Abridged Environmental Statement 2018

Finanzgruppe

BayernLB

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1 Management system and organisation

1.1 Importance

Several years before the world met for the groundbreaking Earth Summit in Rio de Janeiro in 1992, BayernLB had already started to systematically focus on energy and water consumption and other aspects of operational environmental protection. A central aspect from the start was advanced ecological facilities management. This was and still is the foundation of our corporate environmental management policy, which has been continually expanded during the past few decades in the form of ongoing modernisation measures at the Bank's business premises. Environmental guidelines were laid out in the early 1990s and 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, on the basis of these environmental guidelines, the Board of Management signed off on an environmental policy that remains in place today. Since then, it has formed the basis for all measures to improve environmental performance.

These measures began to be implemented at BayernLB as early as 1999 and in accordance with the Environmental Management and Audit Scheme (EMAS) Regulation. BayernLB's internal environmental protection measures have gained recognition through the external audits of the environmental management system.

Since 2010, the issues of environmental protection and sustainability have been firmly enshrined in the Bank's Code of Conduct and are worded accordingly in the new version drawn up in 2018.

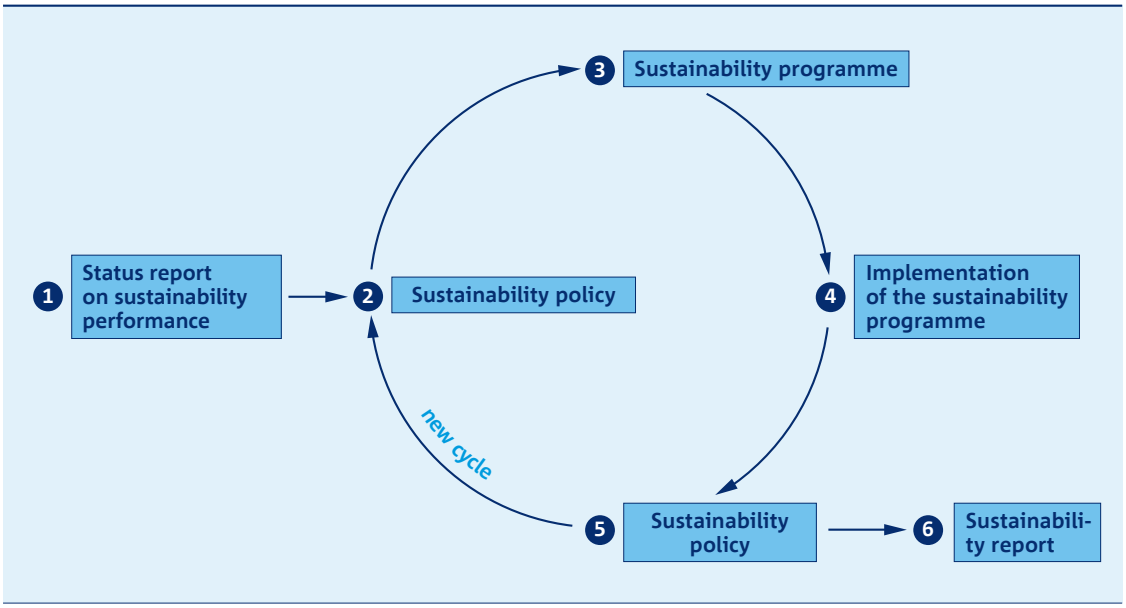
"We are actively and thoroughly committed to the challenge of sustainable development and heed our responsibility by taking environmental and social aspects into account along the entire value chain. We do this in our own day-to-day operations by being careful in our use of resources, avoiding harmful environmental impacts and treating our employees responsibly."

The various measures in operational environmental protection not only reduce the Bank's carbon footprint, but also form part of the Bank's overall sustainability performance. Specialist, independent rating agencies evaluate this at regular intervals. As in previous years, BayernLB once again performed well in the latest ratings from the three top agencies (imug, oekom research, Sustainalytics). Despite ambitious competitors who boast an equally strong focus on sustainability issues and increasingly wide-reaching requirements on the part of the agencies, BayernLB's sustainability performance was rated by each of them as good. Thanks to these pleasing results, BayernLB's securities continue to qualify as suitable for principle-driven investors.

Following its long tradition of operational environmental protection, the Bank will continue to meet its corporate responsibility and will continually work to improve its environmental performance, thereby making an important contribution to creating a sustainable society.

1.2 Approach

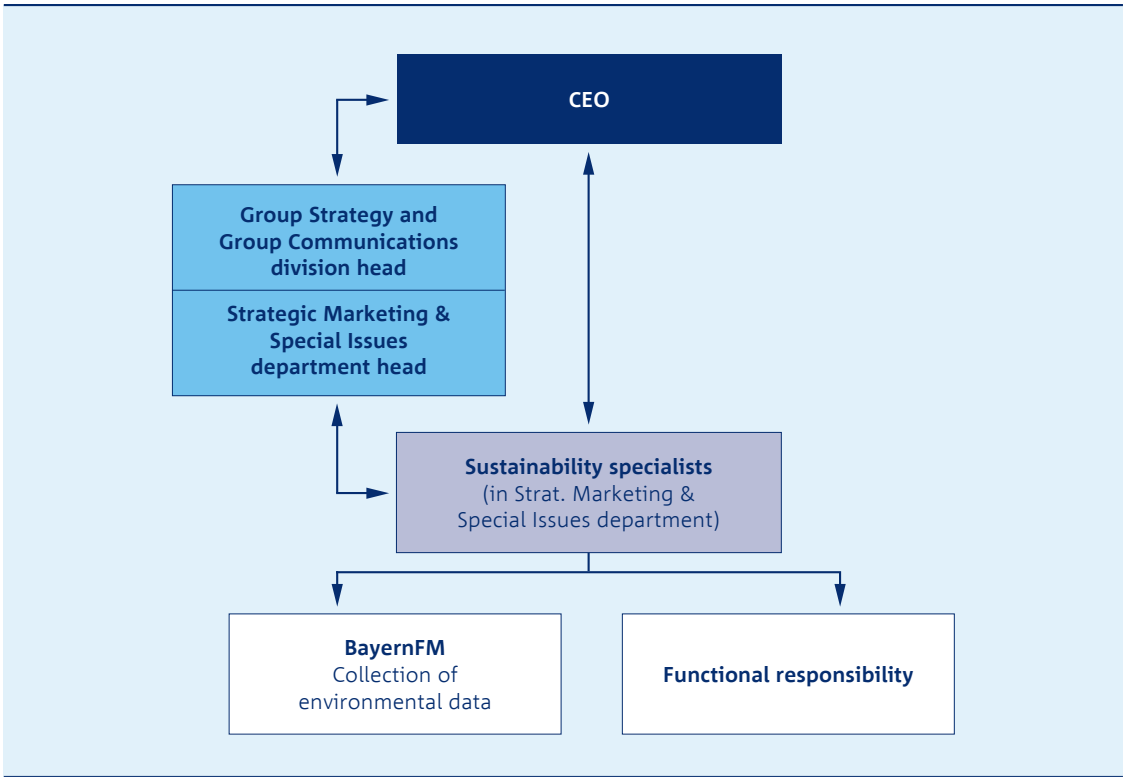
Improving environmental performance and sustainability on a continual basis, as required under EMAS certification, requires a structured approach that takes due account of the issue in all its facets and complexity. This is because sustainability management entails not only coordinating operations among virtually all divisions but, above all, striking a balance between the sometimes conflicting interests and expectations of very different stakeholders. 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. It is structured as follows:



Based on the results of an initial status report on environmental performance to date - conducted for the first time by BayernLB back in the early 1990s - a programme has been developed which comprises the key measures to continually improve environmental performance. The implementation status of the measures and the functionality of the management system have been reviewed in annual internal audits since the Bank initially joined EMAS successfully in 1999. In accordance with the results of these audits, the target system and the programme of measures are systematically refined to ensure environmental performance is systemically improved.

1.3 Organisation

In 2006 responsibility for the topic of sustainability management[11] was transferred from a decentralised support unit to the current Group Strategy & Group Communications Division, which reports directly to the CEO. This established the organisational conditions to successfully develop the environmental management system into a sustainability management system. In order to ensure seamless integration between the functional units and a swift response to changing requirements, the various areas of responsibility are included in the environmental management system as follows:



Sustainability and environmental management is and remains a universal issue, which is why employees[2] from across all management levels and divisions are involved in the management system. The specific functionally responsible employees implement the individual measures at operational level.

1 Responsibility for BayernLB's sustainability management system includes responsibility for the environmental management system.

2 To improve readability of the text, the environmental statement simply refers to "employees". This always implies both male and female employees of BayernLB.

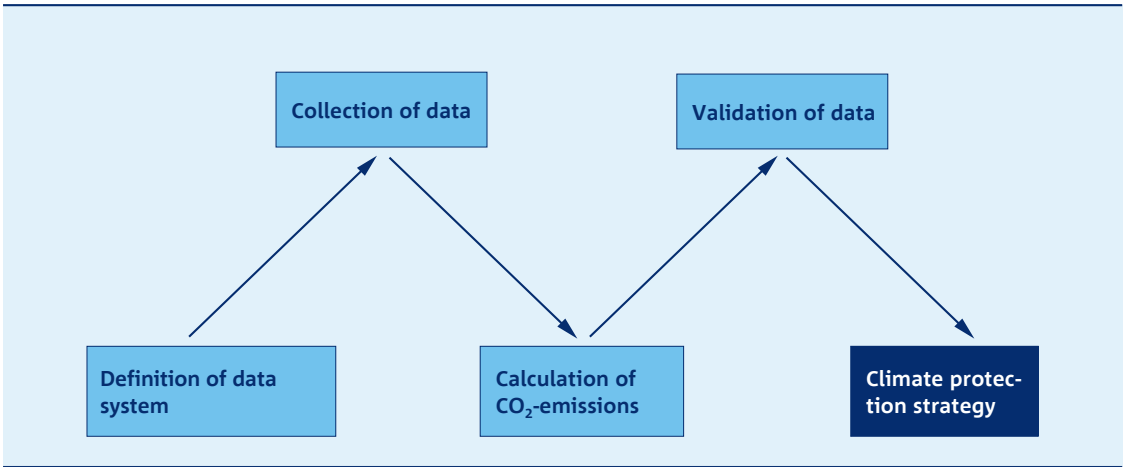
2 Climate protection as a focus of the Bank's internal activities

Aware that combating the negative effects of man-made climate change is one of the greatest challenges facing society in the 21st century, BayernLB is strongly committed to protecting the climate. Reducing its direct and indirect carbon footprint is the centrepiece of efforts to improve BayernLB's internal environmental performance.

Defining specific targets and the commensurate measures to achieve them depends on the target system being operational. In this respect, annual emissions analyses are conducted with the object of determining the CO_2-emissions from business operations. These analyses cover the following aspects of business operations and include:

- Energy consumption of buildings
- Water consumption
- Paper consumption
- Volume of waste
- Coolant loss
- Volume of business travel

Operationalisation of the target system created the basis for a climate protection strategy that has been rigorously implemented since 2007. The environmental management system in accordance with EMAS provides a solid foundation for this.



There are three stages to BayernLB's climate protection strategy, each building on one another:

2.1 Avoiding resource consumption:

The first and most important step in implementing the climate protection strategy is to consistently avoid business-related CO_2-emissions through active energy and resource management. In this context, a wide variety of measures have been initiated and implemented in the last few years – for example, the use of energy-efficient devices or the upgrading of the energy efficiency of buildings.

2.2 Substitution of CO_2-intensive energy sources:

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

2.3 Offsetting unavoidable CO_2-emissions

The final stage is to offset the CO_2-emissions caused by the unavoidable use of resources. Under the offset mechanism, which originated under the Kyoto Protocol, emissions certificates from various externally verified climate protection projects are purchased and cancelled. These investments have been partly funded through a climate change levy on all flights since 2008. In accordance with its purchasing process, the Bank regularly selects a provider for the corresponding high-grade certificates.

By systematically implementing its climate protection policy, BayernLB has been climate-neutral at its Munich site since 2008. And the same has also been true for all the Bank's other offices in Germany since 2015.

The reasons for the intense efforts at protecting the environment are self-evident: firstly, its commitment to climate protection fulfils BayernLB's special social responsibility for creating a sustainable society as a public sector bank and, secondly, credibility gained in this area also has a positive effect on the sale of products linked to climate change.

3 Environmental data

Environmental protection within BayernLB comprises all direct environmental impacts caused by the Bank's business operations. BayernLB's environmental performance report is an annual, systematic record and assessment of these effects. It also reveals potential for improvement. The 2018 Environmental Statement reports the data for financial years 2015 to 2017.

For the presentation of key performance indicators as well as for the calculation of the greenhouse gas emissions (GHG) BayernLB produces, the Bank uses the metrics system of the Association for Environmental Management and Sustainability at Financial Institutions e.V. (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten - VfU) in the version dated March 2018. The environmental data relates to the EMAS-certified locations in Munich (Brienner Strasse 18 (B18) and surrounding buildings) and Nuremberg (Lorenzer Platz 27 and Fritz-Haber-Strasse 10) and the (currently uncertified) locations of Düsseldorf, Essen, Leipzig, Frankfurt, Grafenau, Hamburg and Stuttgart.

3.1 Explanations of selected BayernLB key figures

Paper

	Unit	2017	2016	2015
Papier	**t**	**92.3**	**101.3**	**122.7**
of which				
• Recycled paper	t	65.0	78.2	82.1
• ECF/TCF paper	t	27.3	23.8	40.5
• Chlorine-bleached new fibres	t	0.0	0.1	0.1

All paper (fresh fibre or recycled) used in BayernLB is now either "Blue Angel", FSC or Ecolabel-certified. The goal to stabilise relative paper consumption per employee or per workstation at the level of 2010 was achieved once again in 2017.

Absolute paper consumption at BayernLB has also declined markedly on previous years. The aim to reduce absolute consumption of paper by 10 percent on 2013 levels was achieved and significantly exceeded. The objective of the sustainability programme for 2016 - 2020, specifically to reduce absolute paper consumption for 2017 by 5 percent in relation to 2015, has also been achieved.

Reducing the volume of paper when printing and copying ultimately also leads to a reduction in toner consumption (and an accompanying decline in pollution from particular matter). However, this is not a matter recorded as part of the environmental management system. Other measures to reduce paper consumption are:

- Switching the major financial publications to electronic form (pdf brochures)
- Reducing the circulation of PlusPunkt, the internal employee magazine
- Reducing the number of pages for print media
- Reducing the number of existing office printers and partial conversions to ink jet printers, thereby cutting power consumption and fine dust pollution; in addition, in response to the switch to ink jet printers, in 2017 the Bank began using environmentally friendly paper, which is better for this type of printer, as standard.

- Black & white and duplex printing as a standard printer setting (a colour print-out, even with minimal coloured content, costs around five times the price of a black & white print-out; double-sided printing also saves around 50 percent of paper costs)

Despite opening new offices, BayernLB further reduced paper consumption. Currently no further potential reductions in paper consumption for the next few years can be identified.

Although BayernLB is still a long way off the dream of the paperless office, the Bank is heading in a positive direction overall.

Paper consumption only plays a minor role for BayernLB when it comes to reducing the Bank's carbon footprint. By using recycled paper, BayernLB also helps conserve the resource of water, which, however, cannot be illustrated with the VfU tool.

Energy (electricity, heating)

	Unit	2017	2016	2015
Energie	**MWh**	**25,191.0**	**25,646.1**	**26,070.9**
of which				
• Electricity	MWh	13,078.0	12,659.6	13,156.2
• Heating	MWh	12,113.0	12,905.6	12,914.7
• Diesel (emergency power system)	MWh	75.0	not available	not available.

Power consumption rose 3.3 percent on the previous year 2016. The objective of stabilising power consumption at 13,000 MWh was therefore slightly exceeded. The additional consumption was caused by strengthening the structure of the underground parking garage in Brienner Strasse 20 (B20), the refunctioning of basement spaces as a server room in Brienner Strasse 24 V (B24V) and the expansion of subterranean areas in Türkenstrasse 4 (T4). In the latter building complex, the building use was also increased due to more frequent training courses.

The consumption figure for heating in 2017 was 12,113 MWh, a reduction of 792 MWh or 6 percent on the previous year. This change in consumption can be attributed to warmer external temperatures in the heating period and small-scale measures during last year.

At the Munich head office, the Brienner Strasse 16 (B16), Brienner Strasse 24 R (B24R) and T4 properties reported additional consumption of between 2 and 6 percent in 2017. In contrast, the other sites reported a drop of up to 6 percent. This equates to a decline in consumption of 650 MWh across all properties in Munich. The heating consumption incurred for Barer Strasse 24 (Ba24) of 373 MWh is allocated to the Group subsidiaries and thus offset against BayernLB's total consumption.

Output from the two PV plants was 62 MWh in 2017. In relation to 2016, output was 2 MWh higher overall, whereby the increase in output was in property B20 while output in B24R remained largely unchanged.

Water

	Unit	2017	2016	2015
Water	**m³**	**56,416.0**	**49,697.9**	**54,332.4**
of which				
• Rainwater	m³	7,612.0	7,247.0	7,337.0
• Ground and surface water	m³	19,034.0	18,423.0	18,423.0
• Drinkung water	m³	29,770.0	24,027.9	27,903.4

The media of heating, drinking and waste water for BayernLB properties in the centre of Munich are obtained from the Stadtwerke München utility, while cold water is produced by BayernLB itself. Cold water is produced with cooling units, via external air cooling using recooling plants ("free cooling") and room air conditioning systems.

BayernLB consumed 56,416 m³ of water in 2017. This is an increase of 6,719 m³ or 13.52 percent on 2016. This consumption figure is made up of rain, groundwater and surface water sources, as well as drinking water at the properties in Munich and the other locations in Germany. The causes for this will be explained below:

A 15 percent rise in water consumption was evident at B18 in 2017. This is due to very high water losses from a leak in garden water. B20 reported a very sharp reduction of approximately 22 percent. However, it must be borne in mind that there was a very sharp increase in the previous year and the reduction from 2015 to 2017 only amounted to 8.76 percent. The reason is the climatic conditions.

Brienner Strasse 22 (B22) saw a 59 percent or 1,063 m³ rise in water consumption in 2017 as a result of a malfunction in the automatic flush, which caused water to flow constantly for a period of a month. In addition, maintenance work on the fountain meant that water had to be switched with drinking water.

Furthermore, work was started to upgrade isolated sanitary fittings at Ba24 and B24V to environmentally friendly systems and optimise flushing cisterns. The objective of this conversion is to reduce the flush volume and thereby save water.

Grey water is collected from rain water, waste water from water treatment plants and waste water from the cooling towers and used for flushing the toilet facilities, some of them at Brienner Strasse 18 (B18) and B20. Grey water usage in BayernLB's buildings on Brienner Strasse in Munich for 2017 was 7,612 m³, an increase of 365 m³ or approximately 5 percent. This alternative sourcing meant that this volume of water did not therefore need to be drawn from the public drinking water supply.

Greenhouse gas emissions

For the presentation of key performance indicators as well as for the calculation of the GHG emissions BayernLB produces, the Bank uses the metrics system of the Association for Environmental Management and Sustainability at Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU)) (key figures for environmental performance in the international version and the version of 9 April 2018 - approved version 1.0 of the 2018 update). Potential deviations from the data already communicated may arise due to the more detailed data collected and the expansion of the scope of consolidation for the environmental management system.

The GHG emissions are subdivided into direct, indirect and other indirect categories based on the Greenhouse Gas Protocol.

- **Scope 1:** Direct emissions from combustion of fuels at the company itself; emissions from physical or chemical processes and volatile emissions. This includes general emissions from heating, the company vehicle fleet and coolant.
- **Scope 2:** Indirect emissions from energy generation. This includes GHG emissions caused in generating electricity and heating outside the company. At BayernLB this category includes power consumption and use of district heating.
- **Scope 3:** Other indirect GHG emissions. This includes emissions relating to business trips by train, plane or rental vehicles, paper consumption relating to administration and water consumption.

VfU key figures are based on international standards of environmental and climate reporting, such as:

- The Global Reporting Initiative (GRI): www.globalreporting.org
- The Carbon Disclosure Project: www.cdp.net
- The Greenhouse Gas Protocol: www.ghgprotocol.org

The update from 2018 includes the following changes and new features:

- Inclusion of a new input screen “Heat and water”
- Inclusion of a process to calculate transportation services in t-km in Scope 3
- Inclusion of additional processes to differentiate air traffic between economy, business and first class flights
- Updating of the planned GHG conversion factors for coolant loss to the version in the IPPC Fourth Assessment Report
- Inclusion of the assessment under C4 - 2-degree target to calculate climate goals in compliance with science based targets
- Updating of B calculation: update of all greenhouse gas conversion factors to ecoinvent version 3.4 (as at October 2017, see www.ecoinvent.ch)
- Updating of B calculation: addition of new processes, updating of the descriptions and source information for ecoinvent 3.4 processes
- Updating of the assessment under C2 - GRI results, adjustment of the terminology to the new GRI standards
- Updating of the assessment under C3 - CDP results

Greenhouse gas emissions

	Unit	2017	2016	2015
Absolute GHG emissions (in tonnes)	t	6,389.0	5,982.0	6,195.0
GHG emissions (in kilograms per employee)	kg/EE	2,114.0	1,997.3	2,085.0
Number of employees (EE)	EE	3,022	2,995	2,971

Besides using its own PV plants, BayernLB satisfies its entire remaining electricity requirement at its Munich location from certified hydroelectric power stations on the High Rhine.

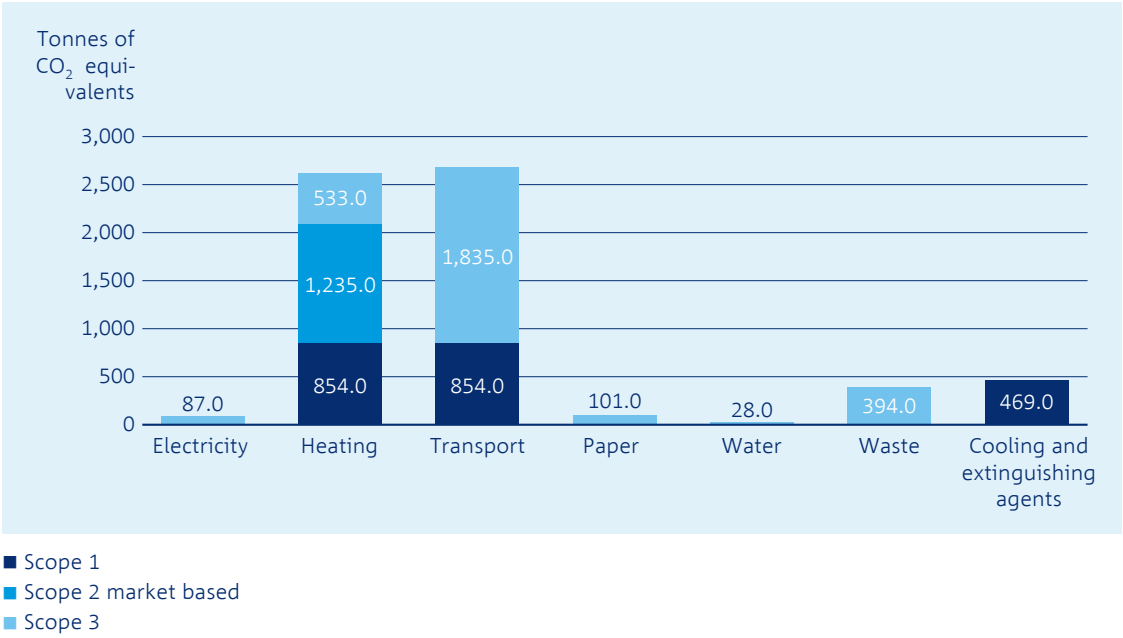
Long-term contracts ensure that BayernLB covers the full electricity requirements of its company buildings from renewable energy sources.

In the period under review from 1 January 2017 to 31 December 2017, a total of 6,389.0 tonnes of CO_2 equivalents were emitted as a result of BayernLB's business activities. Of the total emissions, direct emissions (Scope 1) account for 2,177.0 tonnes, indirect emissions (Scope 2 market based) for 1,235.0 tonnes and indirect GHG emissions (Scope 3) for 2,977.0 tonnes.

Key factors pushing up these figures can be found in the area of coolant losses and the new factors for calculating business trips.

The GHG emissions are reported as CO_2 equivalents, as all greenhouse gases, for which the IPCC (Intergovernmental Panel on Climate Change) defined a global warming potential, are taken into account.

Greenhouse gas footprint in accordance with the VfU Indicators 2018 and the Greenhouse Gas Protocol



Coolant loss

There was significant coolant loss at cooling units 1 and 2 (CU1, CU2) in building Brienner Strasse 18 in the reporting period. 200 kg of coolant escaped from CU1. This amount has already been replenished. 128 kg of coolant escaped from CU2. This amount has been added. According to the documentation, no coolant had been replenished in CU1 since it was commissioned in 1998, despite various repaired leaks. The 200 kg therefore includes not only the coolant which escaped in the recent leak on the guide blade frame, but also the entire losses of the past 19 years.

190 kg have been added to CU2 since it was commissioned in 1998. On an annual basis that corresponds to a leakage rate of approximately 1.5 percent a year for CU1 and approximately 2.4 percent a year for CU2. The leakage rate on both machines is therefore far below the permissible leakage rate of 4 percent per year (ChemKlimaschutzV (Chemical Climate Protection Regulation) for cooling systems that were commissioned before 2005 and are filled with more than 100 kg of coolant).

Repair works on CU1 and CU2 are set to reduce the leakage rate once again to far below the permissible amount and ensure that no additional coolant is required on both machines.

Business travel

The objective of reducing the indirect environmental impact of business travel was once again not quite achieved in 2017, starting from the 2010 baseline.

However, road journeys were further reduced despite the opening of new BayernLB locations, especially due to the increased use of rail transport.

	Unit	2017	2016	2015
Business travel	**km**	**13,881,417**	**13,722,639**	**13,020,249**
of which				
• By road	km	4,552,034	4,668,280	4,015,237
of which				
– own car	km	517,912	514,420	455,772
– rental car	km	802,015	671,505	718,136
– company car	km	3,232,107	3,482,355	2,841,329
• By train	km	1,845,190	1,825,455	1,698,513
of which				
– log-distance	km	1,687,607	1,673,196	1,547,918
– short-distance	km	157,583	152,259	150,595
• By plane	km	7,484,193	7,228,904	7,306,499
of which				
– below 500 km	km	2,147,027	2,418,303	2,328,534
– above 500 km	km	5,337,166	4,810,601	4,977,965

Business travel continues to make up a very large portion of BayernLB's operational carbon footprint. With a view to avoiding the GHG emissions and travel costs associated with business travel, employees are required to consider possible alternatives to travel before embarking on a journey - particularly if the trip is not customer related. Furthermore, staff are provided with the technical infrastructure to hold video conferences and conference calls.

BayernLB also allows its employees to register free of charge with carsharing providers (e.g. DriveNow), which have electric cars in their portfolio. Related invoices of these providers in the event the vehicles are used on business trips can also be submitted.

In addition, since 1 April 2013 the Bank has participated in carbon-free travel by train, i.e. since 1 April 2013 all BayernLB employees can travel as bahn.corporate customers on long-distance trains using 100 percent green energy.

BayernLB continues to strive to reduce the impact on the environment from commuting. It has concluded an agreement with the Munich public transport association Münchner Verkehrs- und Tarifverbund (MVV) and the Deutsche Bahn railway securing employees reduced-price tickets (Job Tickets). These agreements provide employees with cheaper journeys to work compared to the standard rate under certain circumstances.

Waste

	Unit	2017	2016	2015
Refuse/food waste	**t**	**814.0**	**988.7**	**1,071.8**
of which				
• For recovery/recycling	t	415.0	560.0	583.7
• For incineration	t	254.0	268.6	337.3
• For landfill	t	43.0	50.9	47.2
• Hazardous waste	t	102.0	109.2	103.5

BayernLB's volume of waste in 2017 totalled around 814.0 tonnes, a drop of 175.0 tonnes or 18 percent on the previous year. The volume of waste for processing or recycling has fallen 145.0 tonnes to 415.0 tonnes since 2016. In 2017, 178.9 tonnes of paper and cardboard were disposed of, around 70.7 tonnes less than in the year before.

Furthermore, 30.0 tonnes or 42 percent less waste wood and 44.4 tonnes or 21 percent less metal and scrap metal was produced. This reduction in volume is offset against an additional 1.1 tonnes or 21 percent of glass.

Compared to 2016, there was around 14.5 tonnes or 5 percent less waste for incineration in 2017. The total amount for 2017 amounts to approximately 254.2 tonnes. The greatest decrease was in residual waste/mixed municipal waste. This shrank by 6 percent to around 13.4 tonnes. Other waste for incineration also fell sharply by 86 percent to 1.7 tonnes. In contrast, the volume of waste from bulky items/refuse rose by 35 percent or approximately 9.1 tonnes.

The amount of waste for landfill dropped by approximately 8.1 tonnes from 50.9 tonnes in 2016 to 42.8 tonnes in 2017. An 8.0 tonne decline in building debris was reported at the Munich sites.

These deviations are because fewer renovation measures were carried out in 2017 than in 2016. In Nuremberg the amount of building debris remained almost unchanged year on year at just 40 kg. Hazardous waste totalling 101.7 tonnes was produced in 2017. This is a drop of 7.5 tonnes or 7 percent on 2015.

BayernLB reached its target of disposing of all waste fractions in an environmentally-friendly way.

3.2 Core indicators at BayernLB according to the requirements of EMAS III

	Year-on-year changes in %	2017	2016	2015
Energy efficiency				
• Relative energy consumption (in MWh/employee)	–2	8.4	8.6	8.9
• Renewable energy share (in %)	6	52	49	50
Material efficiency/water				
• Relative paper consumption (in kg/employee)	–9	31	34	41
• Relative water consumption (litre/employee)	–13	18,668	16,594	18,288
Waste				
• Relative waste generation (in kg/employee)	–18	269	330	361
• Relative generation of hazardous waste (special waste) (in kg/employee)	–11	32.2	36.3	36.1
Business travel/biological diversity				
• Business travel (1,000 km/employee)				
• Sealed area (in %)	0	4.6	4.6	4.4
The sealed area in % is calculated from the not green area/total area				
	0	74	74	75
Emissions				
• CO_2 equivalents (coolants in kg)	100	328	0	391
• SO_2, NO_x, PM	do not arise directly due to district heating supply			

4 Sustainable financial solutions

Climate change has special importance when it comes to the BayernLB Group's financial solutions. The Bank helps its customers meet the challenges ahead and leverage the business potential from avoidance and of adapting to climate change. In doing so, innovative products such as green bonds are increasingly playing a role.

Sustainable financial solutions at BayernLB include the following areas:

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

The focus of activities in the reporting period was on implementing existing sectoral and thematic guidelines and on examining the need for more guidelines, while also continuing to implement the process to include sustainability management in the evaluation of ESG opportunities and risks in BayernLB's various business activities and taking account of social and environmental aspects when evaluating reputation risks. In addition, the foundation was laid for the Green Finance Initiative to be implemented in 2018.

4.1 Principles and guidelines

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

Guidelines for financing transactions

BayernLB has also defined detailed guidelines for financing operations. These are typically used for earmarked financing, where BayernLB is aware of its purpose. The products focus primarily on environmental topics.

World Bank standards

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

Sector and topic-specific standards

For sectors and topics that are particularly sensitive from an environmental and social perspective, BayernLB has formulated Group-wide policies based on the World Bank standards.

Nuclear power and fossil fuels

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

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

Sector	Not allowed	Conditions
Nuclear power	• Construction of new nuclear power plants	
Coal	• Lignite mining • Mining projects involving mountaintop removal • Construction of lignite-fired power plants • Coal mining and construction of coal-fired power plants in protected areas (UNESCO world heritage sites, IUCN/Ramsar-protected areas)	• Construction of coal-fired power plants only using the latest technology • Modernisation of existing coal-fired power plants only if efficiency gains/higher levels of efficiency are realised and/or climate-damaging emissions are reduced
Oil & gas	• Arctic drilling • Projects in protected areas (UNESCO world heritage sites, IUCN/Ramsar-protected areas) • Oil sands production • Production via fracking	

In the nuclear power sector, the rules permit both the financing of projects to ensure the security of the current facilities and the provision of replacement capital expenditure if it is needed for compliance with the strictest safety standards. Also permitted is the financing of projects for the decommissioning of nuclear power plants, as well as of projects for treating, temporarily storing and disposing of nuclear waste. By providing financing in the areas of safety and waste disposal, BayernLB is meeting its social responsibilities for dealing with the consequences of the use of nuclear power.

The existing policies are regularly checked and, if necessary, refined.

BayernLB also constantly checks whether there are any current developments requiring additional policies. All policies were approved by the Board of Management of BayernLB and apply throughout the Group. The respective specialist divisions and subsidiaries are responsible for implementing the guidelines and policies. If it is unclear whether a transaction falls within the scope of the policies, Sustainability Management will provide an opinion at the request of the person responsible.

4.2 Product portfolio

Sustainable investment solutions

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

Fund volume as at 31 Dec in EUR million	2017	2016	2015
DKB future fund	35.93	33.61	22.05

Sustainable funds and mandate solutions

With the “DKB future fund” customers can invest primarily in equities of companies meeting the strict sustainability criteria. When selecting appropriate equities, the fund works with both exclusion and positive criteria, while the sustainability analysis for this comes from the sustainability rating agency oekom research.

Sustainable, fixed-income securities

Green Bonds

In 2017, the global issue volume for green bonds was around USD 161 billion or EUR 134 billion, according to the calculations of the Climate Bonds Initiative. For 2018, BayernLB is anticipating further growth in the green bonds segment and similar issues. In 2017, it supported sustainable issues in the amount of EUR 1 billion.

Bonds of sustainable issuers

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

Sustainable real estate investments

Subsidiary Real I.S. provides investment opportunities for sustainability-orientated real estate investors. Real I.S. is one of the leading German providers of real estate investments for private and institutional investors. It manages real estate worth about EUR 6 billion in 13 countries worldwide and is represented in four locations in Europe and Australia. As part of its sustainability-oriented strategy, Real I.S. makes sure that its products meet "green" standards where possible.

Financing solutions for renewable energy and energy efficiency

BayernLB believes that it is highly important to aim for and promote an energy industry that conserves resources and is climate friendly. In light of this, BayernLB made the financing of companies and projects that are helping to bring about the energy transition a strategic focus several years ago.

Here it pursues a cross-industry, three-pronged approach with the following main points:

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

Real Estate

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

5 Achievement of objectives in 2017

Once again, various objectives were met in 2017; the following list features an overview:

- Sustainably consolidate the sharp reduction in power consumption, in part by:
  - Upgrading lighting in corridors and computer workplaces
  - Replacing heat recyclers in 12 air conditioning systems and increase efficiency accordingly
  - Replacing cooling pumps and secondary heating pumps
  - Converting fan motors to efficiency motors
  - Replacing heating pumps with energy efficient pumps
  - Separating the lighting areas in the underground parking garage to manage lighting as needed
- Stabilise the relative volume of waste
- Reduce relative paper consumption per employee
- Reduce absolute paper consumption by 5 percent from the 2016 level
- Stabilise the indirect environmental impacts caused by business travel at the 2015 level
- Extend the offtake agreement to cover electricity requirements from renewable energy sources until 2019
- Check existing policies, assess needs and, if required, develop new policies
- Check and refine the process to comply with international financing standards
- Increase employee training on ESG opportunities and risks in the financing business
- Increase subsidised funding for projects with a high benefit for the community
- Increase subsidies for energy efficiency upgrades of rented housing by BayernLabo as part of the Bavarian modernisation programme and the Energiekredit Kommunal Bayern programme

6 Outlook

In future BayernLB will continue to leverage potential for optimisation identified – providing it makes ecological sense and is economically viable – to further minimise its (in)direct environmental impact or keep it at a certain level. The following measures are set to be implemented in 2018:

- Munich B18: Deploy new electrothermal devices (as part of the canteen renovation) which will reduce peak demand periods
- Munich B16, B18, B20: Convert illuminated signs to LED technology
- Munich B20: Switch the lighting in the gallery and foyer to LED technology
- Munich B20: Separate the lighting areas in the underground parking garage to manage lighting as needed
- Nuremberg Lorenzer Platz: Deploy presence detectors to minimise illumination periods
- Nuremberg Lorenzer Platz: Replace cooling pumps and secondary heating pumps
- Nuremberg Lorenzer Platz: Convert fan motors to efficiency motors
- Nuremberg Lorenzer Platz: Convert light columns in outdoor areas to LED technology (following relevant cost-efficiency calculation

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BayernLB

Environmental verifier's declaration

on the verification and validation activities pursuant to Annex VII of Regulation (EC) No. 1221/2009 and amending Commission Regulation 2017/1505

The undersigned, **Dr Reiner Beer** EMAS environmental verifier with the registration number DE-V-0007, accredited or licensed for the scope 64.19 (NACE Code Rev. 2), declares to have verified whether the entire organisation/as stated in the Environmental Statement of the organisation

BayernLB
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Munich Head Office, Brienner Strasse 18
Nuremberg, Lorenzer Platz 27
Nuremberg, Fritz-Haber-Strasse 10
(with reg. no. DE-155-00129)

meets all requirements of Regulation (EC) No. 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community Environmental Management and Audit Scheme (EMAS).

On signing this declaration, it is confirmed that

- the verification and validation were carried out in complete harmony with the requirements of Regulation (EC) No. 1221/2009 and amending Commission Regulation 2017/1505,
- the result of the verification and validation confirms that there is no evidence of non-adherence to the applicable environmental regulations,
- the data contained in the updated Environmental Statement of the organisation/the site provide a reliable, credible and truthful portrayal of all activities of the organisation/the site within the scope specified in the Environmental Statement.

This declaration cannot be equated with an EMAS registration. EMAS registration can only be granted by a competent body under Regulation (EC) No 1221/2009. This declaration must not be used as an independent basis for public information.

[Signature]

Dr.-Ing. Reiner Beer

Environmental Verifier