



BAYERNLB

2011 SUSTAINABILITY REPORT

BayernLB – Financial Data

Income statement (HGB)

EUR million	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010	Change in %
Net interest income	1,611	1,423	13.2
Net commission income	159	158	0.6
Net income from the trading portfolio	–50	157	
Administrative expenses	–735	–765	–4.0
Operating profit/loss	–97	455	

Balance sheet (HGB)

EUR million	31 Dec 2011	31 Dec 2010	Change in %
Total assets	256,728	279,346	–8.1
Business volume	293,743	318,961	–7.9
Credit volume	162,132	175,660	–7.7
Total deposits	110,840	129,159	–14.2
Securitised liabilities	79,019	87,215	–9.4
Reported equity	19,181	20,441	–6.2

Banking supervisory ratios under the German Banking Act (KWG)

EUR billion	31 Dec 2011	31 Dec 2010	Change in %
Core capital	12.5	13.1	–4.6
Own funds	17.9	18.8	–4.8
Risk positions under the Solvency Ordinance	85.8	94.0	–8.7
Core capital ratio	14.6%	13.9%	0.7 pp ¹
Own funds ratio (overall ratio)	20.8%	20.0%	0.8 pp ¹

¹ Percentage points

BayernLB – Environmental Data

(See the chapter “Parameters of this report” for the scope of application)

	2011	2010	2009
Energy (in MWh)	33,403	39,199	42,267
of which			
• Electricity	16,662	18,523	22,379
• District heating	16,741	20,676	19,888
Paper (in tonnes)	378.7	419.6	217.3
of which			
• Recycled paper	79.5	75.3	76.2
• ECF paper	299.3	344.3	141.1
Water (in m³)	65,548	68,224	86,085
of which			
• Rainwater	7,292	6,927	7,214
• Ground and surface water	17,492	15,971	21,639
• Drinking water	40,764	45,326	57,232
in tonnes	2011	2010	2009
Waste	982.9	1,922.2	1,753.7
of which			
• For recovery/recycling	549.5	1,369.3	847.3
• For incineration	215.4	252.3	481.2
• For landfill	32.4	101.9	38.5
• Hazardous waste	185.6	198.7	386.8
in km	2011	2010	2009
Business travel	19,351,847	14,675,590	12,518,972
of which			
• By road	5,999,232	4,697,753	4,126,100
• By rail	3,416,268	1,949,639	1,583,319
• By air	9,936,346	8,028,198	6,809,553
In megajoules	2011	2010	2009
Direct energy consumption			
Direct energy consumption absolute	135,150,753	152,869,246	152,161,697
Indirect energy consumption absolute	160,058,789	169,839,060	216,108,570
in tonnes	2011	2010	2009
Greenhouse gas emissions			
Absolute greenhouse gas emissions	5,560	5,043	6,133

BayernLB – Social Data

(Figures taken from BayernLB's 2009–2011 financial statements drawn up under the German Commercial Code (HGB), figures on coverage under EMAS taken from BayernLB's environmental statements 2010–2012)

	2011	2010	2009
Year-end total headcount at BayernLB in Germany and abroad	4,139	4,184	4,472
of which			
• Germany	3,818	3,821	4,048
• Abroad	321	363	424
of which			
• BayernLB excluding BayernLabo and LBS Bayern	3,216	3,243	3,509
• BayernLabo	235	234	248
• LBS Bayern	688	707	715
of which			
• Male	2,134	2,150	2,287
• Female	2,005	2,034	2,185
of which			
• Full-time employees	3,270	3,338	3,568
• Part-time employees	869	846	904
of which			
• Banking trainees	36	29	39
• Students on a part-time course at a vocational academy	47	44	40
• Trainees	35	27	22
of which			
• Covered by environmental management under EMAS	3,760	3,777	3,743
Average age (in years)	42.2	42.2	42.1
Average length of service in the Bank (in years)	14.2	14.0	14.2

Corporate responsibility. Corporate success.

2011 Sustainability Report

The ongoing adverse impact of the financial markets crisis, the European sovereign debt crisis and a wealth of legal and regulatory changes pose major challenges to the real economy and in particular the financial sector. To overcome these challenges, it is often necessary to adjust corporate strategy and the business focus. In facing today's issues, the question arises of what role corporate social responsibility can and should play in business decisions.

For us the answer to that question is clear: Ongoing economic success is closely linked to corporate management's commitment to sustainability. In our opinion, assuming corporate social responsibility by taking account of ecological, social and society issues must be an integral part of the business model and a key element of future strategic considerations. As the expectations of strategically important stakeholders, such as customers, investors and employees, with regard to companies' sustainability are steadily increasing. We want to meet these expectations. In doing so, we are not acting purely from altruistic motives, we are following a strategic business approach. This approach has a long tradition at BayernLB.

The following report presents our sustainability activities and management approaches. We demonstrate what we have achieved and where we were successful in the past. We also point out where there is room for improvement and how we intend to continually improve our sustainability performance.

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Company profile

BayernLB is the leading Bavarian commercial bank for large and Mittelstand companies in Bavaria and Germany and also for retail customers. An integral part of the BayernLB Group is Deutsche Kreditbank AG (DKB), with around 2.5 million retail customers (as at: mid 2012). BayernLB Holding, Munich holds 100 percent of the Bank's nominal capital. The Free State of Bavaria and the Association of Bavarian Savings Banks currently hold around 94 percent and 6 percent respectively of BayernLB Holding AG's nominal capital – and thus indirectly the same proportion of Bayerische Landesbank.

Starting point and setting the course

In 2008/09, BayernLB was stabilised by means of extensive state aid from the Free State of Bavaria, which the European Commission approved in mid-2012 subject to conditions. These covenants include repaying around EUR 5 billion of state aid received to the Free State of Bavaria, shrinking total assets by around 50 percent of the figure posted as at the end of 2008 and divesting holdings, such as Bayerische Landesbausparkasse (LBS Bayern). Given the capital repayment requirements set by the EU Commission, the Bank's stability has, however the absolute top priority. Capital distributions to the Free State of Bavaria are therefore subject to the approval of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin). This ensures that BayernLB always has an adequate core Tier 1 capital ratio. By means of a capital increase, the Bavarian savings banks will substantially increase their ownership in BayernLB again to around 20 percent. At the same time, the Free State of Bavaria will remain the steady and stable majority owner.

The EU ruling confirmed the sustainability of the business model as a corporate and real estate lender with strong regional ties. This decision afforded BayernLB planning certainty, thus enabling the Bank to systematically push forward its restructuring programme, on which good progress has already been made, and to continue focusing on business with corporate and real estate customers and savings banks.

Focused business model

The focused business model rests on the “Corporates, Mittelstand & Retail Customers” business area, the “Real Estate & Savings Banks/Association” business area and the “Markets” business area. The Bank serves its German customers in their business activities abroad and finances the activities of foreign customers in Germany.

Corporates, Mittelstand & Retail Customers

A key focus of the “Corporates, Mittelstand & Retail Customers” business area lies in supporting German and international corporate customers with strong ties to Germany. Customers are served from the head office in Munich, branch offices in Nuremberg and Düsseldorf and the Bank’s remaining foreign branches in London, New York, Paris and Milan.

An additional area of focus is full support for the Bavarian and German Mittelstand. The Bank provides specific product expertise in this field. For one, it operates a competence centre for the Bavarian savings banks with regard to product advice and processing public subsidies for Mittelstand companies. For another, with its “Future Markets” competence centre, BayernLB positions itself as a partner to corporate customers in the areas of energy efficiency, sustainable water management, sustainable mobility technology, sustainable energy generation, material and resource efficiency and waste and recycling management. BayernLB also supports the Mittelstand in financing exports with a highly diversified product range. Another major pillar of this business area is the traditional retail business of DKB as “Your bank on the web”.

Real Estate & Savings Banks/Association

The Real Estate & Savings Banks/Association business area is responsible for the commercial real estate business including real estate services where it works in partnership with BayernLB’s subsidiaries. The focus is on national and international customers with strong ties to Germany. Business with public-sector customers and the savings banks are also allocated to this area. The savings banks are important customers and sales partners for the Bank, which functions as their central bank. BayernLabo, which provides government subsidies and low-cost residential loans subsidised by the Free State of Bavaria, also operates within this area.

Markets

All capital market, trading and issuing activities are pooled within the Markets business area. These activities are carried out solely to meet clients’ needs, using capital market and treasury products supplied by Markets. Proprietary trading activities, with the exception of measures to manage the entire Bank, have already been completely discontinued. Markets also manages business relationships with institutional customers.

Parameters of this report

With the 2011 sustainability report, BayernLB continues the comprehensive reporting on its sustainability performance which it began with its 2007 sustainability report. As previously, the Bank follows a biennial reporting cycle, which however, cannot fully meet the demands of the dynamic environment and the requirement to inform interested stakeholders promptly about current developments. To satisfy these demands, BayernLB provides additional information to interested parties on www.bayernlb.de/sustainabilitymanagement, including changes in content sorted both by individual topics and chronologically. The successive expansion of BayernLB's sustainability performance is thus made transparent and comprehensible at all times.

This third sustainability report was drawn up using the internationally recognised Global Reporting Initiative (GRI) sustainability reporting guidelines (GRI Guidelines, Version 3.0). The selection and, in particular, the weighting of the issues was based on demands of the stakeholders which are especially relevant to the Bank's business success. Against this background, it is explained in detail how BayernLB fulfils its obligations vis-à-vis its employees. Because dealing responsibly with employees' interests is of utmost importance for business success. Another key stakeholder group is certainly customers. Therefore the chapter entitled "Sustainable financial solutions" illustrates the range of services with which BayernLB intends to meet its customers' needs and make a contribution to a sustainable society. Long-term success depends to a great extent on the confidence that our owners, customers and the public have in BayernLB's integrity and reliability. This confidence took a hit from the financial markets crisis, the controversy surrounding former managers of BayernLB and the HGAA debacle. In the chapter on "Integrity", BayernLB therefore also presents in detail how it satisfies the requirement to act legally, ethically and responsibly, thereby making it a moral and reliable partner.

Unless indicated otherwise, the content of this report generally refers to BayernLB and its legally dependent institutions BayernLabo and LBS Bayern. However, individual activities or products of subsidiaries such as DKB and BayernInvest Kapitalanlagegesellschaft mbH (BayernInvest KAG) are referred to where they round out or supplement BayernLB's range of products and services.

The sustainability report in the form presented here has not been externally verified. Nevertheless, key content and figures have been checked externally in other places. All the economic data and a large part of the social data was taken from BayernLB's separate financial statements which are subject to review by the external auditor. In addition, all environmental data and key environmental processes were reviewed by an external expert as part of certification under the "Environmental Management and Audit Scheme" (EMAS) and the international environmental management standard ISO 14001. The environmental data validated by the certification organisation Intechnica Cert GmbH are gathered for the head office in Munich and the Dornach and Nuremberg office, therefore covering around 91 percent of the Bank's employees. They provide the basis for calculating the greenhouse gas emissions caused by operations. These calculations are based on the data system of the Association for Environmental Management and Sustainability at Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU)). This ensures there is a solid methodological foundation for these figures also.

In enhancing its sustainability approach, BayernLB takes into account the interests of all strategic stakeholders – from its owners to employees, customers and investors. However, this requires constructive dialogue. The 2011 sustainability report should provide a basis for an intensive exchange of views on sustainability-related topics and strengthen confidence in BayernLB as a responsible, moral and forward-looking company. Contacts who are happy to answer questions and discuss sustainability-related issues are named in the imprint of this report.

Foreword

On 25 July 2012, the European Commission completed its state aid proceedings against BayernLB after imposing a number of conditions and approved the state aid provided by the Free State of Bavaria during the financial crisis. This decision is an important milestone for BayernLB as it leaves the way open for BayernLB to continue along its chosen path of becoming a corporate and real estate lender and reliable partner to the savings banks with a strong regional focus on Bavaria and Germany. Even though a large proportion of the restructuring measures required have already been implemented, BayernLB still faces major challenges in the next few years.

The Bank's restructuring places customers and financing the German economy at the heart of its business activities. During the restructuring process, there was never any question of whether sustainability can make a contribution. The only question was "how". Because one thing is clear: The issue of sustainability is more important than ever. Confidence in banks has suffered a major blow in the past few years – whether from the recent Libor scandal which resulted from actions several years in the past, or from non-transparent interest-rate speculation. And although some of these events happened several years ago and much progress has been made with regulation in the meantime, it is also the responsibility of every single institution to rebuild trust in the financial services sector. Banks have a socio-political debt to repay. They must assume corporate social responsibility and create increased benefit for society. The issue of sustainability can and must play a role in this.

For BayernLB, taking on corporate social responsibility means first of all returning to its actual role as a financial intermediary. Ceasing all business which has no relation to customers pushes the Bank's service function for the real economy clearly to the forefront of its business activities. And – despite all the criticism which has been expressed regarding the financial sector – this function is very important, it establishes the conditions under which our economic system can function. BayernLB also fulfils its corporate social responsibility when carrying out this important service role. To this end, BayernLB has continually improved its sustainability performance in the past few months and years and increasingly takes into account ecological and social aspects when conducting its business activities. The focus of these activities was on the product side and BayernLB has therefore launched a campaign this year entitled "Financing tomorrow's energy". As part of its new structure, it will support its customers in implementing the transition to renewable energy with its well-proven expertise and a wide product range, thereby making a major contribution to ensuring an environmentally friendly, reliable and affordable energy supply.

At this point one may ask whether BayernLB is simply using this focus to give itself a green image and do a little "greenwashing". The answer to this question is definitely not. Because this posi-



Gerd Haeusler,
CEO

tioning includes not only a commitment to the need to expand environmentally friendly energy generation and increase resource efficiency. It also includes a clear commitment to customers in the conventional energy industry. This does not go counter to BayernLB's sustainability approach, rather it recognises the conditions and needs of the real economy. BayernLB will therefore continue supporting companies and projects from a broad range of sectors in the future – even if some sectors are regarded with criticism in terms of sustainability. In doing this, BayernLB acts in line with both economic and social considerations. Because economic growth, which forms the basis of a sustainable society, is not possible for the foreseeable future without sectors like conventional energy generation or the conventional fuel industry.

As a Bank with extensive relationships to a broad range of sectors, BayernLB cannot close its eyes to such realities. Instead it must face these realities and live up to its corporate social responsibility. BayernLB rises to its social obligations by forming clear guidelines on controversial energy policy issues and on excluding projects which lead to unacceptable societal risks. And this role is becoming increasingly important. Global megatrends such as climate change, shortage of resources and demographic change pose great challenges for BayernLB, its customers and society as a whole. BayernLB will do its part to rise to these challenges and will continue to take a stance on important issues. The approaches are manifold: Treating employees responsibly continues to be one of the most important requirements for BayernLB's business success. But consistently implementing the comprehensive climate protection strategy, dealing consciously with the ecological, social, and society-related impact of our business activities and fulfilling the needs of ethical investors will also remain key pillars of BayernLB's business model in future. However, the complex interplay between ecological, social and economic performance sometimes makes it difficult to spot at first glance what is sustainable and what is not. That sounds inconvenient. But it is necessary to face this "inconvenient truth" in a differentiated and serious manner. With this sustainability report, BayernLB makes a contribution to this important debate and looks forward to intensive discussion on this forward-looking topic.

Sincerely,

A handwritten signature in blue ink, appearing to read 'G. Haeusler'. The signature is fluid and cursive.

Gerd Haeusler,
CEO

Sustainability management

We are committed to sustainable corporate development. We acknowledge our responsibility taking ecological, economic and social issues into consideration along the entire value chain.

Code of Conduct



Sustainability management

Continually improving sustainability performance requires a structured management approach which does justice to the diversity and complexity of the issue of sustainability. As successfully dealing with sustainability issues not only poses a cross-functional task with interfaces to almost all corporate divisions, it also entails taking into account the conflicting interests and expectations of very different stakeholders.

Sustainability management is an essential component of BayernLB's business model

The Group Strategy & Group Communication division, which reports directly to the CEO, is responsible for sustainability-related issues. Within the division, sustainability management forms an explicit focus of the Corporate Development Department. Locating sustainability organisationally in this department ensures that business strategy and sustainability-related issues are treated in an integrated manner. Incorporating sustainability-related aspects in the Bank's strategic focus makes the issue of sustainability an essential component of BayernLB's business model – and only in this way is it possible to leverage the business potential and minimise risks connected with sustainability.

The risks and opportunities arise in particular out of global megatrends such as climate change, shortage of resources, increasing globalisation and demographic change. These are placing companies and society under increasing pressure to adapt and thus from a corporate point of view, they create an economic environment which impacts BayernLB both directly and indirectly via the performance of the real economy. Analysing such impacts and deriving the related business implications is a key element of BayernLB's sustainability management and sustainability strategy, which is designed to ensure continuous improvement of its sustainability performance.

In successively expanding its sustainability performance, BayernLB fulfils its public mandate and makes a major contribution to a sustainable society. However, this contribution can only be sustainable if firstly environmental and social aspects are taken into account in business decisions and secondly these decisions result in financial success. The issue of sustainability will therefore only have long-term prospects in a corporate context if incorporating sustainability-related aspects into the strategy makes a positive contribution to the value of the company. With this in mind, BayernLB's sustainability strategy does not take a purely altruistic, but in particular a business strategic approach. And with this approach, sustainability management, in close collaboration with all relevant Group units, already makes a major contribution to business success at BayernLB. This contribution is especially evident with regard to

- Strengthening the funding base by developing and placing investment products which meet the requirements of institutional and retail investors on the market for socially responsible investments (SRI)
- Developing and supporting market activities in sustainability-related areas to leverage earnings potential
- Evaluating and managing environmental, social, governance risks (ESG) to minimise transaction-related reputational risks

With this strategy, sustainability management will become an even more important part of the business model in the future, will support the Bank's restructuring and ensure environmental, social and ethical issues are dealt with responsibly.

The product side remains a focus of the sustainability strategy

In order to ensure sustainability-related issues are efficiently and effectively managed, the areas for which goals and respective individual measures are to be developed must be prioritised. To this end BayernLB has established the following criteria in particular:

- Materiality of the impact on creating a sustainable society
- Business relevance in terms of funding, earnings and risk
- Expectations of major stakeholders (primarily owners, investors, customers, employees)

Against this background, the focus of sustainability activities will remain on the product side. Since the impact of banks on society is without a doubt determined predominantly by their market activities. In addition, designing financial solutions in accordance with sustainability aspects has a direct impact on BayernLB's business success.

In line with this prioritisation, sustainability management in the reporting period focused on supporting a Group-wide initiative relating to the transition to tomorrow's energy, pushing forward with implementing ESG criteria in the core business and formulating clear guidelines and positions on key energy issues. In addition to considering environmental and social aspects on the product side, the comprehensive sustainability strategy still also includes, of course, implementing other sustainability-related activities, in order to live up to the diversity of the sustainability field.

Managing the expectations of all stakeholders at BayernLB plays a key role in dealing with sustainability-related issues, as the Bank's success is also based on the confidence that stakeholders place in BayernLB. In this context, however, managing the interests and expectations of stakeholders does not mean that the expectations of all the stakeholders on sustainability-related issues must be met in full – which is often impossible due to conflicting interests. It is much more a case of knowing the stakeholders' interests, taking them into account as far as possible and increasing understanding for one another through joint discussions. Mutual understanding is the basis for constructive dialogue, which is essential to achieve the common goal of a sustainable society.

Comprehensive standards provide the framework for all sustainability activities

The sustainability strategy is implemented as part of a structured management approach which is intended to ensure continuous improvement in sustainability performance. Comprehensive standards must be taken into account here, which are comprised of legal requirements, internal guidelines and voluntary external commitments. At the heart of these standards is the code of conduct which was introduced in May 2011. The requirements in the code of conduct can be regarded as minimum standards which are supplemented and given more specific form by a range of guidelines. For example, the following topics are regulated by internal guidelines or external voluntary commitments:

- Responsible company management: Corporate governance principles, management principles, corporate mission
- Environmental and climate protection: Sustainability policy, environmental policy, Environmental Pact of Bavaria (Umweltpakt Bayern), UNEP FI declaration
- Equal opportunities for employees: Diversity charter
- Product responsibility: World Bank environmental and social standards, sector-specific guidelines
- Sustainability in purchasing: Sustainability agreement with service providers and suppliers

These standards do not just create clear and binding guidelines for legal, ethical and responsible actions; they form a framework of standards for all sustainability activities, from which goals and individual measures to continually improve sustainability performance are derived. These goals and measures are brought together and documented in the sustainability programme.

Sustainability programme

Objective	Measure	Status	Deadline	Achievement of objective
Management & strategy				
Expand the scope of consolidation of the sustainability management system	Include the Group's strategic subsidiaries and intensify cooperation	Old	Gradual	Partially achieved; goal will continue to be pursued
	Build up a Group-wide knowledge database as a foundation for further harmonising sustainability activities	New	12/2013	Being implemented
Certification of management systems	Check on the introduction of a certified social management system	Old	12/2011	Check completed; no introduction planned
	Revalidate BayernLB's environmental management system according to EMAS	Old	Annually	Achieved
	Expand certification of environmental management systems at all locations in Germany and increase coverage in the Group from the current 41 percent to over 75 percent	New	12/2015	Being implemented
Increase communication with strategic stakeholders	Intensify dialogue with SRI investors	Old	12/2011	Achieved
	Expand SRI network by signing the UN PRI	New	06/2013	Being checked
	Discuss with customers findings from study on the impact of climate change on Bavaria	Old	By 2011	Achieved
	Set up a platform for dialogue with NGOs	Old	12/2011	Partially achieved; goal will continue to be pursued
	Sign a sustainability agreement with all suppliers and external service providers	Old	2010	Largely completed
	Conduct regular supplier audits	Old	Ongoing	Achieved

Objective	Measure	Status	Deadline	Achievement of objective
Sustainable financial solutions				
Increase funding by SRI investors	Stabilise results in sustainability ratings Oekom: PRIME status Imug: at least “positive” in all categories Sustainalytics: > 60 points	New	Ongoing	Currently achieved or overachieved
Boost earnings by increasing exposure to sectors dealing with global challenges	Expand sector expertise for the whole cleantech sector	Old	Ongoing	Being implemented
	Establish a Group-wide “tomorrow’s energy” initiative	New	06/2012	Achieved
	Expand Group-wide exposure to sectors which are important for tomorrow’s energy	New	Ongoing	Being implemented
Minimise ESG risks and the related reputational risks	Adjust/update checklists to improve efficiency in complying with environmental and social standards in the export finance business	Old	06/2011	Achieved
	Analyse RepRisk exposure	New	06/2013	Being implemented
	Establish guidelines and positions on issues critical to energy policy (nuclear, oil sands, mountain top removal MTR, etc.)	New	06/2012	Achieved
Employees				
Increase understanding for sustainability issues among employees	Integrate the issue of sustainability into the training programme	Old	12/2011	Partially achieved; goal will continue to be pursued
Improve work/life balance	Expand programmes to support employees with children or relatives in need of care	New	12/2012	Achieved
Keep sickness rate below four percent	Expand health management	New	12/2011	Achieved
	Document the reintegration process	New	12/2013	Being implemented
Increase the proportion of women in management positions	Continue cross-mentoring programme	Old	Ongoing	Achieved
	Intensify reporting on equal opportunities	New	12/2013	Being implemented

Objective	Measure	Status	Deadline	Achievement of objective
Sustainable bank operations				
Prevent energy and resource consumption	Increase use of cooling ceilings	Old	12/2011	Being checked
	Use high-efficiency pumps in company technical facilities	Old	12/2011	Being checked
	Optimise uninterrupted electricity supply	New	12/2012	Being implemented
	Increase use of energy in off-peak periods	New	12/2013	Not yet started
Substitute CO ₂ -intensive energy sources	Extend supply agreement to cover electricity demand from certified hydro-electric power	New	06/2012	Achieved
	Install an additional photovoltaic facility on the Bank's business premises	New	12/2011	Achieved
Offset unavoidable CO ₂ emissions	Revise distribution basis for CO ₂ levies in air travel	New	12/2012	Not yet started
	Offset unavoidable CO ₂ emissions at all Bank locations in Germany	New	12/2015	Partially achieved; goal will continue to be pursued

The sustainability programme is developed based on a comprehensive evaluation of sustainability performance, conducted at least once a year by Sustainability Management – for example as part of internal audits. The results of the inventory are discussed with the respective operational managers. This process ensures that the individual measures are implemented in a targeted and consistent manner and are upheld by all business units.

The sustainability report is an integral part of the management approach

BayernLB has reported on the achievements in its sustainability performance and the implementation status of its sustainability strategy for many years. The sustainability report plays a key part in this. It does not simply act as a communication medium, but is also an important management tool. The editorial part of BayernLB's sustainability report is not, as is usual in the sector, produced by a communications agency, but in close cooperation between Corporate Development and operational managers. As part of the reporting process, further developments in the sustainability strategy, along with the goals and individual measures – documented in the sustainability report – are defined, making the sustainability report an indispensable management tool in dealing strategically with sustainability-related issues.

Integrity

Breaches of law and ethics harm the reputation of our firm. They affect the way the general public perceive us and influence the attitude of customers, owners and business partners. An absence of trust in the integrity and reliability of BayernLB would remove the most important basis of sustainable business success.

Code of Conduct



Integrity

Integrity is the basis of all sustainable corporate activities and at the same time an inalienable requirement to maintain the confidence of customers and the public in a bank, its products and employees. BayernLB and its employees regard acting lawfully, ethically and responsibly as an elementary and indispensable part of its corporate and social responsibility.

Corporate governance

Confidence in business policy is determined to a large extent by responsible, transparent corporate management and control, oriented towards increasing the company's value. As a result, great emphasis has always been placed on corporate governance which meets these demands. As a corporation established under public law, BayernLB has a management and supervisory structure laid down in the Bayerische Landesbank Foundation Act, with responsibilities split between two bodies which have different members. The Board of Management conducts the business of the Bank. It is responsible for providing BayernLB with a proper business organisation, which, in addition to having suitable internal monitoring processes, is capable in particular of ensuring major risks are appropriately managed and monitored. To prevent conflicts of interest, Sales and Risk Office units, and Trading and Settlement units are functionally separated within the business organisation. The Board of Administration approves the guidelines on business policy, the appointment of members of the Board of Management and the annual financial statements and consolidated financial statements. In addition, it monitors and advises the Board of Management. The other corporate body is the General Meeting of Shareholders, which has the power to decide matters of basic principle. This includes in particular, following prior consultation by the Board of Administration, changes to the Bank's Statutes, appropriation of profits, discharging the members of the Board of Administration and – upon recommendation by the Board of Administration – appointing the auditor and discharging the members of the Board of Management. From its ranks the Board of Administration also forms an Audit Committee and a Risk Committee. Both committees have their own respective rules of procedure.

The Bank's corporate governance principles summarise the corporate management and control regulations applicable to BayernLB, which are either legal requirements or which BayernLB has chosen to impose on itself. These principles are largely based on the provisions of the German Corporate Governance Code, so far as these can be sensibly applied to BayernLB as an unlisted public sector company with only two indirect shareholders. The corporate governance principles go beyond the requirements of the German Corporate Governance Code in a number of areas. BayernLB has a major interest in making the corporate governance system it has voluntarily adopted transparent and comprehensible so as to promote even greater trust among customers, staff and the wider public. The corporate governance principles are regularly reviewed, amended as appropriate and published to reflect new experiences and legal requirements and changes to German and international standards.

Code of Conduct

In autumn 2010, BayernLB began working on its own Code of Conduct and introduced it in May 2011. As a risk prevention, management and communication tool, the Code of Conduct documents the Bank's business culture. It presents clear guidelines and provides information on legal, ethical and responsible actions. The Code applies to all business areas and central areas of BayernLB, all employees and the members of the Board of Management and Board of Administration. All these groups of people are obliged to comply with the Code of Conduct and to check and structure their actions according to these principles. It supplements and details existing regulations, the current Corporate Governance Principles and company and management standards.

With the introduction of its Code of Conduct, BayernLB has sent a visible signal that it is clearly committed to its corporate social responsibilities. The Code stands for compliance with all legal requirements and standards as well as with the Bank's voluntary commitments and values. It was produced under the leadership of the Compliance Department in cooperation with employees from various levels and functional disciplines in a participatory process. In addition to fundamental values like integrity and honesty, it includes guidelines on issues such as data protection and confidentiality, competition law and protection of intellectual property, insider information, sustainability and ethics, responsibility for employees and combating money laundering, terror financing and financial crime.

The Code of Conduct is intended to serve as a set of standards for employees' daily activities. Abiding by it carefully contributes to promoting a spirit of fairness while at the same time ensuring BayernLB's most important corporate goal – sustainable economic success in accord with our social responsibility. By means of various communication and education measures, BayernLB actively ensures that the Code of Conduct is not an isolated move but a constant orientation.

Compliance management system

The Group Compliance Division is responsible for monitoring compliance-related legal and supervisory requirements within the Group and reports directly to BayernLB's Board of Management. The division's core tasks include: Preventing and combating money laundering, terror financing and financial crime, complying with embargo requirements and sanctions, managing conflicts of interest and capital market compliance. Furthermore, the Group Compliance Division is the home of the Ethics Officer and Corporate Volunteering as part of BayernLB's corporate social responsibility activities. In accordance with its regulatory responsibilities, the division identifies and manages compliance risks which may arise from corporate activities, legal requirements and public perception of the Bank. This occurs centrally via its own Compliance Management System. Its structure is based on BayernLB's corporate culture, communication and governance in that it communicates, among other things, the attitude of the Board of Management (tone from the top) and the Bank's basic values and objectives. The core of the Compliance Management System consists of the "Prevention", "Operations" and "Investigation/Remediation" modules.

The Prevention module includes conducting regular compliance training and consulting, drawing up risk and threat analyses and continuously improving planned measures. Operations includes continuous monitoring measures, controls, planned checks, ongoing process optimisation and acceptance, coordination and support in the case of internal tips and the hotline for questions. The third pillar, “Investigation/Remediation” is based on event-driven investigations or due diligence, cooperation with external authorities and sanctioning if required. Compliance breaches are not minor offences. They endanger the reputation and security of BayernLB by dominating public opinion and influencing the attitude of customers, owners and business partners. In order to avoid compliance breaches, all employees are required to direct their questions and comments to their managers, departments or the compliance officers. BayernLB’s Chief Compliance Officer has been granted far-reaching privileges to investigate relevant issues. The importance of compliance, risks and measures is reported on an ongoing basis in training courses, projects, audits and controls and regular internal communication. A broad range of information on current and fundamental compliance topics on BayernLB’s Intranet rounds out the information provided to employees. Every Group company has its own Compliance unit. Cooperation agreements have also been concluded with strategic subsidiaries to ensure key requirements are implemented.

Clear responsibilities and reporting channels, regulations, periodic internal and external checks and reports about compliance activities ensure that Compliance is able to perform its tasks. It is audited annually, e.g. by external auditors, in terms of the suitability and efficacy of its actions, including the respective threat and risk analyses, measures and regulations.

Combating money laundering, economic crime and the financing of terrorism

For BayernLB, integrity and seriousness are not just key pillars of social responsibility but an essential precondition for enduring business relations with customers. Combating money laundering, financial crime and terror financing is of key importance and is also regulated and embedded accordingly in the Code of Conduct under the heading of Financial Services. The Code states, for example: “We check the identity and credit standing of our clients and business partners. We conduct regular due diligence to ensure we are not being abused for unlawful business practices such as the financing of terrorism, money laundering or other criminal acts”.

BayernLB is bound by various German and international standards and implements new measures promptly and in full. Money laundering and financial crime is combated in line with rules that apply Group wide. The risk analyses drawn up at least once a year for the Bank and the Group provide a risk assessment for all divisions and relevant subsidiaries and serve as the basis for the requisite measures. The primary goal is to protect customers, employees and the Bank from damages arising from financial crime. Basic preconditions are a complete picture of the customer, its business operations and the (economic) environment.

Prevention is clearly at the forefront. A new customer approval process and constant monitoring of existing relationships and transactions ensure that UN, EU and German rules on embargoes and sanctions are observed in full. The audit processes required are automated to the greatest extent possible. Audits are based on information from the Bank’s own IT systems and external sources. However, standardised and proven processes can only successfully combat money

aundering, fraud and the financing of terrorism with the support of all staff. Therefore all employees regularly attend training in person and online and are informed of the latest issues via the Intranet. All BayernLB employees are obliged to attend the respective events.

In purchasing services and materials, BayernLB is careful not to establish any business relationships with companies that have become conspicuous for fraud, supporting war criminals, etc.

In addition to monitoring business relationships and transactions, BayernLB not only checks job applicants before they join the bank but also regularly assesses employees for their reliability in terms of prevention of money laundering. Staff representatives fully uphold the measures required.

Handling conflicts of interest

Conflicts of interest may arise in the course of work when the differing interests of several parties must be considered at the same time. They can also arise if private matters collide with the obligations of the job. If there is a potential for conflict, BayernLB deals purposefully with the situation by making the conflict transparent and informing the respective manager or a Compliance officer. BayernLB therefore actively promotes handling conflicts of interest in a reflected manner and dedicates a chapter specifically to this issue in the Code of Conduct which recommends avoiding conflicts of interest of any kind. The primary guidelines for all employees' daily activities are purely objective criteria; the same applies when establishing business relationships with suppliers and business partners. According to the Code of Conduct, recommendations and commercial or human resource decisions may not be influenced by private interests and relationships or motivated by tangible and intangible benefits.

It is forbidden to accept or grant inducements. This applies not only to direct financial gifts but also to other perks which could cast doubt on the Bank's independence. Both when accepting and granting benefits, gifts and invitations, the Bank always complies with the limits of what is usual and appropriate, tax regulations and applicable approval requirements. Any gifts, invitations or benefits which could limit the personal independence of the recipient or raise doubts among the public about the integrity of BayernLB or the recipient are not permitted. This is regulated in a corresponding guideline on gifts and invitations. Employees have access to a variety of information providing detailed explanations and decision-making tools.

As a tool for managing conflicts of interest, "Guidelines for Staff Transactions" are binding for all employees. Accordingly, employees may not buy or sell securities they deal with professionally and furthermore staff transactions may not breach customer or bank interests. Breaches of these guidelines may involve steps being taken under labour law. Any proceeds not acquired in accordance with the guidelines are to be donated to a charitable or non-profit institution.

Investor protection

Although BayernLB does not operate a traditional retail business, it develops products for the savings banks, which in turn sell them to their customers. Following the loss of confidence in the sector caused by the financial markets crisis, BayernLB aims to ensure investors and sales partners have confidence in its products.

Advice suitable to the customer's needs, products and services which can be understood, appropriate explanations of risks and opportunities and transparent documentation are a matter of course for BayernLB, in order to enable its customers to make independent and well-founded decisions. The Bank is committed to an open, fair and transparent information and communication policy.

The law strengthening investor protection and improving the working of the capital market, the Investor Protection and Functional Improvement Act (Anleger- und Funktionsverbesserungsgesetz), has placed greater importance on investor protection, as it significantly strengthens the powers of supervisory authorities with regard to securities services providers. In particular, the requirements placed on investment advice have been increased. Consequently, in addition to consultation records, retail customers are also provided with an information sheet which includes the key information relating to the recommended financial instrument. Accordingly, BayernLB has implemented a process to meet the requirements to create and distribute product information sheets. Moreover, in order to guarantee high-quality investment advice, BayernLB primarily offers its own financial instruments and securities services and those of the Sparkassen-Finanzgruppe. In this manner, BayernLB is attempting to comply with customer demands that the products it recommends are not only transparent but in particular, understandable.

To improve investor protection, the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) has set extensive qualification and registration requirements for investment advisors, sales staff and Compliance officers. Therefore a securities services provider may only entrust investment advice to an employee if he/she possesses sufficient knowledge and the reliability required for this activity. Since it is the savings banks which mainly advise retail investors, BayernLB also provides their advisors with a great deal of information. For example, a modular training programme developed specially with the European Derivatives Academy (EDA) for the Bank's own staff and employees of the savings banks enables investment advisors to provide customers with in-depth consulting services.

Data protection

Confidential treatment of business secrets is essential for BayernLB, its customers and business partners. Therefore using sensitive data responsibly is an important maxim for BayernLB in dealing with customers and employees. The Code of Conduct states on this topic: "It is the duty of all employees to use information gained in the course of their work only as permitted. When passing on information within the company or outside, it is essential to check that the recipient is entitled to be given it."

Furthermore, the Code of Conduct requires personal data and confidential information in particular be treated in a reflected and professional manner. In addition, it is the responsibility of the data protection officer (DPO) to ensure that legal requirements on data protection are complied with, in order to protect the parties concerned, such as customers and employees, from data misuse. In accordance with the law, the DPO is the sole contact within the company for data protection issues.

The Data Protection organisational unit has existed at the Bank since the German Federal Data Protection Act (Bundesdatenschutzgesetz) came into force in 1978; it was established to comply with the legal requirement to appoint a data protection officer at the Bank to conduct qualified internal controls. Under the Act, the DPO reports directly to the head of the public or non-public body (the CEO in the case of BayernLB) and is to be free from outside direction in carrying out his or her responsibilities in the area of data protection. The DPO may not suffer any disadvantages as a result of carrying out his or her duties and is also subject to special confidentiality rules. The focus of the DPO's activities is on ensuring that only permitted data is processed and that personal data is properly handled. Data protection can only be implemented effectively if an entire system is secure and must be upheld by all operational functions.

For the DPO's work this means rolling out measures and monitoring their implementation as well as constantly promoting awareness of data protection and security by targeted training and one-on-one discussions. Furthermore, the rights of those concerned must be sufficiently guaranteed – particularly in the case of specific requests. The relationship with staff representatives and the supervisory authority responsible for data protection is also important and must be maintained.

The Bank implements these requirements fully in various ways: A standard data protection procedure has been put in place which specifies detailed, in-depth and regular checks. The treatment of employees' personal data has been stipulated in a service agreement between the Bank and staff representatives, in order to protect employees' interests at all times. BayernLB's duty of care extends beyond the internal use of sensitive data, though. It also considers external service providers who process data under contract. Major breaches of data protection affecting customers, such as bank account or credit card details, are reported to the regulator immediately. In addition, as required by law, the customers affected are advised and necessary countermeasures taken.

In order to tighten treatment of confidential information, all employees are obliged to take part in data protection training on a regular basis. Planned changes to legislation, such as amendments to the German Federal Data Protection Act on protection of employee data (Ergänzungen des Bundesdatenschutzgesetzes zum Beschäftigtendatenschutz) and the European Union Data Protection Directive, are monitored and incorporated promptly.

Dialogue with stakeholders

BayernLB is committed to an open, fair and transparent information and communication policy. We provide honest and unambiguous information about corporate data and facts on our products and services.

Code of Conduct



Dialogue with stakeholders

BayernLB believes in communicating with stakeholders in an open, fair and transparent way. By regular discussion, it increases acceptance for its actions and also gains valuable impetus for its ongoing improvement process. The management takes into account the interests of all stakeholders connected to the company (=stakeholder approach) when making business policy decisions as part of its management duties.

BayernLB maintains a particularly intensive dialogue with customers, employees, rating agencies, investors and owners for strategic reasons. However, there is also close, ongoing communication with other stakeholders such as suppliers, numerous associations and initiatives, non-government organisations (NGOs), the media and the interested public.

Cooperation with the various stakeholders is mainly conducted by the units responsible but Sustainability Management plays an advisory and coordinating role. However, discussions with associations related to sustainability and with NGOs are conducted directly by Sustainability Management. The outcomes of communication with all stakeholders are regularly described in press releases, internet publications, employee and customer magazines and other publications.

Communication with customers

BayernLB is convinced that knowing the wants and needs of its customers is the basis for providing them with optimum service and it is therefore in intensive dialogue with them. This discussion also serves as an important indicator and at the same time a motivator for development of financial solutions. The Bank uses various platforms to communicate with its customers.

BayernLB holds a series of events under the rubric “Protecting the climate – Creating values”, in order to foster the exchange of opinions and experience and the transfer of knowledge in the environmental technology industry. Two “Climate Days” were held in the reporting period with discussions on subjects such as “Renewable energy & energy efficiency” (Erneuerbare Energien und Energieeffizienz), “Sustainable real estate management” (Nachhaltige Immobilienwirtschaft) and “eMobility” (eMobility).

The key results of the climate study “The impact of climate change on different economic sectors in Bavaria” (Auswirkungen des Klimawandels auf Branchen in Bayern) were presented and discussed. The Bank commissioned the study in 2008/2009 (completed in May 2010) in order to help its customers optimally deal with the negative impact of climate change. The sector analyses were also discussed in two customer workshops with the photovoltaic and real estate sector.

BayernLB’s online presence, its annual and sustainability report and “Mittelpunkt”, BayernLB’s customer magazine, regularly provide information about the company and current issues in the sustainability and finance sector.

BayernLB continually improves the efficacy of its dialogue strategy and its performance for its customers. To this end, it conducts regular customer surveys in conjunction with professional market research institutes, e.g. in the Mittelstand segment, as well as the real estate and savings banks segments. The Bank scores with its Mittelstand customers by means of dedicated consultants with convincing expertise, has increasingly gained the confidence of new customers and is rated above the sector average. It impresses with good service and performance and is overall committed to trustworthiness, goal-orientation and good advice.

Complaint management is also being constantly professionalised and adapted to the requirements and expectations of the German and international corporate culture.

Communication with staff

Although a large portion of the restructuring measures have been completed, with the outcome of the final EU Commission ruling BayernLB now faces ambitious challenges which can only be met with the cooperation of all employees. They make a major contribution to the stability and viability of the company. Within the scope of internal communication, related information is provided and opportunities to participate in strengthening BayernLB in the long-term and further improve its performance are created. In this regard, a range of participatory and dialogue-oriented platforms and communication channels have been established.

Employees have access via the Intranet to an electronic manual on change management in the form of the “Change Guide”. This tool includes specific recommendations for action and provides checklists and other tools. Managers and project managers receive training in dealing with demanding change plans – such as the current one – and gain the basis of knowledge they need. Special features on topics like the “change process” or “cultural change” are published in the employee magazine “punkt”. In addition, it also regularly presents current projects and customers of the Bank.

In two series of events, “Building together” (Gemeinsam Gestalten) and “Board of Management Dialogue” (Vorstandsdialog), employees and trainees talk directly to members of the Board of Management regarding current cross-divisional and strategic issues. A key topic in the reporting period was BayernLB’s positioning on the issue of the transition to tomorrow’s energy. The “Communication – Networking – Identification” event also focused on discussions with a “long-term impact”. It was a cross-divisional discussion between Compliance, Risk Office and Restructuring Unit – the first of its kind.

If employees want to incorporate their ideas and suggestions for improvements, this is done by means of personal discussions, ideas management or special measures such as the “Customer Orientation” project as part of the management development programme. Particularly effective and sustainable ideas and suggestions for improvements are rewarded financially. In this manner the Bank creates another incentive for employees to get actively involved in structuring the “new BayernLB”.

In order to build on the continual and above all direct communication between employees and the Human Resources Division, the Bank launched the Intranet platform “Direct to HR”. This platform enables BayernLB employees to pose their questions and raise topics directly with HR, which are then pooled and prioritised. The high number of employees using this platform confirm the acceptance of this dialogue-oriented platform.

Employees also have access to “Talking points for customer queries” as an aid when answering queries from various stakeholders. These set out clearly the line the Bank is taking on current issues.

Furthermore, BayernLB’s Intranet is home to a broad range of information on the subject of “sustainability”. Information on the sustainability strategy, the environmental statement and tips on active environmental protection is provided. In order to further sensitise employees to sustainability, new junior staff are informed of the issues in related presentations and employees from the Sales divisions are trained specially on sustainability topics like World Bank standards.

Rating agencies

BayernLB’s sustainability performance is evaluated regularly by independent rating agencies specialised in sustainability issues. These sustainability ratings are a key source of information for many investors when making investment decisions. Since an increasing number of institutional investors consider sustainability issues in their investment strategy, the importance of sustainability ratings is steadily rising. Against this backdrop, it is very important to BayernLB to continually improve its sustainability performance. In addition, BayernLB seeks dialogue with ethical investors to support them in implementing their investment strategies.

Although some of the ratings agencies’ requirements have increased significantly in recent years, BayernLB was able to achieve good results in the current ratings once again.

2011 rating results

	Sustainalytics	oekom research	Imug		
As at	12/2011	2011		2011	
			Public Pfand-briefs	Mortgage-backed Pfandbriefs	Unsecured bonds
Rating	60 out of 100 points	C	Positive	Very positive	Positive
Ranking/ Investment status	20 of 63	PRIME	N/A	N/A	Top 25%
Benchmark/ Sector average	56	C-	In the area of sustainability management (unsecured bonds), BayernLB is in the top 25% of all rated Landesbanks and financial institutions.		

The rating results give BayernLB valuable tips on how to improve its sustainability management system. It is not about dogmatically fulfilling rating requirements and initiating the respective measures, BayernLB regards these tips much more as starting points for a discussion on what a sustainable path in the financial sector can and should look like. Accordingly, BayernLB sees itself as an important partner of ratings agencies and investors, in order to further strengthen the topic of sustainability in the capital market.

Memberships in associations and initiatives

The Bank is an active and dedicated member of various associations and initiatives. BayernLB takes an active role in handling sustainability issues in the regional, national and international initiatives listed below and considers membership as strategically important to the Bank. In some cases, this involves a range of voluntary commitments on the part of the Bank.

- The United Nations Environment Programme Finance Initiative (UNEP FI): BayernLB is a signatory of the UNEP declaration by financial institutions on the environment and sustainable development from 1997 and as such has committed to collaborating actively to achieve common environmental goals. In the reporting period, BayernLB participated in particular in a joint working group of the VfU, along with representatives of UNEP FI, on the issue of biodiversity. It compiled information for the financial sector on the consequences of losing biological diversity and the deteriorating quality of the ecosystem, and drew up recommendations on how financial services providers can contribute to maintaining biological diversity.
- German Association of Environmental Management and Sustainability in Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. VfU): BayernLB regards the key benefits of membership in the VfU primarily as being the open discussion among sustainability and environmental managers of German financial services providers and as the opportunity for an informative dialogue with experts and non-government organisations even on controversial topics. A joint round table every year with the UNEP FI discusses the latest developments in the area of sustainable finance and sustainability management. Specific topics and solutions to problems are developed in working groups. BayernLB representatives were actively involved, especially in the Reputation Risks forum.
- Carbon Disclosure Project (CDP): Since 2011, BayernLB has been a signatory of the CDP, a global non-profit organisation which works to reduce CO₂ emissions and sustainable water consumption.
- Finance Forum: Climate Change (Finanz-Forum: Klimawandel): This is a central research and dialogue platform for the effective implementation of climate policy as part of the German government's high-tech strategy on climate protection. The Forum serves to develop and implement research initiatives and systematic collaboration with the German Federal Ministry of Education and Research (Bundesforschungsministerium). BayernLB has chaired the "Finance Forum: Climate Change" since 2010.

- Energy Purchasing and Energy Efficiency Working Group (Arbeitskreis Energie-Einkauf und Energie-Effizienz): BayernLB initiated this cross-sector working group a few years ago in order to discuss best practice in the energy sector with representatives of the energy sector, DAX companies, Mittelstand companies, banks and insurance companies. In the reporting period, topics like expanding and stabilising the network and further enhancing the legal framework with a focus on the German Electricity Feed Act (Energieeinspeisegesetz, EEG) were the focus of discussion.
- Environmental Pact of Bavaria (Umweltpakt Bayern): BayernLB has been a member of the Environmental Pact of Bavaria since 1998, an agreement between the Bavarian Ministry for the Environment and around 5,500 Bavarian companies to continually improve corporate environmental protection. In 2011, BayernLB was honoured by the Bavarian State Ministry for the Environment and Health for its long-standing involvement in the Environmental Pact.
- Environmental Cluster Bavaria (Umweltcluster Bayern): The Environmental Cluster serves to strengthen the network between companies and research in the environmental sector. It provides the Bank, e.g. as part of events, with the opportunity to deepen contacts to Mittelstand companies in the environmental technology industry at regional level and to present itself as a financial partner, especially in export finance.
- German Sustainable Building Council (Deutsche Gesellschaft für nachhaltiges Bauen, DGNB): BayernLB was the first Landesbank to join the DGNB in 2011. The DGNB is a cooperation of experts from the construction and real estate sector to create more environmentally-friendly, economically efficient and user-friendly buildings and to develop a comprehensive DGNB certification system. The DGNB acts as an ideal platform for BayernLB for intensive discussion with proven experts.

Valuation, financing and asset management of sustainable real estate are some of the core competencies of the Real Estate Division at BayernLB and its subsidiaries. In conjunction with its customers, it is working towards an ever more sustainable strategy of the construction and real estate sector. Energy-related modernisation of the real estate portfolio is the key to achieving the German Federal Government's climate protection targets. Certified and accordingly managed buildings will have clear advantages in the future when competing for tenants, at the latest in subsequent lets. For the Bank, sustainability in this context means investing in securing competitiveness long-term by lowering facility management costs, increasing annual net income and prolonging residual useful life.

BayernLB works closely with the Fraunhofer Institute for Building Physics (Fraunhofer-Institut für Bauphysik – IBP) in Stuttgart for technical expertise on energy efficiency in buildings. Two shining examples of this collaboration are BayernLB pilot projects in the future market of sustainable real estate: The energy-related modernisation of a large apartment complex in Brühl, built in 1974, and development of an energy-related modernisation concept for Bayerische Landesbank's leisure facility on Osterwaldstrasse, Munich, dating back to 1970.

- The German Network for Business Ethics (Deutsches Netzwerk Wirtschaftsethik, DMWE): BayernLB regards this network as a good opportunity to share in developing concepts which integrate ethics into business activities and actively seeks to implement them in future. The primary focus is on conducting an open dialogue with the goal of encouraging moral behaviour in the market economy and corporate actions. The network is not an advocate of any particular business-ethical interest, rather it seeks to promote the exchange of ideas and opinions between science and practice.
- The Association of German Foundations (Bundesverband deutscher Stiftungen): BayernLB has been a member of the Association of German Foundations and a funding partner of the association for many years. For over ten years, it has supported charitable foundations from the public and private sectors and manages around EUR 1.8 billion of foundation assets. It offers founders support in designing and setting up foundations. One special feature is the cooperation with the S-Finanzgruppe. Any founder can establish contact to the German savings banks through the Bank and can take advantage of the range of services offered by the German Savings Bank Association, e.g. to enable the targeted promotion of regional goals and support charitable tasks in a municipality or region. In addition, BayernLB provides a network for fundraising and procuring donations for foundations. Furthermore, it has supported the “Stifterland Bayern” initiative of the Association of German Foundations as the main donor.
- Oberland Shift to Tomorrow’s Energy Civil Foundation (Bürgerstiftung “Energiewende Oberland”): The Bank has been a member of the civil foundation since the beginning of 2010. The foundation promotes measures which contribute to supplying the areas around Bad Tölz-Wolfratshausen and Miesbach with energy entirely from regional, renewable sources by 2035. BayernFM supports the Bad Tölz-Wolfratshausen district with a multi-stage implementation concept, which plans to achieve climate neutral operations at the municipal buildings. The three phases will see a reduction in energy consumption, the shift to renewable energy and the offsetting of unavoidable CO₂ emissions by means of climate certificates.

In addition, BayernLB plays an active role in a range of initiatives related to the economy, banking and journalism. The most significant of these are listed below.

Activities in social groups, selected examples

General business:

- The German Association for Personnel Management (Deutsche Gesellschaft für Personalführung e.V., DGFP)
- The German Institute for Internal Audit (Deutsches Institut für interne Revision e.V., DIIR)
- Energy Institute London
- The German Association for Data Protection and Data Security (Gesellschaft für Datenschutz und Datensicherheit e.V., GDD)
- Marketing Club Munich (Marketing-Club München e.V)
- The Schmalenbach Society for Business Administration (Schmalenbach Gesellschaft für Betriebswirtschaft e.V., SG)
- Association for the Promotion of German Science and Humanities (Stifterverband für die Deutsche Wissenschaft)
- The Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken, VdP)
- Society of Munich Housing Associations (Vereinigung Münchner Wohnungsunternehmen e.V.)

Banking and financial services:

- ACI Deutschland – The Financial Markets Association
- The German Leasing Companies Association (Bundesverband Deutscher Leasing Unternehmen e.V., BDL)
- The Society of Investment Professionals in Germany (Deutsche Vereinigung für Finanzanalyse und Asset Management e.V., DVFA)
- The Association of Chief Financial Officers Germany (Gesellschaft für Finanzwirtschaft in der Unternehmensführung e.V., GEFU)
- German Association of Risk Management (Gesellschaft für Risikomanagement FIRM)

Public relations:

- The Bavarian Journalists Association (Bayerischer Journalisten Verband e.V., BJV)
- The German Association of Press Spokespeople (Bundesverband deutscher Pressesprecher e.V)
- The International Press Club of Munich (Presse Club München e.V)

Cooperation with NGOs

A regular dialogue with non-government organisations (NGOs) enables BayernLB to learn of new findings and positions held by NGOs and to identify critical projects early on. This gives the Bank important impetus to constantly rethink its positions. Conversely, BayernLB also uses this dialogue to communicate its own attitude and position to the NGOs. Forums have been set up as a platform for communication where the Bank can discuss current topics with a range of NGOs and the most important German financial service providers. This discussion has taken place regularly since 2007, mainly within the NGO-Bank Dialogue Forum of the VfU, which is organised by the German NGO *urgewald*. Topics covered by the Bank Dialogue Forum in the reporting period included “climate-killer coal” and nuclear energy. In addition to speakers from the NGO sector, representatives of banks report on their best practice approaches and experiences with implementation.

In 2013, BayernLB plans to increase dialogue with NGOs in a targeted manner by presenting its sustainability approach and the Bank’s position on selected topics to them as part of an event.

Suppliers and external service providers

BayernLB's suppliers and external service providers are selected according to social and environmental criteria in line with the Procurement Manual (Beschaffungshandbuch). Where value for money is the same, preference is given to:

- Regional suppliers, to minimise external freight costs and delivery times;
- Products with an official environmental certification;
- Services and products from institutions for the disabled or other non-profit organisations.

Regular assessments and rankings are carried out, in which particularly the quality, commercial and legal aspects and the cooperation are evaluated, in order to ensure that suppliers and service providers meet high quality standards.

The issue of sustainability is becoming increasingly important when selecting and assessing the suppliers. To this end, the Bank has concluded sustainability agreements with all new and, if possible, existing suppliers and external service providers since 2010. In these agreements, they consent to comply with minimum environmental, ethical and social requirements, e.g. to comply with the principles of the ILO core work standards. They must have introduced or be establishing an environmental management system and actively implement this, as well as complying with EU environmental protection standards. They must also convey these requirements to their suppliers and service providers. In addition, they must agree to internal audits to check these standards.

The employees in the Purchasing Department have been trained on the requirements of the sustainability agreement. Since the beginning of 2010, it is now also mandatory for outsourcing to observe the sustainability agreement.

BayernLB checks its suppliers and service providers once a year by searching data bases specialising in the issues of corruption and social and environmental risks. Furthermore, 2011 saw the first internal audits carried out at selected service providers. An ABC analysis identified the largest service providers which were then interviewed on important aspects and risks, such as environmental channels, climate protection and employee rights. As a complementary measure, company documents have been analysed. No critical points were found.

Corporate citizenship

Acting in a business-like manner means taking responsibility for society. We take account of this responsibility as far as we can. Our commitment is centred around helping the community, education and science, art and culture and sustainable development.

Code of Conduct



Corporate citizenship

For BayernLB, business activities are inextricably linked with corporate social responsibility. The Bank dedicated an entire chapter of its Code of Conduct to corporate social responsibility. It stipulates that the Bank concentrates its charity activities on helping the community, education and science, art, culture and sustainable development. Memberships, sponsoring and charitable donations are reported separately.

Donations and memberships are subject to the Bank's internal guidelines which include annual upper budget limits. In addition, no donations may be made to individuals, missionary groups, political parties, voters' unions, cults or anti-democratic institutions. Compliance with these guidelines is monitored on an ongoing basis by the unit responsible and additional checks are carried out once a year. The Bank's charity activities primarily consist of supporting projects which focus on education, children, young people and fighting poverty. Concepts which "help people to help themselves" are considered particularly worthy of support. The Bank also encourages its employees to get personally involved in its activities in this area.

In sponsoring, the focus is on education and science and helping the community. Examples include specialist trade fairs, events and trade media relating to sustainable development, such as the German Renewable Energy Agency (Agentur für Erneuerbare Energien), the German-American Energy Conference (Deutsch-Amerikanische Energietage, 2010) and the Solar Symposium in Munich.

Social commitment

Sternstunden

Since Sternstunden e.V. was founded in 1993, the Bank has been involved in the charity in many ways. Every cent of every financial donation goes towards helping children in need. This is made possible by the fact that sponsors like BayernLB and – since 2011 – LBS Bayern bear all the administrative costs. Moreover BayernLB also provides office space and equipment, takes care of printing and dispatching bank transfer forms and processes all payment transactions.

BayernLB traditionally donates EUR 50,000 at the annual Sternstunden Gala telethon on Bavarian TV just before Christmas. LBS Bayern donates a home loan savings contract worth EUR 10,000. Every year, employees of BayernLB, BayernLabo and LBS Bayern volunteer to accept donations by phone during the telethon. The IT department of LBS has developed proprietary software for the donation centre which ensures calls are recorded rapidly and reliably during the telethon.

Furthermore, BayernLB and many of its employees contributed to Sternstunden with many additional activities. At the Sternstunden stand at the Nuremberg Christkindlmarkt Christmas Market, employees from Nuremberg and Munich collected nearly EUR 13,000 in four days. Employees and BayernLB donated around EUR 14,000 for the special project East Africa Hunger Aid (Hungerhilfe Ostafrika), e.g. from a blood drive and participation in the Munich Company Run – as always under the slogan “We are running for Sternstunden”. “Cycling for Sternstunden” (Radln für Sternstunden) was the motto during the Health Days (Gesundheitstage) in 2011 – almost EUR 2,800 was raised. Additional donations came from special sales, for example, of promotional items that could no longer be used and art objects from the Bank’s collection of paintings. The “Stern-taler” campaign initiated by the Bank in 2001 – collecting foreign currency that is left over after a holiday, for example – has so far raised almost EUR 2 million.

LBS Bayern also holds regular charity events from which the proceeds are donated to Sternstunden. Every year, it auctions off selected works of art created by employees under the title of “Art Stars at LBS” (Kunststerne in der LBS). Furthermore, it organises a cards tournament three times a year in conjunction with the Association of Bavarian Savings Banks, to which it invites fans of the Bavarian card game “Schafkopf” from politics, media and the business world to “Play Cards for Sternstunden” (Karteln für Sternstunden).

Bavarian State School for the Physically Disabled (Landesschule für Körperbehinderte)

Every two years, BayernLB organises a charity exhibition, in which selected works of art by students at Bayerische Landesschule, created as part of various projects, are exhibited and then auctioned off. The proceeds are shared equally between the Landesschule and Sternstunden. The auction in 2011 generated EUR 32,388.88.

Other donations

BayernLB also supports facilities directly. These include the Children’s Palliative Care Centre in Munich-Grosshadern, which received EUR 20,000, and the Roecklplatz Education Centre for Disadvantaged Young People, which was supported with EUR 15,000.

The Bank regularly takes part in the “Gifts from the Heart” project by the international network Humedica: Employees collect gift packages which are distributed to children in need at Christmas.

At the beginning of 2010, employees launched an aid project for Haiti. This enabled a school project, medical support and the provision of aid to be financed by donations. Furthermore, employees organise and take part in sport events and thereby raise funds for the “Miles of Trees” project which is dedicated to environmental protection and reforestation in Haiti.

Volunteering programme for employees

In June 2011 BayernLB launched the Corporate Volunteering scheme, which is an expression of its commitment to be a socially responsible business.

The Bank provides 500 working days per year for the programme. Every employee receives a maximum of two days “paid leave” per year and can also use up to three days of their personal time balance. This initiative has met with a very positive response and many employees have already performed voluntary tasks. Reports on this involvement in the staff magazine pave the way for new initiatives. Every employee can take part in or support projects and organisations that the Bank considers worthwhile. In addition, BayernLB conducts annual corporate volunteering projects at Munich-based welfare institutions, in cooperation with the Social Department of the City of Munich and “Companies for Munich”, an affiliation of renowned DAX and Mittelstand companies.

Another, more long-term form of social commitment is the mentoring programme at JOBLINGE AG. Young people who cannot find an apprenticeship are assisted and qualified over a period six months. BayernLB employees and “Joblinge” form tandems; the Bank employees support the young people in many ways. Social commitment is also a key element of the Bank’s talent management. For example, an optional aspect of the Senior Development Programme (SDP) provides for a one-week period working at a welfare institution. In the “business@school” project, employees support business projects from senior grammar school students. They impart their business know-how and expertise to help prepare them personally for the world of work.

Preventative support of children and young people

“United we are strong” (Gemeinsam sind wir stark) – programme to prevent violence in sports clubs

Between 2009 and 2011, LBS Bayern, in partnership with the “Alliance for children. Fighting violence”, donated EUR 200,000 to the “United we are strong” violence prevention programme by the Bavarian arm of the German Association for the Protection of Children (Deutscher Kinderschutzbund Landesverband Bayern). The programme is focused on volunteer trainers of teams of children and young people. LBS Bayern’s support helped to establish the infrastructure and lay the foundations for “United we are strong” training sessions throughout Bavaria. As a result of this support, 1,000 sport clubs also received sponsorship “starter packages”, allowing youth trainers or carers to attend the training free of charge.

Commitment Award from the foundation Alliance for children. Fighting violence (“Stiftung Bündnis für Kinder. Gegen Gewalt”) .

In 2010, LBS was granted the first Commitment Award from the “Alliance for children. Fighting violence.” state foundation for its many years working to prevent violence. Every year the foundation honours individuals and organisations in four categories who in their own way demonstrated conviction and commitment with regard to protecting children and young people against violence.

“Können durch Erfahrung” campaign – safety training for young drivers

Since 1984, LBS Bayern has supported the road safety campaign “Können durch Erfahrung”. The free safety training provided by the traffic police helps young new drivers, who are statistically much more likely to have an accident, become safer drivers or motorcyclists. Studies show that attending the courses cuts the risk of being involved in an accident by 30 percent. In recognition of their commitment to safety, the 10,000 or so young people who enrol on the course each year are entered in a draw to win one of ten LBS Bayern home loan savings accounts in the amount of EUR 600 each or one of 16 savings books from the Bavarian savings banks with an initial deposit of EUR 550 each.

Support for campaigns by the Munich police force

As it has done for many a year, BayernLabo once again supported the Munich police force. In 2011 it funded campaigns by the Federal Association of Detectives (Bund deutscher Kriminalbeamter) against drug addiction, burglary and theft. BayernLabo also threw its weight behind school and public information campaigns to steer children and young people away from a life of crime and prevent child abuse.

Promotion of education

As part of BayernLB’s social commitment, it focuses on promoting education. Financial education is given particular weight here – not least arising from the discussions following the financial crisis on the complexity of banking products. The promotion and implementation of educational activities is directed at interested parties in the public or at special target groups such as school-children, students, journalists and real estate owners.

LBS Bayern assumes corporate social responsibility through its own projects. It is mainly committed to helping children, young people and young adults. To this end it works closely with various Bavarian ministries and aid associations and uses its competencies – in particular its regional network and PR activities – in a targeted manner.

Economic analyses

BayernLB’s Economics Department regularly analyses the overall economic situation in Germany and Europe and publishes these findings on the internet and in special publications.

Finance Press Forum

The annual Finance Press Forum is an event organised by the Sparkassen Finanzgruppe Bayern in cooperation with the Bavarian Journalists' Association (Bayerischen Journalisten-Verband e.V.), although BayernLB acts as project manager. With the aid of presentations and discussions on current economic topics presented by representatives of the Sparkassen-Finanzgruppe, young journalists increase their knowledge of financial sector issues and gain input for their reporting.

Savings Bank Foundation for International Cooperation (Sparkassenstiftung für internationale Kooperation)

As a member of the Sparkassen-Finanzgruppe, BayernLB supports the Savings Bank Foundation for International Cooperation with EUR 8,000 a year. The foundation's mission is to make the experiences of German savings banks available to comparable financial institutions in developing and transition countries.

Banking training and applicant training

In order to promote banking expertise and understanding of economic affairs, BayernLB offers lectures and case studies on current issues, such as "sustainability as a corporate strategy", at grammar schools and universities in the Munich area.

Another service BayernLB provides is application training. In 2012 it intensified its cooperation with Wilhelm-Hausenstein-Gymnasium grammar school in Munich. Seminars take place here at regular intervals, in which job application documents are analysed with the participants and training modules are conducted on various employment situations.

Project work at the Penzberg Gymnasium grammar school

As part of a project seminar supported by BayernLB's expert knowledge and methodology, in 2010/2011 grammar school students in Penzberg investigated the extent to which Layritzhalle, a former power station of the German railway (Deutsche Bundesbahn), would be suitable as a multi-purpose sports hall.

Project seminars are a key element of the new senior grammar school education in Bavaria and should enable the students to gain their first experience of the working world through getting involved in specific projects. In three sub-groups, the students examined the market environment and developed a usage and financing concept, supported by three BayernLB trainees. Supporting the project is one of the activities undertaken to develop junior staff and it also serves to trigger students' interest in an apprenticeship and give them insight into the job of a banker.

“Crossmedia” – Media competition for schools

LBS Bayern has supported the “crossmedia” media competition for school students since 1998. This is held annually by the State Association for New Media (Landesarbeitsgemeinschaft Neue Medien) on behalf of the Ministry of Culture. Students at all Bavarian schools can take part in this competition. The young participants address school-related, social or personal issues through the medium of video or graphic design and layout, presenting the results on CD-ROM, DVD or online. LBS Bayern provides a prize fund of almost EUR 13,000 a year, with the prizes awarded each November in a central ceremony held at its head office in Munich. The prize money from LBS is used to buy media equipment for the winning schools.

“Little discoverers” – Science and technology in kindergarten

In 2012 and 2013, LBS Bayern, together with the Savings Bank Cooperation, will provide around EUR 60,000 a year for the “Little Discoverers” project, which is conducted by the State Working Group of Voluntary Agencies (Landesarbeitsgemeinschaft der Freiwilligenagenturen, lagfa Bayern) at various kindergartens and daycare centres in Bavaria. Playful experiments are intended to give children access to and initial knowledge of scientific and technical topics. Trained volunteers help the educators conduct the experiments.

“Energy-related modernisation” information campaign

For several years, LBS Bayern has conducted an extensive campaign on environmental protection and saving energy in construction. It aims to show how energy-related modernisation can combine environmental protection, efficiency, increasing value and living comfort.

A major aspect of the campaign is a traveling exhibition entitled “Living & Saving Energy” (Wohnen & Energie sparen), which was presented in savings banks in Bavaria in 2011 and 2012. It offers information and practical tips on saving energy in your own property. The three main issues were energy efficiency in new buildings, energy-related modernisation in existing residential properties and energy-efficient appliances. Private customers could calculate their potential savings with a free energy check.

At the beginning of 2012, LBS conducted a central sales campaign targeting a total of 180,000 households throughout Bavaria. With this campaign, LBS Bayern wants to support the transition to tomorrow’s energy in the Free State of Bavaria and thereby generate financing business for LBS and the savings banks.

Promotion of science

BayernLB sponsors a range of university facilities and research initiatives. Targeted cooperation with many academic departments expands the Bank's knowledge on specific topics, enables students to work on practical projects and boosts the respective university's location.

The following academic establishments were granted more than EUR 13,000 each in 2010 and 2011:

- Society of Friends of the Distance-Learning University in Hagen (Gesellschaft der Freunde der Fernuniversität e.V.)
- Society of Friends of the University of Augsburg (Gesellschaft der Freunde der Universität Augsburg e.V.)
- Max Planck Society
- Foundation of the Academy of Fine Arts Munich (Stiftung Kunstakademie München)
- Research Promotion Arm of the Savings Banks Organisation (Wissenschaftsförderung der Sparkassenorganisation)

Cooperation with the LMU Entrepreneurship Center

Since 2011, BayernLB has enjoyed a cooperation with the Entrepreneurship Center at Ludwig-Maximilians-University Munich (LMU EC). This cooperation allows the Bank access to a network of expertise in selected sectors and to cross-sector issues. In partnership with the LMU EC, workshops and information events are developed for the Bank's employees. Bank customers can also attend LMU EC events or its guest lectures. Companies can have their projects and ideas for business development prepared by specially selected students. With this cooperation, the Bank gains new impetus for existing and potential customer relationships. So far the cooperation with LMU EC has proven itself in particular with regard to expanding sector expertise in the Mittelstand. In addition, LMU supported BayernLB's "Financing tomorrow's energy" project, for example with research on specialist studies and expert interviews.

Promotion of the FIM university course

For years BayernInvest and BayernLB have been working together to give the financial managers of the future practical training and financial assistance. They sponsor the elite Finance & Information Management (FIM) degree programme run by the University of Augsburg and the Technical University of Munich.

Research cooperations with LMU Munich and the University of Ulm

At the beginning of 2011, BayernLB launched a series of research projects as part of a strategic partnership with the Institute of Finance of the University of Ulm and the Statistical Consulting Unit of LMU (Ludwig-Maximilians-Universität) in Munich. At the forefront is knowledge transfer, specifically in the area of bank management, portfolio management and strategic sales management, and the refinement of statistical procedures and methods. The outcomes of the latest banking research are implemented in cooperation with other divisions, in order to increase efficiency in production processes. The research cooperation project should lead to an improvement in the Bank's ability to innovate and its capacity to solve problems. For students this cooperation opens up the opportunity to analyse academic issues in their dissertation or masters thesis in a practical context.

Research project on the residential real estate market in the Munich region

BayernLB supports the research project by the chair in Spatial Development of the Technical University in Munich, launched in 2012, on housing demand in the region. At its core is the question of what decision strategies home-seekers follow in order to find an apartment in the overcrowded Munich housing market. The results provide new insight into the interplay between supply and demand. The researchers' goal is to develop recommendations on how to improve the housing supply.

German Innovation Award for Healthcare (Deutscher Innovationspreis im Gesundheitswesen)

BayernLB grants this award to recognise projects which ensure high-quality medical treatment or improve efficiency by optimising structures and processes. A total of EUR 25,000 is awarded. The call for entries is aimed at hospitals, companies and research institutions. In 2011, the Bank granted the award to three companies which focus on the fields of structural innovation, telemedicine and prevention. In 2012, the award went to projects dealing with geriatric care structures and children's palliative medicine.

Art and culture

BayernLB supports and initiates art and cultural projects. As in the previous years, the Bank sponsored the open air classical music event "Klassik am Odeonsplatz". BayernLB also uses the event to promote customer loyalty.

BayernLB also once again sponsored the one-week music festival "Klang & Raum" at Kloster Irsee monastery in the Allgäu region, which was attended by around 3,000 visitors from Germany, Austria and Switzerland.

The ongoing loan of the Palais Dürckheim to the Pinakothek der Moderne art museum promotes access to art and culture for children and young people. Furthermore, the association “PIN Friends of the Pinakothek of Modern Art” (PIN Freunde der Pinakothek der Moderne e.V.) also receives financial support. The Bank’s patronage of the arts also includes a host of permanent loans to preserve cultural heritage.

Since 2009, Bavarian savings banks have been home to a traveling exhibition on “Gold from Bavarian Rivers” (Gold aus bayerischen Flüssen). The exhibition shows one of the most extensive collections of rare ducats made from river gold, gold-bearing minerals, gold flecks, nuggets and gold-working tools. BayernLB owns an almost complete collection of valuable coins which were minted between 1756 and 1863.

Support for business/Regional initiatives

The Munich Financial Center Initiative (fpmi)

At state level, the Bank has been an active contributor to the Munich Financial Center Initiative for several years. It was founded in 2000 at the instigation of the Bavarian Ministry of Economic Affairs and has developed as a body representing the interests of all parties involved in the Bavarian financial sector. Its participants are companies from the banking and insurance sectors, venture capital and leasing companies, Munich’s stock exchange, professional bodies, business and trade associations and research institutions linked to universities. Its prime objective is to boost Bavaria, and especially Munich, as a financial centre and to improve the area’s standing even outside the region. To this end, regular discussions are held with representatives of the European Commission and the European Parliament in Brussels, as well as German ministries and the German parliament in Berlin.

Bavarian Center of Finance (Bayerisches Finanz Zentrum e.V.)

The Bavarian Center of Finance was founded in 2006 under the Bavarian State Government’s cluster initiative for financial services. As a member of the Board of Trustees with an advisory function, BayernLB supports its activities. They include practical project cooperations between Bavarian universities and financial service providers; the initiation and support of studies; the fiveGO web portal with its project marketplace, career centre and expert register for students; university institutes and companies from the financial centre of Bavaria; and the discussion between academics and the industry in the form of events. The fourth and fifth Bavarian Finance Summit in Munich in 2010 and 2011 brought together major names from the worlds of business, academia and politics once again.

**Finance Center Germany Initiative/Finance Center Germany Dialogue Forum
(Initiative Finanzstandort Deutschland / Dialogforum Finanzstandort Deutschland)**

At the national level, the Bank actively continued its commitment to the Finance Center Germany Initiative (IFD), which was renamed in May 2011 to the Finance Center Germany Dialogue Forum (DFD). The IFD was set up by the German government in 2003 to help strengthen Germany as a financial centre. The Dialogue Forum is run by the associations of the insurance sector and the banking industry. It has set itself the goal of intensively continuing the financial sector's dialogue with decision makers from both politics and the German Bundesbank and Financial Supervisory Authority. The financial crisis and sovereign debt crisis in the euro area have illustrated the fact that better understanding between politics and the financial sector can contribute to finding faster and more efficient solutions and help avoid crisis situations in future.

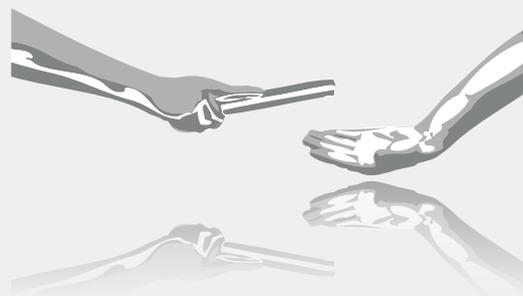
German Centre network– Infrastructure for business performance

BayernLB sponsors the German Centre in Shanghai and runs the German Centre in Delhi, Gurgaon in cooperation with LBBW. Through these centres, BayernLB helps Bavarian and German Mittelstand companies enter the Chinese and Indian markets. This is achieved in particular by providing office space, a wide range of services and access to local networks. These facilitate setting up a branch in tough foreign markets considerably. The global network totalling seven German Centres (owned by BayernLB, Landesbank Baden-Württemberg and Landeskreditanstalt Baden-Württemberg) has so far helped over 1,800 Mittelstand companies to successfully tap into new markets.

Human resources

BayernLB promotes a working environment based on respect and tolerance. 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.

Code of Conduct



Human resources

Even in a difficult environment BayernLB fulfils its obligation to balance the interests of the company and its staff in a mutually acceptable manner. During the reporting period the Bank developed a focused business model and adjusted the human resources tools, such as the remuneration systems. It also entailed major organisational changes, moderate staff cuts and streamlining of the management structure.

Highlights in the area of human resources in the reporting period centred around restructuring remuneration, retirement benefits and the qualifications of the staff. At the core of these measures was the focus on customers and the market and an increase in risk awareness. These changes will require even greater personal responsibility and drive despite the tougher conditions. For this reason the Bank is offering more intensive support for the personal development of dedicated staff, since the Bank's opportunities in the future will come from the move towards a corporate culture that sets greater store by performance and responsibility.

Vindicating the path taken, the Bank was voted the top employer in Germany in 2011 by the Corporate Research Foundation Institute (CRF), an independent research organisation which evaluates innovation management, career opportunities, work-life balance and training and development.

The Code of Conduct, which was introduced in the reporting period, also gave human resources important impetus to focus activities, by including much of what was already practised into a binding guideline and ensuring a clear orientation. Therefore principles such as respecting employee rights, equality, improving work-life balance and reducing absences through corporate health management are at the heart of responsible human resources management.

Taking into account employee rights

BayernLB implements the standard cited in the Code of Conduct, that the Bank considers employee rights as a matter of course, at all organisational levels.

For example, a staff council representative has been a member of the Board of Administration with voting rights since 2009, as suggested by BayernLB's main owner the Free State of Bavaria, in order to give employees' interests a sufficient airing with the supervisory body.

All BayernLB staff in Germany are represented by the Staff Council at the Munich, Düsseldorf and Nuremberg locations. A large number of the staff are covered by collective employment contracts. The Staff Council has proved to be an important point of contact for staff with regard to more complex internal and external matters.

The Bank is bound by all requirements and co-determination rights laid down in law and works with the Staff Council constructively and in an atmosphere of trust for the benefit of its staff. Major topics addressed by staff representatives in the period under review included health management, the remuneration system, business policy issues, social and sporting events, holiday care for the children of employees and amicable staff reductions. In order to carry out its duties, the Staff Council is provided with offices, meeting rooms, if required, and various communication channels.

Equal opportunity

The Bank has a balanced age pyramid, also in terms of gender distribution:

Employees by age group	2011		
	Male	Female	Total
Under 30 years old	218	258	476
30 to 50 years old	1,429	1,364	2,793
Over 50 years old	487	383	870

BayernLB has committed to ensuring equal opportunities to an especially high level as it regards the range of skills of its employees as a key success factor. For almost ten years, BayernLB’s Corporate Principles have postulated: “We condemn all forms of discrimination.” The Code of Conduct goes into greater detail: “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”. The Bank plans to report on this topic regularly in a separate Equal Opportunities report.

Since 2010 BayernLB has been one of more than 600 companies that actively support the “Diversity as Opportunity – The Charter of Diversity of German Companies” (Diversity als Chance – die Charta der Vielfalt der Unternehmen in Deutschland) initiative. By signing the charter, the Bank acknowledges its commitment to an open corporate culture that recognises, respects, encourages and uses the diverse talents of its employees. The aim of implementing the Charter of Diversity in the Bank is, for example, to create a working environment which is free from discrimination – this committed approach to the Charter, supplements the Bank’s Code of Conduct.

In particular, the Bank regards its strict compliance with the German Anti-Discrimination Act (Allgemeines Gleichbehandlungsgesetz, AGG) as a duty towards its employees and it is rigorous in implementing the measures required to achieve this. For example, all employees receive regularly mandatory online training on the AGG, and a complaints and arbitration board has been set up as a first port of call for employees who feel they have been mistreated. The board did not receive any complaints during the 2010 and 2011 reporting period.

To make it easier for women to reach positions of management responsibility, the Bank has participated in the innovative Munich Cross-Mentoring Programme for many years. Junior staff are supported in their professional and personal development by means of personal discussions with experienced employees.

In addition, the Bank, as one of 14 major companies in Munich, signed the first voluntary commitment in 2010 to ensure more women in management positions. The goal of the “Munich memorandum” (Münchner Memorandum) is to discuss the progress made in filling management positions with women, compare with each other and publish the results. It is already meeting its undertakings for the recruitment of junior staff and putting forward highly skilled staff for development programmes, where the proportion of women is about 50 percent. The Bank’s goal is to successively increase the proportion of women in management positions. To encourage women to assume management tasks also requires the amount of specific advice and support available to be broadened significantly, a move which is currently underway.

Employees	2011		
	Male	Female	Total
With management responsibility	327	79	406
Without management responsibility	1,807	1,926	3,733

The proportion of part-time employees rose in the reporting period. Women in particular take advantage of the option to work part time. To ensure there are also equal opportunities here, the Bank guarantees that there are no variable salary components or benefits awarded to full-time employees which are not paid to part-time staff.

Employees	2011	2010	2009
Full-time employees	3,270	3,338	3,568
Part-time employees	869	846	904

Work/life balance

The Bank is committed to establishing a good work-life balance in various areas. This is reflected in the 30 days annual leave and working models which use various part-time options and teleworking to meet the wants and needs of the employees as far as possible. Employees use these opportunities intensively and with increasing frequency. Parental leave is equally attractive for fathers and mothers.

Employees	2011	2010	2009
With teleworking agreement	1,015	812	671
• Of which men	610	501	444
• Of which women	405	311	227
Without teleworking agreement	3,124	3,372	3,801
• Of which men	1,524	1,649	1,843
• Of which women	1,600	1,723	1,958
Returned from parental leave in the respective year	150	138	208
• Of which men	48	64	70
• Of which women	102	74	138

There are a wide variety of services for employees with children or care obligations. For example, the Bank provides places at a state-run kindergarten. The Bank also cooperates with other private childcare facilities in Munich. This gives employees the opportunity to apply for reduced price, high-quality nursery places. Furthermore, around 100 children of primary school age are looked after by qualified carers and the Staff Council Women’s Officer every year during the summer holidays.

Since 2012, the family service facilities famPlus and Elder Care has taken further pressure off employees who are subject to extreme time constraints as a result of caring for children and/or parents in need of care. In cooperation with famPlus, the Bank provides an online platform on which it offers parents a large selection of childcare professionals along with detailed profiles. These services have met with a warm reception.

Health management

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

The Bank has an integrated health management system. This includes company doctors, nurses and human resources managers specialised in health management. They work closely with the Staff Council, the occupational health officer, the company sport group and nutritionists from the company canteens and restaurants. With a view to eradicating operational risks and establishing business continuity planning, the issue of health management has been incorporated into the Bank’s risk management system.

In addition, Occupational Integration Management serves to overcome incapacity to work as quickly as possible, to prevent a recurrence of the incapacity and to retain the employee’s position. BayernLB supports employees who have been on long-term sick leave by helping them gradually build up their working hours and return to full productivity. The company doctor is brought in if required. The current plan is to document the procedure in the form of an action guideline for all managers, on the basis of previously proven practice.

The sickness rate has remained almost steady overall:

Sickness figures	2011	2010	2009
Sickness ratio (in %) (days absent per year divided by total working days per year)	4.15	3.87	4.30
• of which accidents en route to/from work	0.03%	0.04%	0.01%
• of which accidents at work	0.01%	0.01%	0.00%

In 2011, BayernLB took part in the quality initiative on sustainable occupational health management for the first time and achieved the rating category in the Corporate Health Award. Under the umbrella management of the German Ministry of Labour and Social Affairs and the New Quality of Work Initiative (Neue Qualität der Arbeit, INQA), companies that have cared particularly well for their employees' health are honoured every year. The Bank's healthcare system was rated as "exemplary" and "of a high standard". Its results are 6.9 percent higher than those of comparable companies in the finance/insurance sector. This award is an incentive for the Bank to continue caring for its employees' health in future.

Attracting and training employees

The increasing shortage of skilled workers arising from demographic change results in greater competition for qualified employees, especially in Germany. BayernLB recognised this trend early on and in the reporting period it implemented more special measures to ensure it is well-equipped to compete for and retain the best junior staff.

In 2010, the Bank expanded its training capacity so that it could better assist school leavers and university graduates acquire professional qualifications, retain highly-qualified workers and maintain a balanced age pyramid. As one of Munich's major employers, the Bank took in even more junior staff than usual in 2011, as a reform of the German school system shortened the secondary education programme by a year, resulting in double the number of school leavers that year. The Bank actively markets its training programmes to university graduates at recruitment fairs and to school-leavers during tours of Munich high schools, giving regular presentations on banking careers in general and BayernLB in particular. Around 200 students a year get to know the Bank in more detail in various forms – from internal information events to internships and degree dissertations.

Every year, over 100 places are available for suitable applicants in various training programmes: Banking traineeship, studies alongside practical training at the Cooperative State University and the company's internal 15-month trainee programme.

Junior staff	2011	2010	2009
Banking trainees	36	29	39
Students on a part-time course at a vocational academy	47	44	40
Trainees	35	27	22
Total	118	110	101

The banking traineeship (IHK) is offered as the "classic" among the commercial professions and starts on 1 September every year. During the practical training, the trainees are placed in various departments; the training is rounded off by a stint at a cooperating savings bank.

The studies integrating practical training at the Cooperative State University also start on 1 September and take between three and three and a half years. The full-time integrated study course culminating in a Bachelor of Arts, specialising in Banking qualifies the student to take on responsible duties. In addition, the students can apply the theoretical knowledge obtained in practice during the training. Experienced specialists from the Bank are on hand to provide the students with further support.

The trainee programme allows the trainee to complete a tailored sequence of five individually planned assignments and to discover which position they would like by getting to know different types of task and working in the respective departments. The trainee programme can have a general focus including all areas of the Bank or it can have a set training focus from the start (e.g. risk management, capital markets, business finance, finance and accounting, mathematics, human resources, IT).

More than 3,000 school leavers and graduates every year apply for a place on one of the training programmes. After the application documents have been checked and approved, the candidates are selected using the assessment centre method. Employment at the end of the respective training programme is based on performance during the course, as employing junior staff trained at the Bank is one of the key channels for staff acquisition. Those who wish to gain further qualifications after completing the course are encouraged to join Bachelor and Masterplus programmes.

When selecting specialist staff, the Bank focuses primarily on its own highly qualified employees. In order to give all colleagues the opportunity to apply internally for positions within the Bank, an internal job ad is usually issued first. Professional selection tools are used here, especially when appointing management positions. If it is not possible to find a suitable internal candidate, e.g. due to a very specific qualification profile, the vacant position is advertised externally.

Regular introductory events for new employees provide an overview of the structure and strategy of the Bank and the BayernLB brand, as well as its understanding of sustainability. New employees in the specialist units receive an induction plan from their manager. It has proven worthwhile to assign new colleagues a mentor, who acts as a contact for functional and organisational questions. Young managers are offered special integration workshops to help them quickly become comfortable in their new role.

Further training and staff development

The Code of Conduct is based on a continual process of individual improvement: “We encourage skill and creativity. We also encourage individual responsibility and commitment. Our aim is to develop and use the individual gifts and talents of our employees as best we can. In a world that never stands still, the commitment of our employees to life-long learning is a key success factor. We provide appropriate continuing professional development opportunities.” Employee appraisals, which are conducted once a year with all employees at all levels, are a key management tool and provide the framework for this. The Bank’s high commitment in this area is demonstrated by the extensive ongoing training on offer and the high take-up rate. Employees’ customer focus and support for taking internal vacant positions were at the core during the reporting period.

Accordingly, the training and staff development budget swelled significantly in the reporting period. Due to its high strategic significance, the head of the Human Resources Division is therefore responsible directly to the CEO.

Training facts and figures	2011	2010	2009
Number of participants involved in further education/training	6,203	5,134	5,240
Number of further education/training measures	1,833	1,200	1,443
Further education/training days per employee	3.2	3.2	2.6
Costs for further education/training (in EUR million)	3.6	3.2	3.3

Staff development and qualification is based on many pillars. Managers play the key role: They are responsible for developing and encouraging their employees. Continuing dialogue with their managers about achieving targets, performance and development should encourage the employees to assume more responsibility and take more initiative. In this manner, employees make suggestions for their own development, define development targets for themselves, supported by their managers, and get actively involved in implementing and achieving these goals. Qualification and development is based on the individual development plan which is updated every year.

These development measures are varied and can be divided into on-the-job and off-the-job measures and formats such as mentoring and colleague advisory groups, which are based on learning from experience. As well as traditional seminars and workshops, off-the-job measures may include part-time, longer-term education and training, often leading to the academic degree of a Bachelor or Masters. More than 100 employees per year take part. They are subsidised by the Bank on a performance-related basis.

Career and talent management

Qualified specialists and managers are equally important to the Bank. In order to emphasise this importance, two career paths have been established which are of equal value and which can be chosen alternatively. Switching between the specialist and management paths is also possible if a person has the required skills.

The target group for the specialist career path is high-performing technical specialists. Key elements of the specialist path plan include establishing career stages in different technical fields, identifying and listing the tasks and requirements and setting appropriate remuneration. Moving to the next-higher career stage is discussed, planned and managed using a target/actual comparison in the employee appraisal.

Before employees take on their first managerial position, they must first successfully complete a structured interview process or an assessment centre. Prior to this, BayernLB supports employees preparing to take on their first managerial position or those who are considering such a move. All newly appointed managers attend the “Management at BayernLB” training programme. It is designed to help course participants develop a uniform understanding of management and to expand their management skills.

These measures are supplemented by manager feedback. This is a programme which gives employees the chance to provide feedback to their direct supervisors on how the supervisor's management style is perceived. Feedback is anonymous and confidential. Managers can use this to see how they compare to all other managers at the same level. The outcome of the feedback is then discussed in meetings between employees and their manager and steps are taken to improve the manager's performance if applicable.

A series of "potential rounds" are held in each business or central area every year to identify talented individuals. The purpose of these rounds is to systematically identify high performers and individuals with high potential to fill demanding specialist and management positions from within the Bank's ranks. In order to help these so-called "talents" reach their individual performance goals, specific talent programmes are implemented for different target groups as well as numerous development measures from the areas of strategy and personal development. From 2009 to 2011, 150 employees went through the talent programmes.

The programmes' success speaks for itself: In 2011, 80 percent of positions in the second-highest management level were filled by internal candidates, at the third and fourth highest management levels it was over 90 percent. 70 percent of specialist positions were filled internally.

Compensation

The collective pay scale is based on the collective wage agreements in the private banking industry and in public banks.

The basis of the remuneration system for employees working under the Bank's own pay scale is based on pooling functions into job families depending on the job profile and activities. Their value is determined within the context of defined, specific career ladders, each consisting of three rungs. Differentiated and market-oriented salary brackets define the minimum and maximum amounts for the annual fixed salary in the career rung. They provide the framework for individual improvements and bonuses. For employees outside collective wage agreements, a new remuneration system came into effect at the beginning of January 2010. This realignment has created sustainable remuneration structures and complies with regulatory requirements of the Bank Remuneration Ordinance (Instituts-Vergütungsverordnung, InstitutsVergV). The goal of this new system is to align remuneration more closely to ongoing business success. The remuneration systems and processes have been restructured to ensure employees have no incentive to engage in disproportionately risky business. Variable remuneration has been limited to a reasonable percentage of total remuneration. There is no guaranteed variable remuneration. The German Remuneration Ordinance for Institutions (InstitutsVergV) requires that a distinction be made between risk takers and non-risk takers when disbursing variable remuneration. Risk-takers are employees whose activities have a material influence on the Bank's overall risk profile. Disbursement of remuneration for risk-takers may be deferred over several years and is subject to positive performance by the Bank and adherence to internal regulations such as compliance principles. Non-risk-takers are paid their variable compensation in one amount.

The remuneration committee assesses the suitability of the remuneration system, particularly the individual remuneration components. It also has the following tasks:

- Ensure the remuneration system is appropriate to the business model;
- Ensure all remuneration processes are implemented in accordance with regulatory requirements;
- Review the remuneration system in order to avoid offering damaging incentives to enter into disproportionately risky positions and cooperate on establishing suitable structures and instruments..

The committee then informs the Board of Management and the Board of Administration of the findings of its assessment at least once a year.

In addition to the remuneration components detailed above, the Bank also offers a number of attractive special benefits in the areas of health and sport.

Pensions

Social commitment to staff includes safeguarding their standard of living in old age or in the event of their incapacity. Staff are offered different pension models depending on their start date and length of service.

With one exception, all employer-funded occupational pension systems are funded by the Bank alone and cover biometric risks such as old age and early incapacity to work. Employees also have the option of contributing towards a tax-incentivised deferred compensation scheme. Various tools are available depending on the type of tax incentives in question.

To support the changing business model, since 2008 HR managers have been faced with the task of bringing the Bank's remuneration and pensions systems into line with normal market conditions in order to help establish an appropriate structure for staff costs. Converting these to performance and market-based systems requires balancing employee expectations on the one hand and the Bank's business needs on the other.

On 22 July 2009, the Bank stopped approving special pension benefits to all employees who joined the company on or before 31 December 2001. These pension commitments guaranteed in particular pension benefits modelled on the pension system for civil servants, entitlement to aid and extended protection from dismissal. Before the commitments to the pension plan were granted, the employees were nominees for the Versorgungskasse BayernLB GmbH, which also provided pension benefits similar to the civil service system. With effect from 1 January 2010, the advisory board of Versorgungskasse BayernLB GmbH passed new guidelines: Under these guidelines, the already vested pension entitlements as at 31 December 2009 will not grow any further. The employees affected have been given the option of participating in a new pension system. The system has one component for the past and one for the future. The entitlements built up by 31 December 2009 are transferred to a reinsured, insolvency-protected account. For the future from 2010 onwards, a contribution-based, employer-financed pension system will apply. Around 75 percent of the around 2,160 employees concerned have approved the transfer to the new pension system and have consented to the cessation of pension plan commitments under the old

plan. Around 380 employees so far have initiated legal action to ensure they are granted commitments to the pension scheme modelled on that of the civil service or to ensure that they will be granted commitments in future. The court of first and second instance upheld the claims for commitments to be granted. On 15 May 2012, the German Federal Employment Court (Bundesarbeitsgericht) rejected BayernLB's appeal on nine counts.

Employees joining or rejoining the Bank receive pension contributions for a company pension scheme from the Bank in accordance with the 2010 Pension Scheme (Versorgungsordnung 2010, VO 2010). This contribution-based pension scheme in force since 1 January 2010 is operated externally via the pension fund BVV, which is well established in the banking and financial sector. The contributions to BVV are made in twelve equal monthly payments. In the case of employees subject to collective wage agreements, the 13th month salary is divided into twelve and allocated pro rata to the regular monthly salary. The Bank pays annual contributions of three percent of the pensionable gross annual salary (or annual salary with an enforceable right) up to the assessment ceiling (West) into the statutory pension insurance. In addition it pays annual contributions of eight percent of the pensionable gross annual salary (or annual salary with an enforceable right) over the assessment ceiling (West) to BVV. The employee contribution is 0.5 percent of the pensionable annual gross salary (or annual salary with an enforceable right) up to the assessment ceiling (West) to the statutory pension insurance and it is paid by means of a deferred compensation scheme.

Managing staff turnover and protecting know-how

The staff turnover rate was very low in the reporting period:

Turnover rate	2011	2010	2009
Number of employee resignations divided by the number of employees	2.2%	1.8%	2.4%

However, with every colleague who leaves the Bank, a vast amount of knowledge and experience leaves along with them. The knowledge transfer process, whereby task areas and activities are restructured at an early stage, was introduced in order to retain this expertise within the company. The manager, the employee who is leaving and their successor are all involved. Special check-lists as well as training and consulting services are available to this end.

In addition, employees who are leaving are an important source of information. They can help clarify the strengths and weaknesses of an organisation. For several years LBS Bayern has used the exit interview, which is conducted by the manager shortly before the employee leaves, for this purpose. The interview follows a standardised method which guarantees a systematic procedure.

Environmental protection at BayernLB

We acknowledge our responsibility by taking ecological, economic and social issues into consideration along the entire value chain. We do so within our company operations by making careful use of resources, avoiding harmful environmental impact and treating employees responsibly.

Code of Conduct



Environmental protection at BayernLB

Although the impact of bank products on the natural environment must ultimately be accorded greater weight than impacts associated with operating the business, environmental protection within BayernLB itself is nevertheless an important aspect of sustainability management.

The reasons for the intensive environmental and climate protection activities are many and varied. Firstly, through its commitment to environmental protection, BayernLB as a public-sector bank, is living up to its social responsibility for a sustainable society, and secondly, credibility gained in this area also has a positive effect on the sale of financing solutions linked to climate change.

Environmental management system at BayernLB

The seeds of corporate environmental protection were sown over three decades ago at BayernLB. When the Bank moved into its headquarters at Brienner Strasse 18, this building – which was one energy and resource efficiency. Condensate from the heating system was used to heat tap water even back then. In addition, since then water has been drawn from a well rather than the public water supply to sprinkle onto green spaces, supply fountains and feed the building's maintenance systems. Other highly effective innovative and environmentally friendly technologies were also used, such as heat recyclers or traps funnelling cold air from the outside to cool equipment and systems during the winter months.

In the 1990s, environmental aspects were taken into account in the complete restructuring of Brienner Strasse 20 the second-largest company building, when dismantling the old building materials. A major cornerstone was the photovoltaic facility, still active today, which not only serves to generate electricity, but is also used in place of other building components. In addition, ceilings with integrated cooling systems are used instead of full air conditioning. Instead of a built-up central area, a courtyard was created with lots of greenery. A new feature at the time, the site used grey water to flush the toilets for the first time.

This advanced environmental facilities management was and still is the foundation of corporate environmental management, which has been continually broadened and expanded in the past few decades, in the form of ongoing modernisation measures at the Bank's business premises. For example, the first full time position for an environmental protection officer was created in 1993. In the following year he led to the introduction of comprehensive environmental guidelines, which formed the basis for incorporating ecological aspects into business operations. The first environmental performance assessment was published in the same year. The obligation to comply with these guidelines was strengthened in 1995, when the Bank signed the UNEP FI declaration (United Nations Environmental Program Finance Initiative), a voluntary commitment at UN level to integrate environmental protection into banking. In 1998 the Group-wide environmental

policy, which still applies today, was approved by the Board of Management. Since then, it has formed the basis for any and all measures to improve environmental performance.

It has implemented its green policy in a coordinated manner through a structured management system accredited under the Environmental Management and Audit Scheme (EMAS) Ordinance since 1999 and been certified since 2011 under environmental management standard ISO 14001. The externally validated management system, which covered the Munich headquarters only until 2010, was extended in 2011 to include Dornach and Nuremberg. Step by step, all other locations in Germany should be incorporated into the certification by 2015.

Goal of climate protection

Combating the negative effects of man-made climate change is considered one of the greatest challenges of the 21st century. With the inclusion of flexible mechanisms in the Kyoto Protocol – this includes emissions trading, the clean development mechanism (CDM) and joint implementation (JI) – the United Nations has put in place a framework for countries to reduce greenhouse gas emissions in a cost-effective manner. BayernLB regards the agreements in the Kyoto Protocol as a political consensus and considers the mechanisms agreed as sensible from an environmental-economic point of view. It supports its customers in meeting the obligations of the European emissions trading system and by offering trading in emissions certificates, it provides an instrument for risk hedging; however, the Bank also uses Kyoto mechanisms itself by offsetting unavoidable emissions as part of its climate protection strategy.

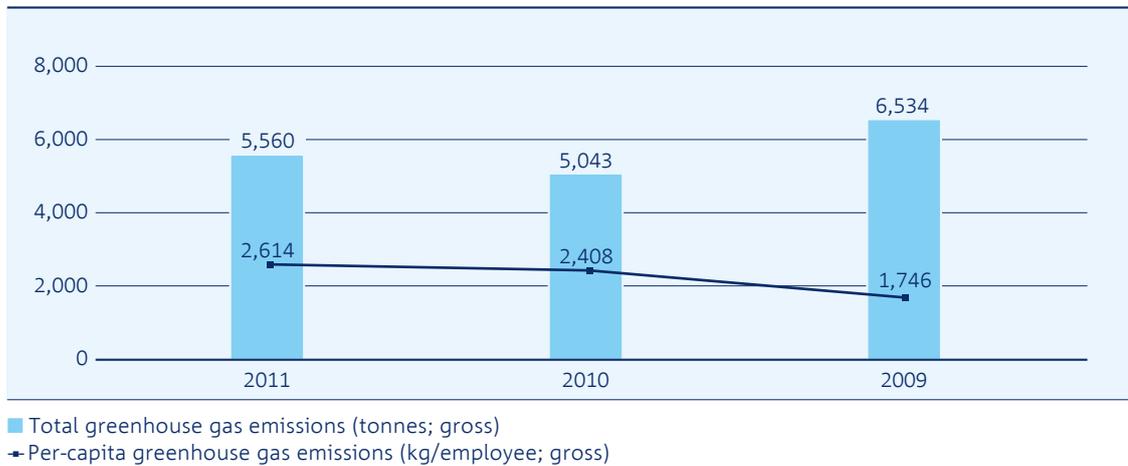
The primary goal of environmental protection at BayernLB is to reduce direct and indirect greenhouse gas emissions, thereby minimising the environmental footprint. Defining specific individual targets and the commensurate environmental and climate protection measures to achieve them depends on the target system being operational. Emissions are therefore analysed every year to determine the CO₂ output from business operations. These analyses cover the energy consumption of buildings, water and paper consumption, and the volume of waste and business travel. Calculations of greenhouse gas emissions are based on the data system of the Association for Environmental Management and Sustainability at Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU)). The VfU indicators make reference to international standards of environmental and climate protection reporting, such as the Greenhouse Gas Protocol (GHG), and have established themselves as the internationally recognised industry standard for reporting emissions figures.

The findings are used to create a comprehensive climate protection strategy which has been successfully implemented for many years. Since 2008, the Bank has been climate-neutral at its Munich offices; Dornach and Nuremberg sites joined its ranks in 2010. Expanding the scope of consolidation of the certified environmental management system step by step will provide a robust data basis for increasingly comprehensive recording of emissions and thus also create the opportunity of being climate-neutral at as many of the Bank's locations as possible within Germany 2015. BayernLB is working systematically towards this goal as part of an integrated climate protection strategy.

Implementation of the climate protection strategy

Although BayernLB has reduced corporate greenhouse gas emissions by around 72 percent since comprehensive emissions analyses were introduced in 2005, in the 2010/2011 reporting period there was a considerable increase in total and per-capita greenhouse gas emissions compared to the all time low in 2010. Although there was a decline in energy and water consumption, the volume of waste and paper consumption, this very pleasing performance could not offset the steep rise in the volume of business travel as a result of much more intensive sales activities.

Climate neutrality at the Munich head office¹



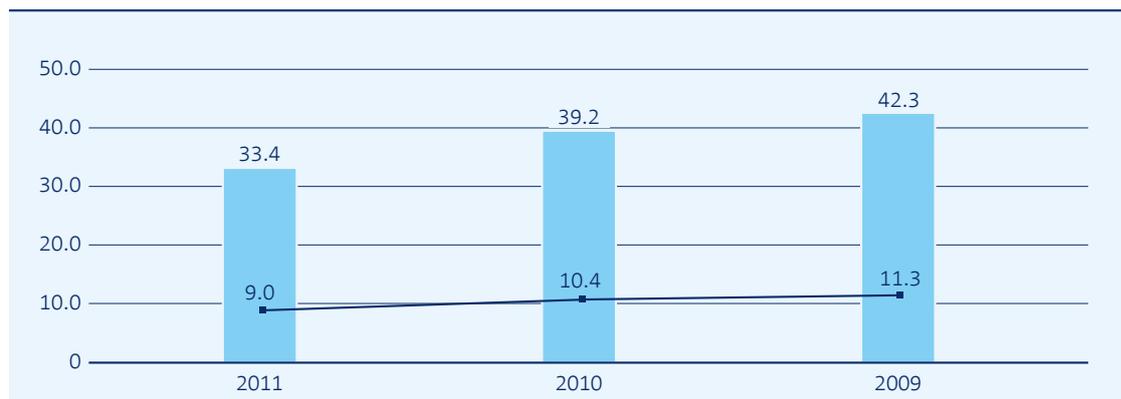
In a bid to continually improve its environmental footprint, also in the future, BayernLB has developed a comprehensive climate protection strategy. It is based on three steps, each building on one another, avoidance, substitution and offsetting, and has been successfully implemented since 2007.

¹ “Climate neutrality” relates to net emissions from business activities – i.e. gross emissions less offset emissions. Deviations from earlier representations are due to the change from net to gross emissions.

Step I – Avoiding resource consumption

The first and most important step in implementing the climate protection strategy is to consistently avoid business-related CO₂ emissions through active energy and resource management. In the past few years, a broad range of measures have been initiated and implemented in this regard, predominantly in terms of modernising buildings and technology.

Energy consumption of buildings



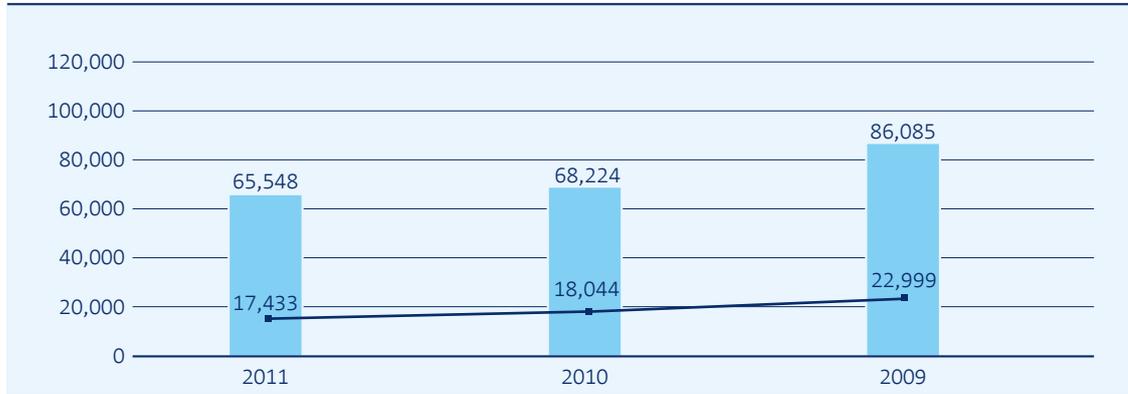
■ Total energy consumption (GWh)
 ◆ Per-capita energy consumption (MWh/employee)

As well as permanently reducing the number of company buildings, two events had a major impact on the amount of energy used in buildings: Firstly the renovation of the property at Barerstrasse 24 was completed in the reporting period. This included replacing the windows and side doors, applying a heat insulation system to the façade in the courtyard and upgrading an external sun shade. Secondly, outsourcing IT infrastructure cut electricity consumption considerably.

Power usage was also reduced to a large extent by various measures to increase energy efficiency. For example, old light sources were replaced by energy-saving alternatives. The illuminated staircase in the entrance area of the main building was switched to LED technology (light panels), which saves up to 65 percent of the power used by conventional technology. Furthermore, traps funnelling cold air from the outside are increasingly being used to cool the buildings.

Although great benefits were achieved with the measures taken, some of the positive trend in energy consumption is due to the mild weather in 2011.

Water



■ Total water consumption (m³)
 -■ Per-capita water consumption (l/employee)

Performance in water consumption was very good. This is primarily due to the reduction in the number of buildings and the low external temperatures, resulting in a decline in the required cooling systems. The quality of water management, however, is not evident solely from the consumption figures but it also depends on the type of water consumption. Many successes were also achieved in this respect: By intensively using ground and rain water, over 14,000 m³ of drinking water was saved in the reporting period alone.

Waste

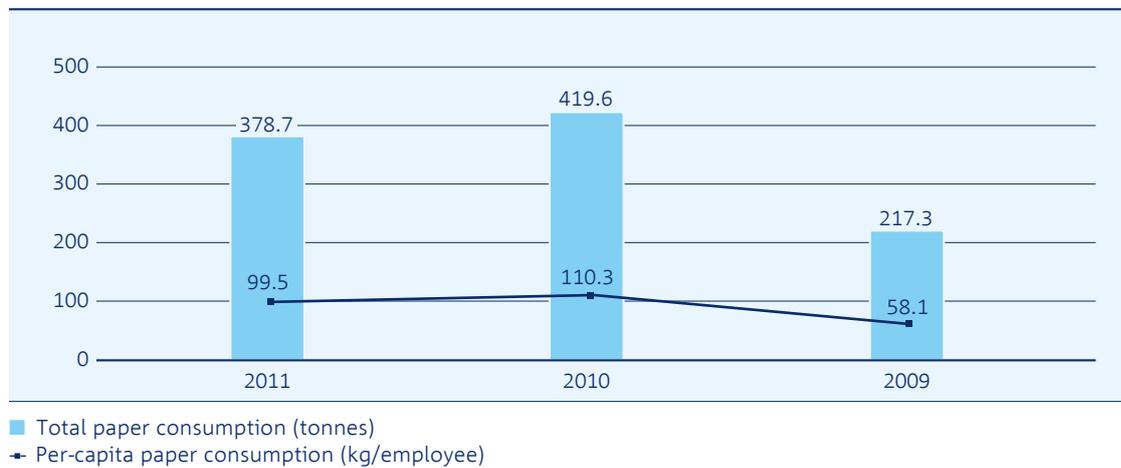


■ Total waste produced (tonnes)
 -■ Per-capita waste produced (kg/employee)

While the reduction in the number of company buildings had an immediate positive impact on energy and water consumption, the flip side was a significant increase in the volume of bulky waste in 2010. However, as no company buildings were closed or demolished in 2011, the volume of waste for the year was far below the year-before figure.

Of course, BayernLB is making every effort to shrink the amount of waste it produces by efficient use of resources and constant sensitisation of employees. Performance in the past has illustrated, however, that the amount of waste has a strong correlation to building works which are being undertaken and can therefore only be influenced to a limited extent. Nevertheless, the Bank does have a major impact on proper disposal of the waste and takes the associated responsibility seriously. For example, via the Intranet it provides employees with instructions on waste separation, in order to ensure the waste is disposed of or recycled in an environmentally-friendly manner. In addition, BayernLB only works with waste disposal companies who have a certified environmental management system.

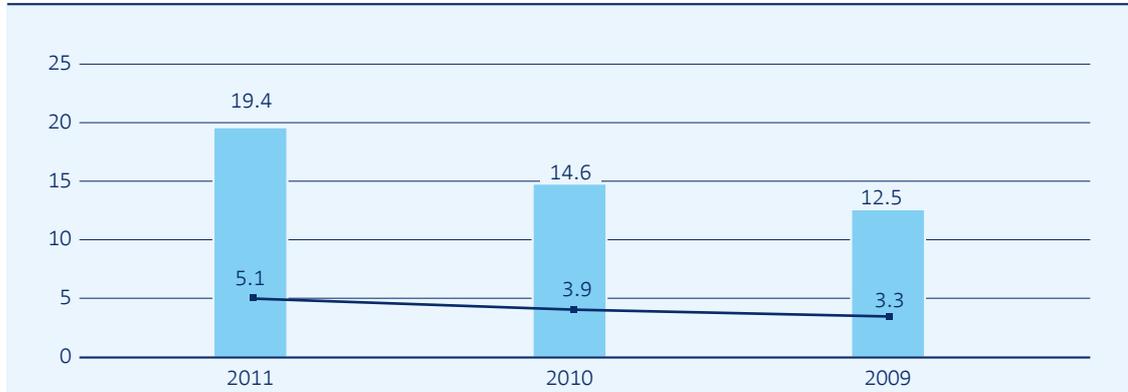
Paper



Paper consumption fell considerably in 2011 compared to 2010. Targeted measures such as intelligent printer concepts (two-sided printing) and the ongoing digitisation of forms were key contributory factors in this success. This performance marked a continuation of the positive trend of the past few years, even though the consumption figures for 2010 and 2011 were much higher than consumption in 2009. This can be attributed to the fact that the scope of consolidation of the environmental management system was expanded and additional locations and types of paper were included in the figures. Since this expansion of the scope of consolidation cannot be extrapolated backwards for 2009, the current figures only provide a limited comparison with those of 2009.

Following an initial test phase, all the Bank’s photocopier and printer paper requirements have been met with environmentally-friendly recycled paper since 2011. This change does not impact the reported greenhouse gas emissions, in accordance with the system used to calculate the CO₂ footprint. Nevertheless, this helps to conserve the waters.

Business travel



■ Total business travel (millions of km)
 ◆ Per-capita business travel (1,000 km/employee)

Overall, the volume of business travel in kilometres rose 34 percent year-on-year in 2011. A large portion of this can be attributed to rail and air travel as well as considerable increase in company cars, due to the surge in sales activities.

With a view to avoiding greenhouse gas emissions and travel costs associated with business travel, all employees are required to consider available alternatives to travel before business trips, especially where there is no need from a customer perspective. Staff are also provided with the technical infrastructure to hold video conferences and conference calls.

BayernLB also strives to reduce the impact on the environment from commuting. For example, agreements securing employees reduced-price tickets (Job Tickets) have been concluded with Munich’s local public transport provider Münchener Verkehrs- und Tarifverbund (MVV) and the Deutsche Bahn railway.

Step 2 – Substituting CO₂-intensive energy sources

As a second step of the climate protection strategy, conventional energy sources of electricity have been and are being replaced by regenerative sources wherever possible. Since 1998, the Bank has used power generated by a photovoltaic facility installed on a building of the Munich head office. A further photovoltaic facility was installed on the roof of another building and put into operation during the reporting period. As it currently stands, the facilities will be able to generate the planned annual amount of around 29,000 kWh. The Bank is currently looking into installing addition facilities. However, the amount of power generated by BayernLB’s own photovoltaic facilities is small by comparison with its actual electricity consumption. The Bank therefore satisfies the entire remaining electricity requirements at all its German locations – with the exception of the Leipzig location – exclusively from certified hydroelectric power stations on the High Rhine. Long-term contracts ensure that BayernLB will cover the full electricity requirements of its company buildings from renewable energy sources until the end of 2015.

In addition to the Bank's internal use of hydro-electric power, employees also have access to special discount rates from the electricity suppliers, which has aroused considerable interest.

Step 3 – Offsetting unavoidable CO₂ emissions

The final step is to offset CO₂ emissions by purchasing certificates from various, externally verified climate protection projects. To this end, in 2010 the Bank supported a hydro-electric project in Pueblo Nuevo Viñas, Guatemala. The hydro-electric power station initially had a capacity of 8.2 MW, which was subsequently increased to 14.5 MW. This example of a hydro-power plant is a run-of-river power plant with collection tanks which should ensure electricity production, even in periods of low rainfall. Since energy supply in Guatemala is still heavily dependent on heavy fuel oil, coal and diesel, the project will help establish a more environmentally-friendly power supply. These offsetting measures have been partly funded through a climate change levy on all flights since 2008.

Thanks to its climate protection strategy, the Bank's operations at its Munich offices have been climate neutral since 2008. In 2010 it was joined by the Nuremberg and Dornach sites and the project should be gradually expanded to other locations.

Sustainable financial solutions

We also consider sustainability issues when looking at business transactions. We follow the principle of ethical responsibility in our dealings and in examining business relationships and transactions. In order to meet clients' expectations fairly, we only offer products and services we can provide professionally. We also ensure they are compatible with the relevant international environmental, ethical and social standards we have signed up to.

Code of Conduct



Sustainable financial solutions

The wide variety of activities in the social and environmental sectors would be cancelled out if sustainability aspects were not also systematically taken into account on the product side. Since the impact of banks on society is determined to large extent by their market activities, they have a particular responsibility to consider the environmental and social aspects of their products.

Extensive range of sustainable financial solutions

Banks can and must make a significant contribution to promoting a sustainable society by offering sustainable products and services – not only on the lending side but deposits too. In BayernLB's opinion, sustainable financial solutions have the following characteristics:

- They generate funds for companies and projects that operate sustainably or are conducive to a sustainable society
- They finance companies and projects which contribute to combating global challenges such as resource efficiency and climate protection
- They comply with ecological, social and ethical standards for financial transactions to minimise the negative impacts on society

BayernLB has an extensive offering of sustainable financial solutions, ranging from providing sustainable investment products to supporting the transition to tomorrow's energy to incorporating the World Bank's environmental and social standards into finance transactions.

Sustainable investment products

Sustainable investments, also commonly referred to as socially responsible investments (SRIs), are forms of investment that take into account ecological and social criteria as well as economic factors. The market for such forms of investment has grown considerably in the past few years, especially due to the surge in interest among institutional investors. Through its Group companies – such as its subsidiaries BayernInvest KAG and DKB – BayernLB provides both institutional and private investors with a wealth of sustainable investment products.

Sustainable fund products

Through "DKB Ökofonds" customers can invest predominantly in shares of companies in the climate and environmental technology industry and companies which do business in a sustainable manner. Companies in the "DKB Zukunftsfonds" and "BayernInvest Aktien Sustainable Value Europa Fonds" must meet strict sustainability criteria. In all the above-mentioned products, both positive and negative criteria (exclusion criteria) are applied in the investment process. Accordingly, companies that undertake activities in controversial business areas or use controversial business practices are excluded from the investment universes of these products.

Selection of exclusion criteria

Business areas excluded	Business practices excluded
Alcohol: Producers of high-proof alcoholic drinks/foods	Violation of labour laws: Freedom of association and assembly, forced labour, discrimination
Nuclear power: Producers of nuclear power, uranium extraction	Child labour
Gambling	Violations of human rights
Pornography	Animal testing
Arms: Manufacturers	Controversial business practices: Corruption, accounting fraud

The securities for these products are selected based on analyses by oekom research AG, one of the leading global independent providers of sustainability ratings. This ensures that the financial resources generated via these funds are invested in companies which fulfil the requirements of sustainable development.

In addition, BayernInvest KAG generally excludes investments in companies which produce controversial weapons; in implementing this guideline it also calls upon the services of oekom research AG. With this approach, from which it may only deviate at the express request of the customer, BayernInvest KAG continues expanding its commitment to sustainability. BayernInvest KAG’s clear commitment to sustainable capital management manifests itself in particular in its signing of the United Nations Principles for Responsible Investment (UN PRI). The UN PRI includes the following principles:

- Incorporate ESG issues into investment analysis and decision-making processes
- Incorporate ESG issues into ownership policies and practices
- Seek appropriate disclosure on ESG issues by entities in which BayernInvest KAG invests
- Promote acceptance and implementation of the Principles within the investment industry
- Work together to enhance effectiveness in implementing the Principles
- Report on activities and progress towards implementing the Principles

BayernInvest KAG’s far-reaching measures play a key role in enabling BayernLB to satisfy the demand for sustainable investments with products based on well-founded analysis by a renowned provider of sustainability ratings, thus meeting the high standards of ethical investors.

BayernLB is also currently looking into signing the UN PRI as part of moves to expand its sustainability management.

Sustainable, fixed-income securities

BayernLB not only offers its customers the opportunity to invest in sustainable companies but also in sustainable projects. To this end, BayernLB developed a Donation Bond Campaign (“Aktion Spendenbond”) for the savings banks as a major customer and partner, a concept by which private investors invest in a fixed-income security while at the same time supporting charity projects. Basic principle of this concept: The savings bank donates three euros for every EUR 1,000 invested to a charity or welfare institution in the region. BayernLB pays the savings banks an incentive for this product which completely covers the amount of the donation.

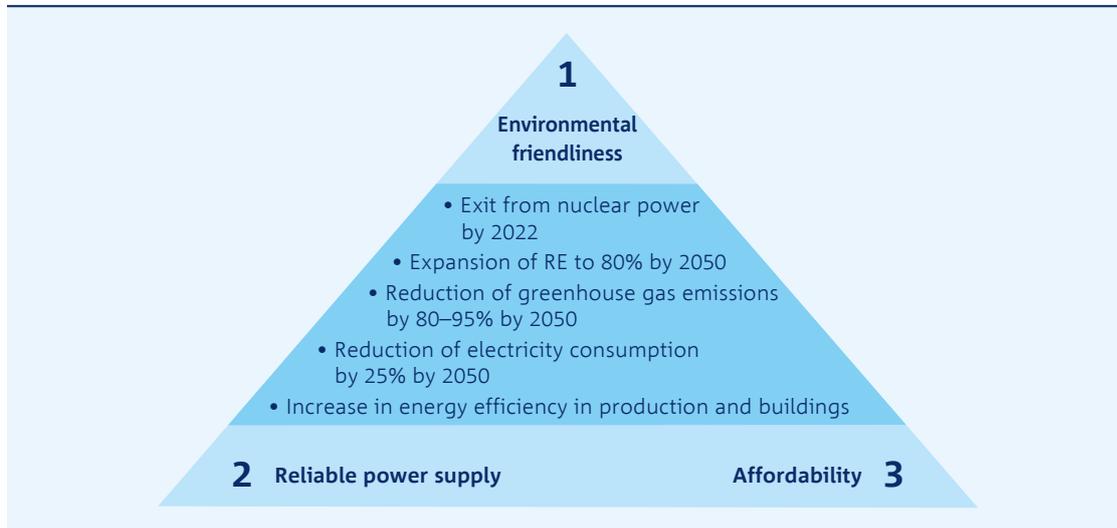
Because they are backed by municipalities and have strong regional ties, savings banks have a social mandate and are therefore predestined to sell sustainable products. With “Aktion Spendenbond”, BayernLB supports the savings banks in fulfilling this important socio-political task.

“Green bonds” should give private and corporate customers the opportunity to make a contribution to expanding environmentally-friendly energy generation through their investment. Green bonds are specific-purpose, project-related bonds (Inhaberschuldverschreibungen) issued by BayernLB which serve to finance projects in the field of renewable energy. They can be purchased from the savings banks by people and companies. The savings banks, BayernLB and its subsidiary DKB grant loans in the amount of the issue volume in order to finance projects in this vein.

BayernLB – “Financing tomorrow’s energy”

Following the events in Fukushima in March 2011, the German Federal Government approved a white paper on the transition to tomorrow’s energy, thereby setting the political stage for sustainable energy supply. The white paper mainly prescribes the step-by-step phasing out of nuclear power by 2022, the systematic expansion of renewable energy (RE) and an increase in energy efficiency.

Key elements of the German government’s transition to tomorrow’s energy plan



Source: Own diagram

The transition to tomorrow’s energy plan is the next step on the path to an environmentally-friendly energy supply, a movement which started long before events in Fukushima. Systematic expansion of renewable energy has been an integral element of German energy policy for many years. However, the events in Fukushima and the transition to tomorrow’s energy plan concluded in its wake have significantly accelerated the restructuring of the energy system with extremely ambitious targets. Major challenges arise as a result – particularly as a sustainable energy supply must be both environmentally friendly, reliable and affordable. Implementing the tomorrow’s energy concept entails, however, not only great challenges but also great opportunities for the real economy.

BayernLB’s approach

BayernLB wants to assist its customers rise to the challenge and leverage business-related potential from the transition to tomorrow’s energy, thereby making an important contribution to implementing transition to tomorrow’s energy. The Bank regards its contribution not only as financing companies and projects in the renewable energy sector; under the motto “Financing tomorrow’s energy”, BayernLB follows much more of a broad approach, in line with the complex nature of the transition to tomorrow’s energy plan. This complexity is due to the many and varied dependencies and inter-relations between the individual objectives and measures taken under the auspices of the transition to tomorrow’s energy plan.

For example, the gradual phase out of nuclear power is not only a withdrawal from a high-risk technology, but it also represents pulling away from a reliable source of energy. This loss can certainly not be offset simply by expanding renewable energy. Although biomass, hydro-electric power and geothermal energy provide a constant and very predictable energy source, they do not have unlimited scalability. At the same time, electricity generation from wind power and photovoltaics depends greatly on weather conditions, rendering these types of energy unstable and therefore limiting their contribution to a reliable energy supply. For this reason, over the next few years additional capacity must be installed in the form of flexible power plants, for example combined cycle power plants (CCPPs). CCPPs are especially well-suited to balance out the volatility of renewable energy due to their fast start capability and advanced fast cycling. Their high efficiency level also fulfils environmental sustainability requirements. However, investment incentives must also be established to build more of these power plants.

In terms of demand, optimising energy consumption by increasing efficiency and introducing smart energy solutions, such as smart metering or smart houses, must play a major role. In addition to harmonising the supply and demand side, connecting the new power generation capacity to the network and thereby expanding the network is a major success factor for the transition to tomorrow's energy. Because further expansion of network infrastructure is unavoidable and absolutely necessary if renewable energy is to be expanded and power generation is thus to be decentralised.

Against this backdrop, it is important to support the transition to tomorrow's energy in its entirety. BayernLB therefore follows a cross-sector approach which includes the following segments:

- Environmentally-friendly energy generation (renewable energy, cogeneration systems (CHP), CCPP)
- Infrastructure measures (electricity and heating networks)
- Efficiency measures in various sectors (real estate, production, infrastructure)

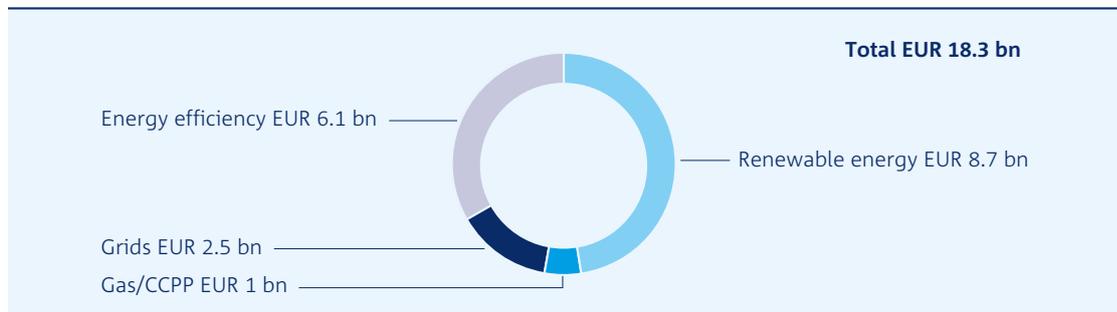
Financing projects and companies in these segments has been a strategic focus of BayernLB for several years.

BayernLB's performance

The strategic significance and BayernLB Group's expertise in the segments which are key to the transition to tomorrow's energy are reflected in its exposure:

As at 31 December 2011, the BayernLB Group's total exposure in this segment was around EUR 18.3 billion.

Exposure in the tomorrow's energy segment as at 31 December 2011



The exposure to renewable energy alone – at BayernLB predominantly allocated to the Utilities/Waste Management sub-portfolio – is larger than all the other portfolios in the corporate customer business. Gross exposure to renewable energy is therefore much higher than in the Oil & Gas sub-portfolio.

These figures show that BayernLB is already making a significant contribution to successfully implementing the transition to tomorrow's energy. In future it will continue to expand its exposure in segments which are of key importance. It is very well placed to achieve this: The Bank's much-proven expertise is coupled with very close customer relationships. Through the Group, BayernLB can support all customer groups, from corporate and municipal customers to savings banks to retail customers. BayernLB's customers can benefit from the Group's strength and a broad range of products, which includes the following financial services:

- Corporate and municipal financing and structured financing (project finance, export and leasing finance) to implement projects related to the transition to tomorrow's energy
- Special rates for financing particularly sustainable real estate (green buildings)
- Subsidies for investments in climate protection
- Investment products and participation models (especially public participation models) to implement projects for environmentally-friendly energy generation
- Hedging against energy and commodities prices (e.g. CO₂ certificates, electricity, etc.)

In a move to understand the challenges facing its clients, BayernLB is involved in various cooperations, for example with Munich's Ludwig-Maximilian-University and the Fraunhofer Institute Group, to gain in-depth and up-to-date sector expertise by means of knowledge transfer on economic and technical issues. In addition it seeks constant dialogue with its customers and is part of important networks, such as the German Renewable Energy Agency (Agentur für Erneuerbare Energien e.V.) and the Environmental Cluster Bavaria (Umweltcluster Bayern), a network of representatives from business and academia in the field of environmental technology. This close integration is very important, as the transition to tomorrow's energy can only be implemented if the financial and real economy stand shoulder to shoulder.

With this approach and its wide-ranging expertise, BayernLB will continue to expand its commitment in the field of tomorrow's energy in future, thus contributing to a more environmentally-friendly, reliable and affordable energy supply.

Environmental and social standards in lending business

As early as 2004, BayernLB established a Group-wide guideline committing it to environmental, social and ethical principles in the financing business. In this regard, BayernLB does not finance any projects related to human trafficking or child labour or which breach the World Bank's provisions on environmental and social standards. By complying with these standards, environmental and social risks should be avoided or minimised. The World Bank standards stipulate, for example,

- how environmental and social management systems are to be structured in order to avoid or minimise any potential negative impact
- how population groups affected by a project are to be brought into the project development process
- how biotopes and habitats are to be protected
- how to ensure that dealings with indigenous peoples respect their human rights.

They also set out the requirements for compliance with labour standards, such as the avoidance of child or forced labour. These generally applicable qualitative requirements are supplemented by sector-specific quantitative rules designed to guarantee the effective prevention of environmental, health and safety risks.

BayernLB regards compliance with these standards as a minimum requirement for all projects it finances and thus contributes to creating a sustainable society. It believes it contributes best by adhering to environmental and social standards for financing transactions in all sectors where the Bank does business – rather than in excluding entire sectors, such as the oil & gas industry or the mining industry, even though carrying out projects in these sectors can result in environmental and social risks. As completely excluding these sectors would ignore economic realities and interdependencies between various sectors which are important for a sustainable society, BayernLB feels that excluding individual sectors would not necessarily be conducive to establishing a sustainable society, it could even be counterproductive.

In this regard, despite a growing supply of environmentally-friendly energy and efforts to improve energy efficiency, fossil fuels like oil, gas and coal will still have to make a major contribution to energy provision and to ensuring supply, especially in a global context. BayernLB will therefore continue to support the conventional energy industry as a reliable partner. The Bank is also conscious that implementing projects in this area can sometimes give rise to considerable environmental, social and societal risks. It does not try to face the associated challenges by categorically ceasing business activities in these areas; it is much more focused on minimising the potential negative impact on the environment and society by complying with specific, internal guidelines and excluding selected transactions due to unacceptable environmental and social risks.

BayernLB therefore does not finance projects to extract crude oil from oil sands nor projects to mine coal by the mountain top removal (MTP) method. New coal-fired power plants are only financed if they are based on state-of-the-art technology; financing is only granted to upgrade existing coal-fired power stations if the upgrade includes efficiency improvements. In addition, no conventional energy projects are financed in areas classified as UNESCO World Cultural Heritage Sites or protected by the International Union for Conservation of Nature (IUCN) or the Ramsar Convention.

This conscious and differentiated treatment of sector-specific environmental and social issues, on account of the situation in the real economy and political conditions, is also reflected in BayernLB's attitude to the nuclear industry: Not least the events in Fukushima showed that nuclear power is a high-risk technology with almost unpredictable subsequent risks. Therefore the Bank is not financing any new projects to build new nuclear power plants or projects to degrade or extract nuclear fuels. In financing operators of nuclear power plants, which are responsible for the safety of the power plants still in operation, and financing investments in replacement to comply with the highest security standards, it believes it is making a contribution to facing the social challenge posed by the operation of existing nuclear power plants.

With this differentiated approach, BayernLB also fulfils its corporate responsibility in the lending business and therefore plays an important role in creating a sustainable society.

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4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board of Management/Board of Administration	p. 29f.**
4.5	Linkage between compensation for members of the Board of Management and the second level of management and the organisation's social and environmental performance	None
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5. Management approach and performance indicators		
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FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	p. 74–79**
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	p. 74–79**
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	p. 6f., p. 17, p. 22, p. 35
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Not applicable
FS11	Percentage of assets subject to positive and negative environmental or social screening	Not applicable
FS12	Voting policy/policies applied to environmental or social issues for shares over which the reporting organisation holds the right to voting shares or advises on voting	Not applicable
FS13	Access points in low-populated or economically disadvantaged areas	Basic access across Bavaria assured by the S-Finanzgruppe
FS14	Initiatives to provide access to financial services to disadvantaged people	Not applicable
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EC4	Significant financial assistance received from government, e.g. subsidies	p. 4, see 2009 single-entity financial statements, p. 18
EC6	Supplier management	p. 35
EC7	Local employees in management positions	Not applicable
EC8	Investments and services provided for public benefit	p. 40–47; p. 76
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EN2	Percentage of materials used that are recycled input materials	See key figures/inside front cover
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EN8	Total water withdrawal by source	See key figures/inside front cover
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EN16	Total direct and indirect greenhouse gas emissions	See key figures/inside front cover**
EN17	Other indirect greenhouse gas emissions, for example produced by business travel	See key figures/inside front cover**

EN19	Emissions of ozone-depleting substances	n/a
EN20	NOx, SOx and other significant air emissions	n/a
EN21	Total water discharge	Only sanitary wastewater
EN22	Total weight of waste by type and disposal method	See key figures/inside front cover; p. 68f.
EN23	Total number and volume of significant spills	None
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	p. 74–81
EN27	Products whose packaging materials are reclaimed	n/a
EN28	Monetary value of significant fines for non-compliance with environmental laws and regulations	None
Community work		
LA1	Total workforce by employment type, employment contract and region	See key figures/inside front cover**
LA2	Total number and rate of employee turnover by age group, gender and region	p. 60**
LA4	Percentage of employees covered by collective bargaining agreements	Depends on type of collective bargaining agreement: working-time regulations, for example, apply to all employees
LA5	Minimum notice periods regarding significant operational changes	Not applicable
LA7	Rates of injury and sickness	p. 54
LA8	Prevention and risk-control programmes regarding serious diseases	p. 53f.
LA10	Average training per year per employee by employee category	p. 56
LA13	Composition of governance bodies and breakdown of employees	See key figures/inside front cover**; p. 51f.
LA14	Ratio of basic salary of men to women	Wage category depends entirely on function and not on gender
Human rights		
HR1	Investment agreements that include human rights clauses	p. 35, p. 74f., p. 80
HR2	Percentage of suppliers and contractors that have undergone screening on human rights	100%
HR4	Total number of incidents of discrimination and actions taken	No incidents
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	p. 35; p. 80f.
HR6	Business activities potentially involving incidents of child labour, and measures taken to help eliminate child labour	p. 35; p. 80f.
HR7	Business activities potentially involving incidents of forced labour, and measures taken to help eliminate forced labour	p. 35; p. 80f.
Society		
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SO2	Percentage of business units analysed for risks related to corruption	100%
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	100%
SO4	Actions taken in response to incidents of corruption	Not applicable
SO5	Participation in public policy development and lobbying	p. 31–34; p. 38, 46f.
SO8	Monetary value of significant fines for non-compliance with laws and regulations	Not applicable
Product responsibility		
PR1	Customer protection	p. 20 – 25
PR3	Type of product and service information required by law	p. 24**
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications	Not applicable
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not applicable

Application level under GRI: B (self-declaration)

* Only mandatory indicators are included. Consequently, the numbering is not sequential.

** GRI indicator only partially met

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