Combined Non-financial Report of the BayernLB Group for 2021 (Annex to the Annual Report p.</u> 310)

BayernLB Sustainable Financing Framework

#### **Audit**

### GRI FS 9 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Audit"

EMAS SDG 10.5 UN GC 1-10

With regard to its business model, BayernLB considers external auditing of its environmental management in particular to be a suitable measure for establishing a continuous improvement process in this area.

This is set out in the Sustainability Policy: "These high ecological standards, which we apply to our sales activities, also apply to us as bank. For one thing, we keep optimising our in-house operations as part of our environmental management system, which has been certified under the strict EU Eco-Management and Audit Scheme, or EMAS."

BayernLB established an Environmental Management System more than 20 years ago, which has been validated annually since 1999 in accordance with the demanding European EMAS regulation. The EMAS Regulation requires organisations to identify and evaluate their significant direct and indirect environmental aspects. In addition, the Environmental Management System has been certified according to the international standard ISO 14001 since 2011. Currently, more than 90 percent of all BayernLB Bank employees work at certified locations. BayernLB publishes an annual Environmental Statement in accordance with the EMAS standard, which is integrated into this Sustainability Report in accordance with GRI from this reporting year (2021). The contents are mainly to be found in 300 "Environmental"; the contents audited in accordance with EMAS are marked with the green "EMAS" marginalia.

ESG policies and assessment procedures relevant to the Bank's products and services are described in FS 2 and FS 3. The Sustainability Executive Unit carries out ongoing checks in this regard, which are carried out and documented directly in the relevant data system.

*Further information on the Internet:* 

#### Homepage of BayernLB: Sustainability Reporting

#### **Guiding Principles for Transformation**

#### **EMAS**

### GRI FS 9 (2013) Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures

For all information, see GRI FS 9 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Audit".

#### **Active Ownership**

## GRI FS 10 to GRI FS 12 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Active ownership"

These indicators relate to organizations engaged in asset management that have voting guidelines. However, this Sustainability Report only relates to BayernLB Bank (including BayernLabo, see GRI 102-2).

### GRI FS 10 (2013) Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues

For all information, see GRI FS 10 to GRI FS 12 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Active ownership".

### GRI FS 11 (2013) Percentage of assets subject to positive and negative environmental or social screening

For all information, see GRI FS 10 to GRI FS 12 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Active ownership".

### GRI FS 12 (2013) Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting

For all information, see GRI FS 10 to GRI FS 12 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Active ownership".

#### **Community**

### GRI FS 13 to GRI FS 14 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Community"

BayernLB's commitment to the local community/local community is described in detail in GRI 413.

SDG 1.4 SDG 8.3 SDG 8.10 SDG 9.3 SDG 10.2 SDG 11.1

#### GRI FS 13 (2013) Access points in low-populated or economically disadvantaged areas by type

BayernLB is one of the leading commercial banks for large and medium-sized customers in Germany and, in this sense, does not engage in retail banking with a need for branches, ATMs, sales outlets, etc. (for more information on the business model, see GRI 102-2; for branches/operating locations, see GRI 102-4).

AUDITED SDG 1.4 SDG 8.3 SDG 8.10 SDG 9.3

**SDG 1.4** 

SDG 8.3 SDG 8.10

SDG 9.3

With BayernLabo's support base (for information on BayernLabo's mission, see GRI 102-2) in Grafenau, Lower Bavaria, which opened in 2016, BayernLabo is not only a prime example of Bavaria's relocation of authorities, but also supports citizens in Lower Bavaria, the Upper Palatinate and Upper Franconia in realising a sustainable home of their own from there. At the same time, it strengthens the region with ten high-quality, sustainable jobs close to home.

*Further information on the Internet:* 

#### BayernLabo Annual Report 2021

#### GRI FS 14 (2013) Initiatives to improve access to financial services for disadvantaged people

BayernLB is one of the leading commercial banks for large and medium-sized customers in Germany and, in that sense, does not engage in retail banking with a need for branches, ATMs, sales outlets, etc. The Bank's business is not geared to private customers.

BayernLabo's state mandate is to create affordable housing for its target customers in the Free State of Bavaria through various subsidy programmes. For more information, see GRI 102-2, GRI 203 (2016) - GRI 103-1 (2016), GRI 103-2 (2016), GRI 103-3 (2016) Management approach disclosures for "Indirect economic impacts" as well as the BayernLabo Annual Report.

*Further information on the Internet:* 

#### BayernLabo Annual Report 2021

#### **Product and Service Labeling**

### GRI FS 15 to GRI FS 16 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Product und service labeling"

For all disclosures, see GRI 417 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Marketing and labeling".

#### GRI FS 15 (2013) Policies for the fair design and sale of financial products and services

For all disclosures, see GRI 417 (2016) - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management approach disclosures for "Marketing and labeling".

#### SDG 1.4 SDG 4 SDG 8.10 SDG 10.2

#### GRI FS 16 (2013) Initiatives to enhance financial literacy by type of beneficiary

BayernLB is one of the leading commercial banks for large and medium-sized customers in Germany, and its business model does not include standardised retail banking. BayernLB Research supports business customers by monitoring, filtering and evaluating megatrends and events in politics, the economy and the financial markets. The aim is to make customers capable of speech and ready to make decisions. Customers can use BayernLB's customer portal to access the wide range of services on offer (support for seminars, conferences, networking events; Conference Call; publications; Research Portal; Research inTouch). All further information can be found on the BayernLB homepage in the "Research" section.

For further information on communication with and information to customers, see GRI 417. BayernLB also offers apprenticeships as bank clerks and other training opportunities; for full details, see GRI 404. BayernLB employees themselves have access to an extensive range of training opportunities to enhance their own skills, see also GRI 404. See GRI 413 for BayernLB's further commitment to education.

#### **Responsibility towards Customers in Payment Difficulties**

### BayernLB FS 17 (2021) Dealing with customers in payment difficulties (BayernLB's own indicator)

#### General procedure

The Bank also feels responsible for customers in payment difficulties. Credit Consult, which is part of BayernLB's Risk Office, is responsible for the restructuring, reorganisation and liquidation of BayernLB's exposures assigned to the "problem loan management" support type. In doing so, it also tracks derecognised receivables and manages non-performing loan exposures of natural

persons. The division thus functions as an independent workout unit (WU) within the meaning of regulatory requirements.

A corresponding guideline for problem loans regulates the treatment and evaluation of problem loans. It establishes basic principles for:

- the identification of problem loans (risk identification and early recognition)
- the definition of an adequate form of supervision for problem loans
- the necessity of a rehabilitation concept/expertise
- the creation and release of risk provisions for troubled loans
- the derecognition of actual credit defaults, and
- the reporting of troubled loans.

The processing of problem loan management is bundled in the above-mentioned workout unit in line with regulatory requirements. This unit is equipped with defined special competencies for problem loan management (including deferral competency, waiver competency).

The primary objective is the sustainable restructuring of the transferred loan receivables, i.e. to enable the debtor to repay the loan in full (verification of sustainable debt servicing capacity). At the same time, of course, the loan receivables should be realised in the best possible way, and the business relationship as well as the company's substance and jobs should be preserved.

Problematic exposures are all exposures that require special attention due to their increased risk situation. They are classified as intensive care and problem loan management. The early introduction of suitable measures within the framework of intensive support or problem loan management is intended to avoid or minimise potential losses.

Intensive servicing involves ongoing, close monitoring of loans for emerging or mild weaknesses in customer creditworthiness. Based on a comprehensive root cause analysis, appropriate measures are initiated. Goals are to minimize potential harm and return engagement to normal care.

In problem loan management, borrowers are looked after whose exposures - or parts thereof - require reorganisation/restructuring or workout measures due to their creditworthiness or a negative development of the collateral. Within the framework of problem loan management, so-called forbearance measures are approved. Forbearance measures are intended to put the debtor back in a position to service his or her loan on a sustainable basis or to minimise the risk of loss for the Bank. Forbearance measures always occur when concessions are granted in the refinancing/rescheduling of debt for a debtor in financial difficulties and/or the originally agreed loan conditions are adjusted in the form of contract modifications (e.g. deferment, waiver, stand-still agreement).

#### Real estate customers

In the real estate business, the "European Agreement on a Voluntary Code of Conduct on Pre-Contractual Information for Home Loans" was signed several years ago. In the area of end-financed housing loans from BayernLB, there may be non-performing loan commitments. The primary objective here is not to terminate the loan commitment in the event of default, but rather

to develop a restructuring concept together with the borrower if he or she is willing to restructure the loan. This should help the latter to be able to meet his or her claims in the long term, from which the Bank can ultimately also benefit in economic terms. This principle also applies in particular to borrowers who have suffered severe strokes of fate, have to endure other personal emergency situations or where there are indications of serious reactions, e.g. suicide. With an average renovation rate of around 50 percent, many borrowers can be helped, especially traditional private real estate customers, who are often neglected by other credit institutions.

#### **Customers of BayernLabo**

BayernLabo customers may also experience payment difficulties. In the lending business with private customers - i.e. in particular the so-called "promotion of owner-occupied housing" - an unforeseen change in life circumstances such as divorce, illness or unemployment can lead to payment difficulties. Here BayernLabo relies on intensive customer support to prevent bad debts. The main focus of intensive support is on individual measures to stabilise the business partners' finances and restore their solvency. To this end, restructuring strategies are developed together with the business partners. These should enable them to overcome their economic problems and keep the subsidised properties. BayernLabo thus most directly serves its state mandate to create affordable housing for its target customers in the Free State of Bavaria. Nevertheless, it may also be necessary to dispose of the subsidised property. However, if the economic situation of the business partners does not improve and/or a distress sale of the property fails, the last option is to sell the subsidised unit by way of compulsory auction.

BayernLabo also supports its business partners in the area of rental housing promotion in the event of payment difficulties, with the primary aim of ensuring sustainable viability, if necessary with the involvement of the other financiers involved and the relevant state ministries. Ideally, redevelopment agreements will identify ways and reach agreements to restore debt service capacity and preserve subsidized housing over the long term.

# Statement of the Environmental Auditor (in German only)



### Erklärung des Umweltgutachters

### zu den Begutachtungs- und Validierungstätigkeiten nach Anhang VII der Verordnung (EG) Nr. 1221/2009

sowie nach Änderungs-VO 2017/1505 und 2018/2026

Der Unterzeichnende, Dr.-Ing. Reiner Beer EMAS-Umweltgutachter mit der Registrierungsnummer DE-V-0007, akkreditiert oder zugelassen für den Bereich 64.19 (NACE-Code Rev. 2), bestätigt, begutachtet zu haben, ob die gesamte Organisation/ wie in der Umwelterklärung der Organisation

#### Bayerische Landesbank

mit den Standorten:

Zentrale München, Brienner Straße 18

Nürnberg, Lorenzer Platz 27

Nürnberg, Fritz-Haber-Straße 10

(mit der Reg.-Nr. DE-155-00129)

angegeben, alle Anforderungen der Verordnung (EG) Nr. 1221/2009 des Europäischen Parlaments und des Rates vom 25.11.2009 und Änderungs-VO 2017/1505 vom 28.08.2017 und 2018/2026 vom 19.12.2018 über die freiwillige Teilnahme von Organisationen an einem Gemeinschaftssystem für Umweltmanagement und Umweltbetriebsprüfung (EMAS) erfüllt.

Mit der Unterzeichnung dieser Erklärung wird bestätigt, dass

- die Begutachtung und Validierung in voller Übereinstimmung mit den Anforderungen der Verordnung (EG) Nr. 1221/2009 und Änderungs-VO 2017/1505 und 2018/2026 durchgeführt wurden,
- das Ergebnis der Begutachtung und Validierung bestätigt, dass keine Belege für die Nichteinhaltung der geltenden Umweltvorschriften vorliegen,
- die Daten und Angaben der aktualisierten Umwelterklärung der Organisation / des Standortes ein verlässliches, glaubhaftes und wahrheitsgetreues Bild sämtlicher Tätigkeiten der Organisation/ des Standortes innerhalb des in der Umwelterklärung angegebenen Bereichs geben.

Diese Erklärung kann nicht mit einer EMAS-Registrierung gleichgesetzt werden. Die EMAS-Registrierung kann nur durch eine zuständige Stelle gemäß der Verordnung (EG) Nr. 1221/2009 erfolgen. Diese Erklärung darf nicht als eigenständige Grundlage für die Unterrichtung der Öffentlichkeit verwendet werden.

Nürnberg, 30.09.2022

Dr.-Ing. Reiner Beer Umweltgutachter

# Reporting on the Principles for Responsible Banking

#### **Preliminary Notes**

BayernLB has signed the Principles for Responsible Banking in August 2021. Therefore, the following self-assessment template constitutes BayernLB's first report. Most of the content required below is already described in detail in the Sustainability Report (according to GRI) above. Thus, the answers below consist mainly of references to the detailed information above. Further, the marginalia "PRB" in light blue mark the corresponding GRI standards. The template used is the reviewed version (V2) from September 2022 transferred in BayernLB's corporate layout. BayernLB's response is in *italic font*.

*Further information on the Internet:* 

#### Declaration of Membership of PRB

#### **Self Assessment Template**

#### Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

#### 1.1 Business Model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

#### BayernLB's response

All information is provided in the standards of the Sustainability Report 2021 (according to GRI) mentioned under "Links and references". Within the Sustainability Report, further links and references to other BayernLB publications can be found.

#### Links and references related to BayernLB's response

GRI 102-1 (2016) Name of the organization	p. 14
GRI 102-2 (2016) Activities, brands, products, and services	p. 14
GRI 102-3 (2016) Location of headquarters	p. 20
GRI 102-4 (2016) Location of operations	p. 20

### GRI 102-6 (2016) Markets served p. 21 GRI 102-7 (2016) Scale of the organization p. 21 1.2 Strategy Alignment Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank? ⊠ Yes □ No Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these? ☑ UN Guiding Principles on Business and Human Rights ☑ International Labour Organization fundamental conventions ☐ UN Declaration on the Rights of Indigenous Peoples ☑ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: Non Financial Report ☑ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: Statement on Modern Slavery Act □ None of the above Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks. BayernLB's response Additional to the mentioned standard (see below) within BayernLB's Sustainability Report 2021 (according to GRI), BayernLB has also published a Sustainability Strategy and (inter)national agendas like the SDGs are further mentioned in the Sustainbility Policy. The internal framework regarding BayernLB's alignment to these international frameworks is described in its Guiding Principles for Transformation (esp. p. 6). BayernLB is a signatory to the UN Global Compact since 2021 and publishes the Statement on Modern Slavery Act on a yearly basis. Links and references related to BayernLB's response

Combined Non-financial Report of the BayernLB Group for 2021 (Annex to the Annual Report p.

esp. p. 6

BayernLB's Sustainability Strategy

GRI 102-14 (2016) Statement from senior decision-maker

310)

#### BayernLB's Sustainability Policy

p. 1

#### **Guiding Principles for Transformation**

esp. p. 5

#### <u>Declaration of Membership of UN Global Compact</u>

#### Modern Slavery Act Statement

#### Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

#### 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

#### 2.1 a) Scope

What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

#### BayernLB's response

For many years BayernLB has been conducting a materiality analysis derived from the GRI concept to determine relevant reporting topics. In its 2022 update BayernLB has integrated an impact analysis to this materiality analysis. For a detailed description see GRI 102-46 (see above).

The materiality analysis form the basement for BayernLB's Sustainability Programme which contains prioritised goals and measurements to maximise positive impact on relevant issues. The status of the Sustainability Programme is reported in the Sustainability Report in GRI 102-15 (see above).

The scope of the analysis comprises the areas of relevance to BayernLB and its stakeholders. These areas correspond to all BayernLB's business and operational activities. In this holistic approach, no exclusions are made.

Links and references related to BayernLB's response

GRI 102-46 (2016) Defining report content and topic boundaries p. 77

GRI 102-15 (2016) Key impacts, risks and opportunities p. 31

#### Sustainability Programme as from 2021

#### 2.1 b) Portfolio composition

Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

#### BayernLB's response

As mentioned above BayernLB follows a holistic approach for its materiality and impact analysis. Therefore, the Bank and its complete operational and business activities are evaluated using stakeholder perspectives. A result of these considerations are the Guiding Principles for Transformation including policies on sensitive sectors (f. e. armaments and weapons, oil & gas...).

Links and references related to BayernLB's response

GRI 102-46 (2016) Defining report content and topic boundaries

p. 77

#### **Guiding Principles for Transformation**

#### 2.1 c) Context (Part I)

What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. (This step aims to put your bank's portfolio impacts into the context of society's needs.)

#### BayernLB's response

The main challenges and a priorisation of them related to sustainable development have been found in the above mentioned materiality and impact analysis, see GRI 102-46. All countries/regions have been included into this analysis using the perspective of all relevant stakeholders represented by stakeholder managers.

Links and references related to BayernLB's response

GRI 102-46 (2016) Defining report content and topic boundaries

*p. 77* 

#### 2.1 c) Context (Part II)

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

#### BayernLB's response

BayernLB's greatest leverage concerning different areas is via its portfolio structure. Firstly, one impact area (climate change mitigation) is BayernLB's committment to the Paris Climate Protection Treaty and the climate goals of the German government, the EU and the goals of the Free State of Bavaria by also aiming for a climate-neutral portfolio even before 2050. Secondly, the other impact area (environmental & social risks (f.e. related to human rights)) is the increase of the ESG-compliant share of the Bank's portfolio.

Links and references related to BayernLB's response

BayernLB's Sustainability Strategy	pp. 8f.
GRI 102-12 (2016) External initiatives	p. 24

#### 2.1 d) Performance measurement (for the min. two prioritised impact areas)

Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the <u>Annex</u>.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

(The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.)

#### BayernLB's response

BayernLB's general strategic focus concentrates on providing financing to corporate customers in the growth sectors of the future — mobility, energy, technology, manufacturing & engineering, construction & basic resources and real estate. As mentioned above BayernLB follows a holistic, stakeholder oriented approach for its impact analysis. In order to obtain an even better overview of the

impact at transaction level in the portfolios, BayernLB is working with SDG impact mapping, which will be made publicly transparent. Links and references related to BayernLB's response GRI 102-2 (2016) Activities, brands, products, and services p. 14 Annual Report 2021 p. 17 Sustainability Programme 2021 Self-assessment summary (for Principle 2.1) Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts? Scope:  $\boxtimes$  Yes ☐ In progress □ No Portfolio composition: ☐ Yes □ No Context:  $\boxtimes$  Yes ☐ In progress □ No Performance measurement: ☐ Yes □ No Which most significant impact areas have you identified for your bank, as a result of the impact analysis? Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, <u>human rights</u>, gender equality, decent employment, water, pollution, other: environmental & social risks How recent is the data used for and disclosed in the impact analysis?

☐ Up to 6 months prior to publication

□ Up to 12 months prior to publication

☐ Up to 18 months prior to publication

☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)

#### 2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

#### 2.2 a) Alignment

Which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. (You can build upon the context items under 2.1.)

#### BayernLB's response

BayernLB's greatest leverage concerning different areas is via its portfolio structure. Firstly, one impact area (climate change mitigation) is BayernLB's committment to the Paris Climate Protection Treaty and the climate goals of the German government, the EU and the goals of the Free State of Bavaria by also aiming for a climate-neutral portfolio even before 2050. To this end, the commitment to the Partnership for Carbon Accounting Financials Initiative (PCAF) in particular is an important contribution to developing corresponding methodologies. Further, the Bank is working on establishing a decarbonisation path for its portfolio.

Secondly, the other impact area (environmental & social risks (f.e. related to human rights)) is the increase of the ESG-compliant share of the Bank's portfolio. With the help of our ESG assessment tool, the level of ambition for ESG-compliant portfolio restructuring can be quantified and precise targets for ESG-compliant new business can be defined. In order to make the topic of human rights visible to the outside world, the bank has published its positioning in this area after signing the UN Global Compact. The Guiding Principles for Transformation contain further positioning on ESG topics, on which the Bank is working in exchange with NGOs, among others.

Links and references related to BayernLB's response

BayernLB's Sustainability Strategy	pp. 8f.
GRI 102-12 (2016) External initiatives	p. 24

#### Sustainability Programme as from 2021

#### 2.2 b) Baseline

Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

(You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target. A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.)

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate	•••	
change miti-		
gation	•••	

Impact area	Indicator code	Response
Financial		
health & in-		
clusion		

In case you have identified other and/or additional indicators as relevant to determine the base-line and assess the level of alignment towards impact driven targets, please disclose these.

#### BayernLB's response

At the time of reporting (1st PRB Report) BayernLB is internally working on the specification of its prioritised targets and will publish them in the following reports.

Links and references related to BayernLB's response

#### 2.2 c) SMART targets (incl. key performance indicators (KPIs))

Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

#### BayernLB's response

At the time of reporting (1st PRB Report) BayernLB is internally working on the specification of its prioritised targets and will publish them in the following reports.

Links and references related to BayernLB's response

#### 2.2 d) Action plan

Which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

#### BayernLB's response

At the time of reporting (1st PRB Report) BayernLB is internally working on the specification of its prioritised targets and will publish them in the following reports.

Links and references related to BayernLB's response

#### Self-assessment summary (for Principle 2.2)

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	first area of most significant impact: <u>cli-</u> <u>mate change mitiga-</u> <u>tion</u>	second area of most significant im- pact: <u>environmental &amp;</u> <u>social risks (f.e. re-</u> <u>lated to human rights)</u>	(If you are setting targets in more impact areas)your third (and subsequent) area(s) of impact: (please name it)
Alignment	⊠ Yes	⊠ Yes	□ Yes
	☐ In progress	☐ In progress	☐ In progress
	□ No	□ No	□ No
Baseline	□ Yes	□ Yes	□ Yes
	⊠ In progress	⊠ In progress	☐ In progress
	□ No	□ No	□ No
SMART targets	□ Yes	□ Yes	□ Yes
	⊠ In progress	⊠ In progress	☐ In progress
	□ No	□ No	□ No
Action plan	□ Yes	□ Yes	□ Yes
	⊠ In progress	⊠ In progress	☐ In progress
	□ No	□ No	□ No

#### 2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

#### BayernLB's response

At the time of reporting (1st PRB Report) BayernLB is internally working on the specification of its prioritised targets and will publish them in the following reports.

Links and references related to BayernLB's response

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#### **Principle 3: Clients and Customers**

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

#### 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

$\boxtimes$ Yes $\square$ In progress $\square$	ľ	V	C	)
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Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

$\bowtie$ Yes	□ In progress	□ No
---------------	---------------	------

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

(This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).)

#### BayernLB's response

Information concerning client engagement is provided in the standards of the Sustainability Report 2021 (according to GRI) mentioned under "Links and references". Within the Sustainability Report, further links and references to other BayernLB publications can be found.

In the "Guiding Principles for Transformation" BayernLB has set out its policies for sensitive issues and sectors (energy (oil & gas, coal, nuclear), armaments, forest, food, gambling, offshore). It further specifies (p. 36): "We see our task in accompanying our customers on their innovation, sustainability and transformation path. As a reliable partner, we also support them in phases of transition, for example in their conscious decarbonisation path. We assume that our customers also deal with their impact on the environment and society and provide adequate governance. This also includes dealing with the opportunities and risks of sustainability and forming a picture of future requirements. We want to work permanently with business partners and customers who share our understanding of the protection of nature and natural resources, people and society, as well as of business order, legality and legitimacy, and who have therefore established or are introducing appropriate initiatives and measures. In case of deviations, we try to find out the causes together with our customers and support each other in further development, because a common understanding is the basis of a trusting cooperation. We have already formulated requirements in connection with business principles in the attached document in the respective chapters "Our Stance" or the Policies."

In its Disclosure Report 2022 (to be published in April 2023) BayernLB will report in accordance with CRR Article 449a, which also features disclosure requirements concerning client engagement.

#### Links and references related to BayernLB's response

GRI 102-2 (2016) Activities, brands, products, and services	p. 14
GRI 102-40 (2016) List of stakeholder groups	p. 68
GRI 102-42 (2016) Identifying and selecting of stakeholders	p. 69
GRI 102-43 (2016) Approach to stakeholder engagement	p. 70
GRI 102-44 (2016) Key topics and concerns raised	p. 75
GRI 102-46 (2016) Defining report content and topic boundaries	p. 77
GRI 102-47 (2016) List of material topics	p. 78
GRI FS 1 (2013) Policies with specific environmental and social components	
applied to business lines	p. 184
GRI FS 5 (2013) Interactions with clients/investees/business partners regarding	<u>19</u>
environmental and social risks and opportunities	p. 189
BayernLB's Sustainability Strategy	(esp. pp. 10ff)

#### **Guiding Principles for Transformation**

#### Disclosure Report 2022 (to be published in April 2023)

#### 3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

#### BayernLB's response

In BayernLB's Sustainability Strategy the Bank has identified and formulated for each business sector the strategic rationale and specific measures in detail (see Sustainability Strategy pp. 14-17).

Information concerning BayernLB's sustainable finance solutions is provided in the standards of the Sustainability Report 2021 (according to GRI) mentioned under "Links and references". Within the Sustainability Report, further links and references to other BayernLB publications can be found.

Further, BayernLB reports according to the EU Taxonomy Regulation in its Non Financial Report (pp. 321f) as well as in its Sustainability Report 2021 (according to GRI)(pp. 192ff., see above).

In its Disclosure Report 2022 (to be published in April 2023) BayernLB will report in accordance with CRR Article 449a, which also features disclosure requirements concerning its portfolio.

#### Links and references related to BayernLB's response

BayernLB's Sustainability Strategy	pp. 14-17
GRI 102-2 (2016) Activities, brands, products, and services	p. 14
GRI FS 1 to GRI FS 8 - GRI 103-1 (2016), 103-2 (2016), 103-3 (2016) Management	
approach disclosures for "Product portfolio"	p. 181
GRI FS 7 (2013) Monetary value of products and services designed to deliver a	
specific social benefit for each business line broken down by purpose	p. 190
GRI FS 8 (2013) Monetary value of products and services designed to deliver a	
specific environmental benefit for each business line broken down by purpose	p. 191
Combined Non-financial Report of the BayernLB Group for 2021 (Annex to the	
Annual Report p. 310)	pp. 321f.

Disclosure Report 2022 (to be published in April 2023)

#### Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

#### 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

$\boxtimes$ Yes	□ In progress	□ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

#### BayernLB's response

BayernLB's take on its materiality and impact analysis is already addressed in 2.1a) and in detail discussed in the Sustainability Report. The stakeholder engagement leads to BayernLB's membership in several external initiatives (see GRI 102-12). The Sustainability Report further covers all information regarding stakeholder identification and consultation.

Links and references related to BayernLB's response

GRI 102-12 (2016) External initiatives	p. 24
GRI 102-40 (2016) List of stakeholder groups	p. 68
GRI 102-42 (2016) Identifying and selecting of stakeholders	p. 69
GRI 102-43 (2016) Approach to stakeholder engagement	p. 70
GRI 102-44 (2016) Key topics and concerns raised	p. 75
GRI 102-46 (2016) Defining report content and topic boundaries	p. 77
GRI 102-47 (2016) List of material topics	p. 78

#### Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

#### 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

	_	
$\boxtimes$ Yes	$\square$ In progress	□ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to).
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

#### BayernLB's response

The topic of sustainability is anchored as a cross-sectional task in the Bank's board structures. The Sustainability Executive Unit and the position of Chief Sustainability Officer (CSO) with a direct reporting line to the CEO play a central role. The fact that the Sustainability Executive Unit reports directly to the CEO underlines the importance of sustainability for the Bank's transformation and BayernLB's desire to take account of the increasing strategic importance of the issue.

Accordingly, the Principles for Responsible Banking are also implemented through the coordination of the Sustainability Executive Unit. The main instruments for this are the Sustainability Strategy and the Sustainability Programme, both adopted by the Board of Management.

In its Disclosure Report 2022 (to be published in April 2023) BayernLB will report in accordance with CRR Article 449a, which also features disclosure requirements concerning governance structures and remunaeration practices linked to sustainability.

Links and references related to BayernLB's response

GRI 102-19 (2016) Delegating authority

p. 48

BayernLB's Sustainability Strategy

Sustainability Programme as from 2021

Disclosure Report 2022 (to be published in April 2023)

#### 5.2 Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

#### BayernLB's response

BayernLB puts a lot of effort into promoting sustainability and specific ESG topics among its employees. The focus is on involving employees in change processes and advancing the understanding of sustainability. This is done through the Staff Councils, the company suggestion scheme, regular surveys and event formats such as "Town Halls" with the Board of Management. Since 2021, training and information events on sustainability topics have been intensified, for example by organising a sustainability week or virtual training series on ESG. This reaches large parts of the workforce. The online training on risk culture, which is mandatory for all employees, also includes key elements of BayernLB's understanding of sustainability.

Links and references related to BayernLB's response

#### GRI 102-43 (2016) Approach to stakeholder engagement

p. 70

#### 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

#### BayernLB's response

In its publicly available Guiding Principles for Transformation BayernLB adresses several ESG risks within its portfolio and formulates policies to manage these risks.

The database-supported ESG Assessment tool (ESGA) enables automated documentation and an improved workflow. In the (at the time of writing) current ESGA, the valuation of real estate, project and corporate financing portfolios is technically possible. In addition to the reputational risk module (incl. eco-social risks), the ESGA contains two further modules for ESG-relevant topics. In the ESG risk module, the front office and back office assess on a four-eye basis whether environmental, social or governance issues could have a negative impact on the ability to service debt, the probability of default or the creditworthiness of the customer. In this way, ESG risks are recorded qualitatively by means of business area-specific guiding questions. In the ESG Impact Module, front office colleagues assess on a four-eye basis whether the financing contributes to sustainable development and has a positive impact on the achievement of climate and sustainability goals.

In its Disclosure Report 2022 (to be published in April 2023) BayernLB will report in accordance with CRR Article 449a, which also features disclosure requirements concerning due diligence processes.

Links and references related to BayernLB's response Guiding Principles for Transformation GRI 102-17 (2016) Mechanisms for advice and concerns about ethics p. 43 GRI FS 2 (2013) Procedures for assessing and screening environmental and social risks in business lines p. 185 Disclosure Report 2022 (to be published in April 2023) Self-assessment summary (for Principle 5) Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system? ⊠ Yes □ No Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?  $\boxtimes$  Yes □ No Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?  $\boxtimes$  Yes ☐ In progress □ No Principle 6: Transparency & Accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals. 6.1 Assurance Has this publicly disclosed information on your PRB commitments been assured by an independent assurer? ☐ Yes □ Partially □ No If applicable, please include the link or description of the assurance statement. BayernLB's response This 1st PRB Report refers to other publications of BayernLB. From those, the Non Financial Report (including the EU Taxonomy Reporting) has been assured by an independent assurer (PWC) and parts of the Sustainability Report 2021 (according to GRI) have been audited by the environmental

auditor (indicated by marginalia "EMAS" and "Audited")

Links and references related to BayernLB's response

## <u>Combined Non-financial Report of the BayernLB Group for 2021 (Annex to the Annual Report p. 310)</u>

GRI 102-56	(2016)	l Fxternal	' assurance

6.2 Reporting on other frameworks

p. 82

Does your bank disclose sustainability information in any of the listed below standards and	d
frameworks?	

$\boxtimes$	GRI
	SASB
	CDP
	IFRS Sustainability Disclosure Standards (to be published)
	TCFD
	Other:

#### BayernLB's response

This 1<sup>st</sup> PRB Report is attached to BayernLB's Sustainability Report (according to GRI). The GRI report is updated and published yearly.

Links and references related to BayernLB's response

See GRI report above

#### 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

#### BayernLB's response

BayernLB will update its Sustainability Strategy and Programme. Further, more ESG aspects will be integrated in the Disclosure Report due to the requirements of CRR 449a.

Links and references related to BayernLB's response

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#### 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:
☐ Embedding PRB oversight into governance
☐ Gaining or maintaining momentum in the bank
$\square$ Getting started: where to start and what to focus on in the beginning
☐ Conducting an impact analysis
☐ Assessing negative environmental and social impacts
☐ Choosing the right performance measurement methodology/ies
☐ Setting targets
☐ Customer engagement
☐ Stakeholder engagement
□ Data availability
□ Data quality
☐ Access to resources
□ Reporting
□ Assurance
☐ Prioritizing actions internally
□ Other:
If desired, you can elaborate on challenges and how you are tackling these:

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#### Imprint

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