



## Bespoke tailors for our customers

The English translation of the sustainability report is for convenience purposes only. Only the German version of the sustainability report is binding according to sec 289 c of the German commercial code.

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# Foreword

UNGC  
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Dear Reader,

As a bank with regional roots, international business activities and a 250-year history, we are responsible for our customers, our owners and for our employees. And although we conduct business nationally and internationally in locations throughout Germany and around the world, we never lose sight of the most important maxim that guides our activities: A company can only be truly successful if it works with a long-term focus, maintaining a view at all times, on each deal and in every decision not only of the potential gain, but also of the diverse interests of society and the environment. We view ourselves as a corporate citizen that embraces its role in the region, at a national level and internationally.

This responsibility includes professional sustainability management, which is a deeply embedded concept at our bank. We continuously align our business decisions as well as our organisational structure and internal structuring measures with our guiding principles. The fact that we remain on the right path is demonstrated by the confirmation of our C+ rating (investment prime) from the rating agency oekom in May of this year.

The values and policies that guide us in our daily activities are presented in this sustainability report. In addition, for the first time the report has been prepared in accordance with the new Global Reporting Initiative (GRI) standards. This report also includes a progress report in accordance with the requirements of the UN Global Compact, which NORD/LB continued to support in 2017 and whose ten principles we will continue to adhere to in the future.

I hope you find this report interesting.

Yours sincerely,



Chairman of the Managing Board of NORD/LB Norddeutsche Landesbank

# Declaration concerning the report

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Every year since 2013, NORD/LB, Norddeutsche Landesbank - Girozentrale, with registered offices in Hanover, Braunschweig and Magdeburg, has published an annual sustainability report. This report has been prepared in accordance with the Global Reporting Initiative (GRI) standards, core option. The principles for defining the quality of the report have been applied. In addition, NORD/LB declares that it has taken the greatest care in the materiality analysis conducted for this report and in the compilation of the texts and data, and that the information provided in this report is correct to its knowledge and that no material facts have been omitted.

The report covers the reporting period from 1 January to 31 December 2017, and updates the report for 2016. It also contains a progress report in accordance with the requirements of the UN Global Compact. Unless specified otherwise, the figures presented in this report are for financial years 2015, 2016 and 2017 (from 1 January to 31 December in each case). It has not been audited externally.

NORD/LB publishes consolidated financial figures prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS). The IFRS consolidated financial statements include the Group companies consolidated in the IFRS accounts and form the data basis for the key figures contained in this report. Not included in the consolidated financial statements for NORD/LB prepared in accordance with IFRS and therefore not included in this report are Investitionsbank Sachsen-Anhalt and Landesförderinstitut Mecklenburg-Vorpommern. The business of these two entities is not conducted in the name of or for the account of NORD/LB and is therefore not subject to consolidation in the financial statements based on IFRS principles. Accordingly, all figures indicated in this report that were determined based on IFRS accounting principles should be understood as excluding these two institutions. For further information, please refer to the financial reporting (IFRS).

The NORD/LB Group is a financial services company. Accordingly, its main business is conducting banking transactions and providing financial services. This report includes the following Group entities:

- Norddeutsche Landesbank Girozentrale (referred to below as: “NORD/LB” or the “Bank”)
  - including Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale -, Bremen (until its full merger on 31 August 2017, after this NORD/LB) (referred to below as: “BLB”) and
  - including Braunschweigische Landessparkasse as an institution having partial legal capacity of NORD/LB (referred to below as: “BLSK”),
- Deutsche Hypothekbank (Aktien-Gesellschaft), Hanover (referred to below as: “Deutsche Hypo”),
- Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg-Findel (referred to below as: “NORD/LB CBB”) and
- NORD/LB Asset Management AG, Hanover (referred to below as: “NORD/LB Asset Management”).

Together, these four companies comprise the core business of the NORD/LB Group. Taking account of the materiality principle in accordance with the provisions of § 315c, para. (3) of the German Commercial Code (HGB) on the course of business, the business results, the company's position and the impact of the core business activities of the NORD/LB Group, this sustainability report, similar to the non-financial statement first published in 2018 (separate non-financial report of the NORD/LB Group and NORD/LB for the financial year from 1 January to 31 December 2017), primarily relates to these four companies in terms of its qualitative descriptions. The

other investments of the NORD/LB Group either do not represent significant investments qualitatively or quantitatively from a risk perspective, or they do not have their own staff for achieving their business purpose and would therefore not lead to materially different statements.

In order to make the report easier to read, we have used only the male form. Terms such as staff, employees and managers refer explicitly to both men and women. The terms employees and staff also cover all staff and managers including the Managing Board, unless these are reported on separately.

As at the reporting date of 31 December 2017, the NORD/LB Group employed 6,453 people. The staff key figures cover 100 per cent of the Group's employees.

The data for the employees and products have been obtained from multiple sources, including the accounting systems, which summarise the results of all ongoing business operations. In addition, data are generated from established processes and systems, such as facility management and personnel information systems.

When presenting the key figures in the banking operations section of the report and calculating the company's greenhouse gas emissions, the NORD/LB Group follows the standard promulgated by the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V. (Association for Environmental Management and Sustainability in Financial Institutions, VfU). The environmental figures cover the entire Group, with the exception of the foreign branches as well as BLB Immobilien and BLB Leasing. The personnel figures of NORD/LB and its subsidiaries have been determined based on the evidence requirements of the Group parent company NORD/LB in order to ensure a comparable and standard methodology throughout the Group.

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On 31 August 2017, the former Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale - (BLB) was fully merged with NORD/LB, and since that date has no longer been a legally independent company. NORD/LB has already reported as a Group in previous years. The merger had no impact on the calculation of the figures and this year's sustainability reporting. Separate information about BLB through the end of August 2017, if necessary for understanding the report, has been included in the text.

## Materiality analysis

The materiality analysis represents one of the fundamental principles of reporting in accordance with GRI. The aim of involving stakeholders and focusing on sustainability-relevant topics is to ensure that material activities, effects and expectations of stakeholders are taken into account and reported in a transparent and complete manner.

When determining the content of the report, the NORD/LB Group bases its decisions on the GRI's reporting principles. These principles are:

- Stakeholder inclusiveness
- Sustainability context
- Materiality
- Completeness

NORD/LB first conducted a materiality analysis for the 2015 reporting year. This analysis was reviewed and updated in the current reporting period.

## Stakeholder dialogue and sustainability context

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In compliance with the GRI, the NORD/LB Group views as its stakeholders those legal entities and natural persons who can be assumed to be materially affected by the bank's activities, or who can be expected to influence the bank through their actions in terms of its implementation of strategies and achievement of its objectives.

NORD/LB believes that stakeholders have a wide-ranging interest in the bank, be it a general interest in the handling of and compliance with regulatory requirements for financial institutions, its business performance, its handling of risks or specifically the future direction of the business and the associated alignment with environmental, social and economic objectives.

This report therefore focuses on environmental, social and governance (ESG) topics that have been defined as material. In order to assess sustainability performance more effectively, the figures are generally compared over a period of three years.

It is essential for businesses to recognise the requirements of their interest groups early on so that they can react appropriately to their expectations. Systematically addressing stakeholder needs is essential for NORD/LB in order to secure its long-term corporate success. NORD/LB therefore uses established discussion formats with the various social groups to exchange views on sustainability issues, gain ideas for its own sustainability-oriented actions and to develop further.

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The dialogue with stakeholders is led by NORD/LB's sustainability management team. The sustainability management team informs the Managing Board about new findings, developments and ESG trends.

In 2013, the NORD/LB Managing Board approved and implemented guidelines for dealing with interest groups. This will ensure open and consistent communication with stakeholders on sustainability trends and strengthen the bank's position as a company that is aware of its responsibility to society and the environment.

NORD/LB and its subsidiaries have been in contact with various sustainability rating agencies for many years and actively support the feedback processes and rating dialogue. The feedback

from the ratings is also used to analyse sustainability activities and develop ideas for improvements, and is reflected accordingly in the relevant specialist departments. The same applies with regard to monitoring of the media.

NORD/LB is also a regular participant in various sustainability-related working groups led by the Deutscher Sparkassen- und Giroverband (German Savings Banks Association, or DSGV), the UN Global Compact (UNGC) network, the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V. (Association for Environmental Management and Sustainability in Financial Institutions, or VfU) and the Bundesverband Öffentlicher Banken Deutschlands (Association of German Public Sector Banks, or VÖB). It has participated in the UNEP FI/VfU Roundtable for many years in order to discuss the latest sustainability developments with other participants. NORD/LB made itself available for numerous expert interviews with young academics during the reporting period, for example as part of master's theses.

In addition, NORD/LB regularly attends various national and international conferences, ensuring that its stakeholders are aware of strategically relevant sustainability topics. Thanks to its reciprocal communication strategy, NORD/LB informs its investors about sustainability objectives and products while at the same time being able to absorb ideas from the capital market that it applies to its management and business model.

The major communication channel for the public is this sustainability report, which has been prepared in its current form in accordance with the GRI guidelines every year since 2013. The report also includes the UN Global Compact progress report. The bank's sustainability officers can be contacted at any time via its website. However, not all stakeholders can or want to contact NORD/LB directly. For this reason, the bank engages in dialogue with various non-governmental organisations (NGOs), both in response to direct enquiries and as part of various working groups and events.

In addition to general media outlets, employees also receive information via the intranet. Since 2017, the sustainability management team has received training on sustainability and ESG topics several times a year as part of management workshops. Information events have also been offered by Compliance. Furthermore, an employee survey on the "Significance of Sustainability at NORD/LB as an Employer" was conducted in 2017.

The stakeholder discussions provide NORD/LB and the sustainability management team with valuable information about current developments and the interests of various stakeholder groups. Stakeholder feedback is used to continuously review and, where necessary, improve sustainability activities. The stakeholder discussions are also used to identify important reporting topics. The following stakeholders (in alphabetical order) are consulted when identifying important aspects of the materiality analysis:

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- Owners
- Society
- Unions
- Institutional investors
- Customers
- Media
- Employees
- NGOs
- Politicians, authorities
- Ratings agencies, SRI analysts
- Associations (esp. banking and economic associations)
- Scientists, researchers

## Identifying material topics

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NORD/LB first conducted a materiality analysis for the 2015 reporting year. This was updated in the current reporting period and supplemented with and validated by a secondary analysis (desk research) conducted by imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH (imug) and an employee survey.

The analysis was conducted in accordance with the following GRI principles:

- Identification of information
- Prioritisation
- Validation

In order to identify material topics, first a comprehensive list of sustainability topics was created in 2015. The existing GRI disclosures were supplemented to include additional topics, such as sustainability ratings, media reports, NGO inquiries, multi-stakeholder initiatives and customer inquiries. In the next step, the topics with no obvious relevance to the business activities of NORD/LB were removed, allowing for an initial rough selection of topics.

In order to prioritise the remaining topics, NORD/LB participated in various external sector-specific and institution-specific workshops and working groups related to the issue of the materiality analysis. In these workshops, the bank learned about the topics that generally affect companies in the financial sector and how these impact on their business practice. The topics were also rated regarding the extent to which they are fundamentally applicable to companies in the financial services sector as opposed to manufacturing companies, and whether they need to be evaluated in a different light because of the difference in business models. These topics include, for example, the supply chain or the use and conservation of natural resources (water consumption or biodiversity), as the impact of financial services companies on these aspects can generally be classed as rather low. Topics were also rated on the basis of institution-specific characteristics, for example the perception of the savings bank and Landesbank (regional bank) function, or a public mandate.

The findings from these external events were taken up in internal workshops. Topics were then prioritised across different departments within NORD/LB as well as at discussion forums involving different companies.

The topics and stakeholders were subsequently validated in three steps. The results of the materiality analysis were initially discussed and assessed in an externally-led workshop. The conclusion was then presented to the Sustainability Committee. The final validation took place during a meeting of the Managing Board in May 2016. The current materiality analysis was presented to the Managing Board together with the Group Sustainability Report at the meeting on 5 June 2018.

The 2015 materiality analysis was reviewed and updated for the current reporting period with the involvement of other internal and external stakeholders. In addition, in October 2017 NORD/LB tasked imug with conducting a secondary analysis to identify material sustainability topics. This analysis included a review of social opinion-forming processes in Germany and the European Union (EU) as part of a comprehensive media analysis (involving 30 media outlets, an analysis of NGO press releases and “grey literature”), a comprehensive analysis of current trends and developments in the traditional financial market and the market for socially responsible investments (SRI), as well as a specific examination of the requirements and expectations of the relevant stakeholders in financial market players in the context of sustainability (politicians and authorities, SRI analysts, investors and shareholders, NGOs, associations/churches, scientists/researchers, the media and trade unions).

In October 2017 NORD/LB then commissioned an employee survey on the “Significance of Sustainability at NORD/LB as an Employer”, which was conducted as part of an academic study involving field research.

The top five topics identified by the employee survey were:

- Work/life balance
- Employee health
- Human rights (→management of ESG topics)
- Data protection
- Training and development

The findings from the stakeholder discussions that have been held since 2015 were also included.

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The materiality analysis was updated and modified in line with the new findings. The main topics that were identified were “translated” in accordance with the corresponding GRI indicators or designated as individual topics. This resulted in the identification of the following material topics during the current reporting period.

Figure 1: Overview of topics and limits (arranged alphabetically)

|   | Especially significant for |           |           |           | Limit within NORD/LB                  | Limit outside of NORD/LB                     | Material economic, environmental and social impact of the topics  |
|---|----------------------------|-----------|-----------|-----------|---------------------------------------|--|---|
|   | Society*                   | Investors | Customers | Employees |                                       |  |   |
| Training and development                  | x                          |           |           | x         | Entire Group                          | Partic. junior staff, potential applicants   | NORD/LB is being affected by demographic change and a lack of skilled employees. The training and development offerings of NORD/LB are very important for ensuring that the bank is an attractive employer, attracting specialist staff and successfully retaining its employees. As a result, training and development at NORD/LB is an important educational and economic factor – with an impact on the regions beyond the NORD/LB Group's own area of activities.   |
| Emissions                                 | x                          |           |           |           | Partic. corporates, financial markets | Partic. society, politicians                 | Climate change, due primarily to CO <sub>2</sub> emissions, has a global impact. Preventing emissions in our own operations as well as with respect to financing and investments has a positive impact on all stakeholder groups; by contrast, financing projects with substantial emissions would have a negative impact.  |
| Ethics and integrity                      | x                          | x         | x         | x         | Entire Group                          | Partic. owners, society, politicians         | Ethical conduct based on integrity is essential for gaining the trust of all stakeholders in NORD/LB and the sector as a whole. At the same time, it protects society and all stakeholder groups from the damage that might be caused by unethical conduct.   |
| Compliant conduct and anti-corruption     | x                          | x         | x         | x         | Entire Group                          | Partic. owners, society, politicians         | See "Ethics and integrity". It is also NORD/LB's duty to identify and prevent financial crime to the best of its ability in order to protect society and all stakeholders as best as possible from damage, and to avoid or prevent unethical or corrupt behaviour.  |
| Occupational safety and health protection | x                          |           |           | x         | Entire Group                          | Partic. potential applicants, social systems | The working world is in a state of constant change with a high level of pressure to change and the need for increased flexibility. NORD/LB believes that corporate health management (CHM) is a worthwhile investment in the health and performance of its employees, and is not just about complying with statutory requirements. The health of its employees and thus the management of occupational health also represent an important social topic for the bank. A low sickness rate also makes it easier to have a social life, helps employees to achieve a work/life balance and eases the burden on the welfare system too. |

|  |   |   |   |   |   |  |  |
|--|---|---|---|---|---|--|--|
| Information security and data protection                   |   | x | x | x | Entire Group  | Partic. owners, business partners, investors, customers            | Protecting all types of sensitive information not only helps to keep NORD/LB competitive (legal requirements, monetary fines, outflow of knowledge), it is also an important topic for customers, especially when personal data is involved. The General Data Protection Regulation, which entered into effect in May 2018, created a uniform data protection law throughout Europe that is intended to improve the handling of personal data and increase the rights of data subjects. Banks are required to demonstrate that they have a well thought-out security strategy and adequate data protection provisions in place.    |
| Management of ESG topics                                   | x | x | x | x | Entire Group  | Partic. investors, capital market, customers, society, politicians | Banks have the ability to influence the long-term direction of the economy and society because they guide financial flows. In addition, risks in the context of ESG topics can endanger trust in financial institutions. Risks can arise, for example, as a result of socially unacceptable or illegitimate actions.<br>By integrating sustainability issues in the bank's standard investment and credit process, these risks can be minimised while at the same time driving forward sustainable development. In addition, the inclusion of ESG topics and transparent reporting are expected by a number of stakeholder groups. |
| Social and environment impact of financing and investments | x | x |   |   | Partic. corporates, financial markets                       | Partic. investors, capital market, customers, society, politicians | See "Management of ESG topics". In addition, investors around the world increasingly want to know the specific impact of their investments. Thus, the social/environmental return supplements the traditional investment objectives. More and more investors and financial institutions are taking account of climate-related risks when evaluating investments and making investment decisions, minimising the impact where possible. This includes refraining from making investments in certain areas, or curtailing such investments that they have already made.  |
| Work/life balance  | x |   |   | x | Partic. employees, HR department                            | Partic. potential applicants                                       | Employees' non-work life is now inseparable from their work life. That is why NORD/LB, in its capacity as an employer, is taking the necessary steps to integrate its employees' different life situations into working life, thereby simultaneously boosting productivity. Work-life balance is not only an important topic when choosing an employer – it was also identified as one of the top ten most important sustainability themes in the employee survey.   |
| Remuneration policy  | x |   | x | x | Partic. employees, senior management, compensation managers | Partic. society, customers   | NORD/LB is a significant institution as defined by the German Remuneration Ordinance for Institutions. This means that it is subject to special requirements. A central theme in the framework of the adequate governance of banks is their remuneration policy, which is especially important for employees, corporate culture and society. NORD/LB is able to attract and retain employees thanks to its attractive and market-based remuneration system. Linked to the remuneration policy is the provision of comprehensive and tailored investment advice.  |
| Diversity and equal opportunities                          | x |   |   | x | Partic. employees, HR department                            | Partic. potential applicants                                       | A lack of skilled staff, the growing number of older employees, the requirements of generations Y and Z, and the need for more flexible forms of work are the starting point for diversity and equal opportunity at NORD/LB. With its comprehensive, integrated approach that consciously utilises the mix of skills and abilities of different groups of employees, NORD/LB is not only strengthening its economic competitiveness and role as an attractive employer, it is also supporting social cohesion and promoting the corresponding values.  |

\* Including their interest groups and SRI analysts

## Completeness

NORD/LB provides reporting for the NORD/LB Group across all of the topics identified during the materiality analysis based on the core option of the GRI standards. As part of its reporting, the bank describes its “management approach” for all material “topics” and includes a “disclosure” in the report. In addition, NORD/LB also voluntarily reports other disclosures, which are shown separately in the index.

## NORD/LB at a glance

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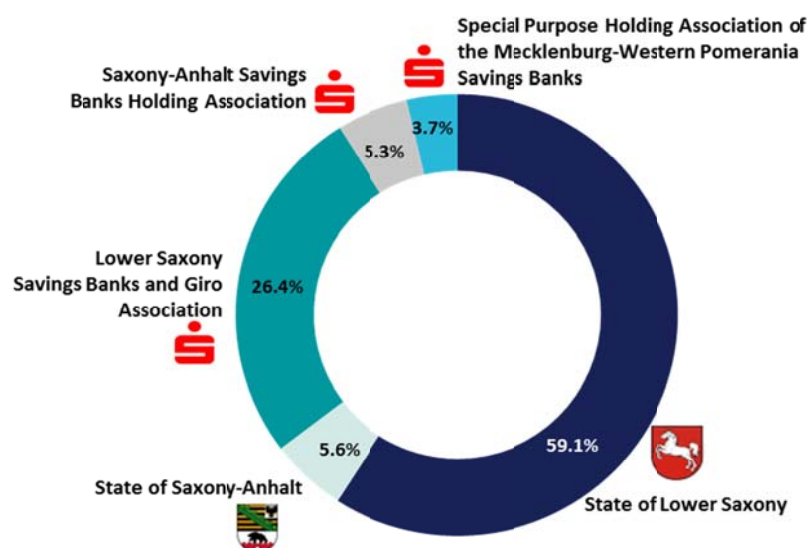
Norddeutsche Landesbank - Girozentrale - is a registered public institution (AöR) based in Hanover, Braunschweig and Magdeburg. The bank's head office is located at Friedrichswall 10, 30159 Hanover, Germany. NORD/LB is registered with the Hanover Local Court (Amtsgericht Hannover) under HRA 26247, with the Braunschweig Local Court (Amtsgericht Braunschweig) under HRA 10261 and with the Stendal Local Court (Amtsgericht Stendal) under HRA 22150.

The bank's statutes in their current version (as at 1 September 2017) are based on the State Treaty of 22 August 2007 on Norddeutsche Landesbank – Girozentrale between the federal state of Lower Saxony, the federal state of Saxony-Anhalt and the federal state of Mecklenburg-Western Pomerania including the amendment of 12 July 2011 (which entered into effect on 31 December 2011). The State Treaty and the statutes are published on the bank's website.

The owners of NORD/LB are the federal states of Lower Saxony and Saxony-Anhalt, the Association of the Savings Banks of Lower Saxony (Niedersächsischer Sparkassenverband (SVN)), the Holding Association of the Savings Banks of Saxony-Anhalt (Sparkassenbeteiligungsverband Sachsen-Anhalt) and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania (Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern).

The issued capital amounts to € 1,607,257,810 - with the federal state of Lower Saxony holding 59.13 per cent (of which around 33.44 per cent is held in trust for the federal-state-owned Hanoversche Beteiligungsgesellschaft mbH, Hanover), the federal state of Saxony-Anhalt holding around 5.57 per cent, the Association of the Savings Banks of Lower Saxony around 26.36 per cent, the Holding Association of the Savings Banks of Saxony-Anhalt around 5.28 per cent and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania around 3.66 per cent. NORD/LB does not receive any government grants.

Figure 2: Ownership structure



<sup>1</sup> Total differences are rounding differences

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For information about changes to the organisation and about the integration of Bremer Landesbank in particular, please refer to the bank's management report (IFRS) starting on page 59. There were no significant changes to the bank's value chain during the reporting period.

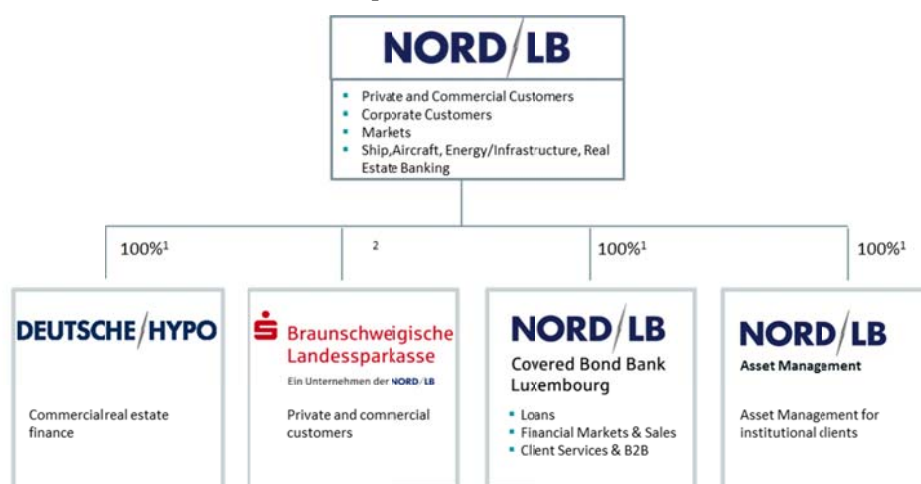
For further information on 102-7 and 201-1, please refer to the corresponding disclosures in the bank's financial reporting (IFRS, HGB).

For further information on risk management, please refer to the bank's financial reporting (IFRS) starting on page 17.

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NORD/LB is the parent company of the NORD/LB Group. It manages all of the Group's business activities in accordance with the strategic objectives, creates synergy effects, strengthens customer divisions and pools service offerings.

Figure 3: NORD/LB subsidiaries and affiliated companies (as at 31 December 2017)



<sup>1</sup> NORD/LB ensures that the companies mentioned in the annual report 2015 note (75) and Bremer Landesbank (since 4 January 2017) are able to meet their obligations

<sup>2</sup> Incorporated under public law with partial legal capacity

The bank also has additional shareholdings as detailed in the notes to the financial reporting (IFRS and HGB).

## Business model and strategic direction

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NORD/LB is a commercial bank, regional bank (federal state bank) and central bank for the savings banks operating in northern Germany and beyond this core region, with domestic branches in Hamburg, Munich, Düsseldorf, Schwerin and Stuttgart. In order to operate in all of the world's major financial and trading centres, the foreign branches in London, New York, Shanghai and Singapore play a significant role.

As legally dependent business units, the branches pursue the same business model as NORD/LB. The values of *trust*, *responsibility* and *sustainability* applied throughout the NORD/LB Group are complemented by *reliability* and *transparency*.

As a regional bank in the states of Lower Saxony and Saxony-Anhalt, the bank handles development on behalf of the federal states through the Investitionsbank Sachsen-Anhalt (part of NORD/LB) and through the Landesförderinstitut Mecklenburg-Vorpommern (a business segment of NORD/LB).

NORD/LB acts as a central bank (clearing house) for the savings banks in Mecklenburg-Western Pomerania, Saxony-Anhalt and Lower Saxony, and is the partner for all of the savings banks based in those federal states. It also acts as a service provider for savings banks in other German federal states. NORD/LB provides all the services that the savings banks require for their activities.

The structures and specific circumstances of the economy in northern Germany shape the bank's core business in its capacity as a commercial bank. NORD/LB, as a group of regional and specialist banks, obtains capital and deposits from its regional and international customers and uses this capital to finance private and corporate customers, ships, aircraft, renewable energies, infrastructure and real estate. The risks and costs are managed with respect to concentrations and cycles.

The business model of NORD/LB and its subsidiaries is based on compliance with all applicable legal regulations. In accordance with § 25a para. 1 of the German Banking Act (KWG), banks must have a proper business organisation that ensures compliance with both the legal regulations governing the institution and the applicable business management requirements. The basis documented in § 25a KWG is, in turn, fleshed out in the German Minimum Requirements for Risk Management (MaRisk AT 4.2), according to which a company's management must define a sustainable business strategy and a correspondingly consistent risk strategy. The NORD/LB Group (NORD/LB, Deutsche Hypo and NORD/LB CBB) have put in place corresponding strategy documents in line with the relevant legal requirements.

Pursuant to § 25a para. 1a sentence 1 KWG and MaRisk AT 4.5, the aforementioned requirement to determine a sustainable business strategy and a correspondingly consistent risk strategy also applies to banking groups for which the management team of the parent company is responsible.

The business strategy of the NORD/LB Group, including the business segment strategies for NORD/LB AöR and the risk strategy for the NORD/LB Group, as well as the individual business segment strategies of the significant individual institutions of the NORD/LB Group, are thoroughly analysed as part of the annual strategy and planning process, taking account of the risk strategy, adjusted if necessary and approved by the Managing Boards. The outcome is made known to the Supervisory Board and discussed with it. The business and/or risk strategy is also reviewed and updated on an ad hoc basis when required.

For additional information on the business model and management systems, please refer to the financial reporting (IFRS) starting on page 17.

102-16

When carrying out the tasks derived from its business strategy, the NORD/LB Group focuses on its Mission Statement: "North is at the top. So are we." It symbolises the Group's ambition to be a leader in its target markets.

The business activities of the NORD/LB Group are based on the following values:

- Trust based on individuals treating one another fairly, reliably and cooperatively.
- Responsibility as an expression of a mindset to tackle the task on hand as a bank, employer and promoter of science, culture and sport in order to build lasting success.
- Sustainability as our belief that striking a balance between economic, environmental and social aspects makes the bank successful over the long term. This is specified in the Sustainability Strategy.
- Courage as a sign of our willingness to try new things, embrace diversity and shape the future and
- Performance as a prerequisite for success.

## Value chain

102-9

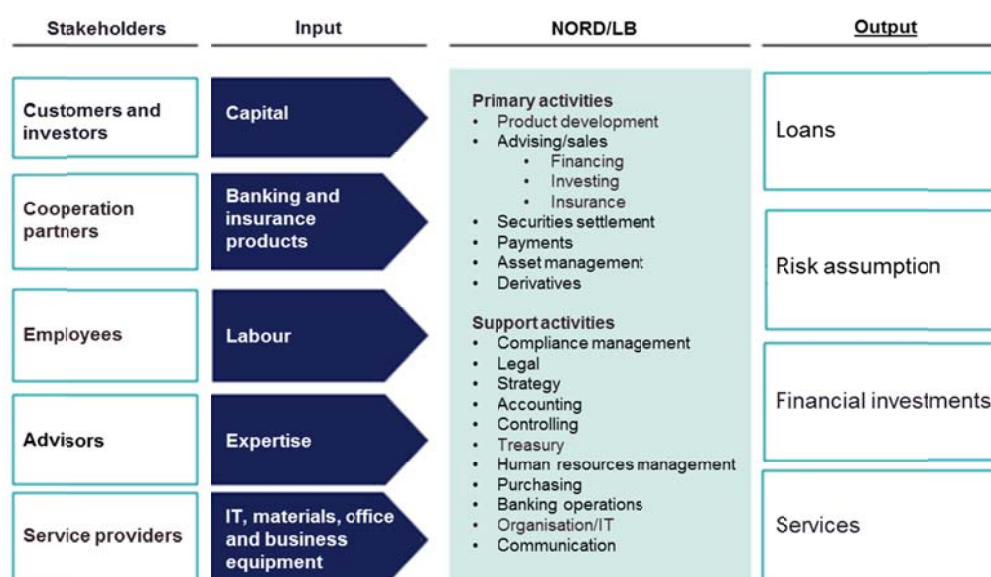
The five main sectors that impact on economic activity in a national economy are private households, business, government, foreign countries and banks. Banks in this respect are classified as part of the wealth sector, which plays a key role in economic activity; here monetary transactions are processed, the payment system is controlled and (monetary) assets are managed.

Banks, in their capacity as financial intermediaries, enable investments, which are essential for the success of businesses, by removing barriers between savers and businesses in need of finance. They therefore act as a broker between the two market participants. Short and medium-term funds from savers are combined in a loan pool from which, after the credit rating and probability of default of borrowers has been checked, long-term loans are granted. In this way banks enable a balance to be struck between demand for loans and the supply of savings. They do this by means of size transformation, term transformation and risk transformation, which are explained as follows:

- Size transformation: the conversion of amounts of money into different sized amounts of money,
- Term transformation: the balancing of different interest rates for different durations and
- Risk transformation: balancing the risk tolerance of savers and borrowers.

The importance of banks in a national economy is therefore more than just putting money into circulation; they also provide access to the capital market in order to extend the financing platform for businesses. In this way, the wealth sector becomes a driving force for a country's future economic strength. Banks use the input of various market participants to process their business activities. These participants are hereafter referred to as stakeholders. The bank's primary and support processes therefore produce an output that is an added value for society.

Figure 4: The value-adding process of the NORD/LB Group (product-related)



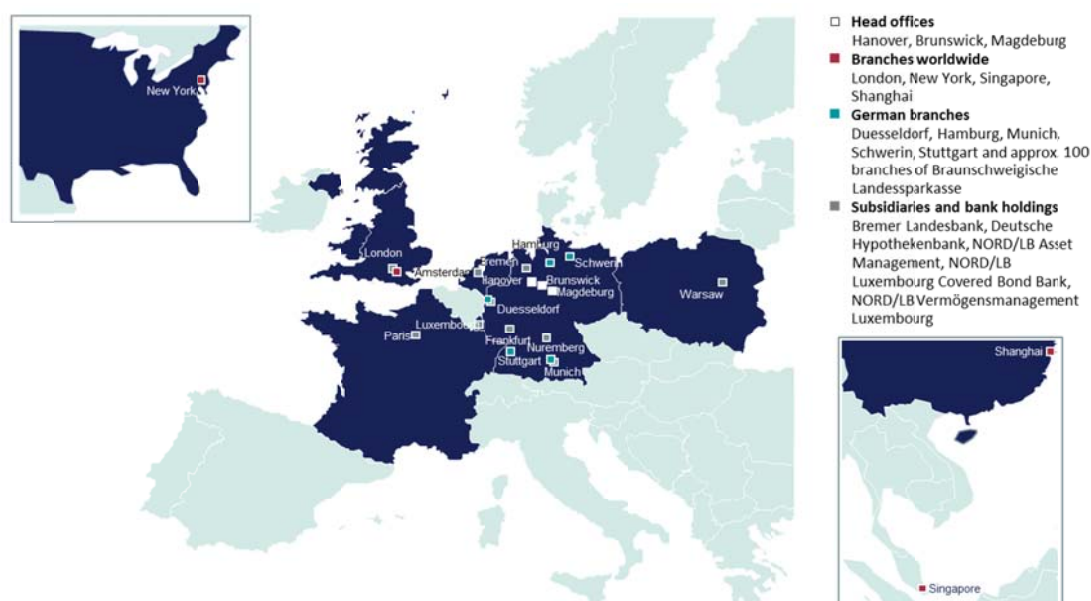
## Business locations and segments

102-4

102-6

The NORD/LB Group is represented in the north of Germany and beyond its core region with branches in Düsseldorf, Frankfurt, Hamburg, Munich, Nuremberg and Schwerin, as well as in Amsterdam, London, Paris, New York, Shanghai, Singapore and Warsaw. The locations of Braunschweigische Landessparkasse can be seen at [www.blisk.de](http://www.blisk.de).

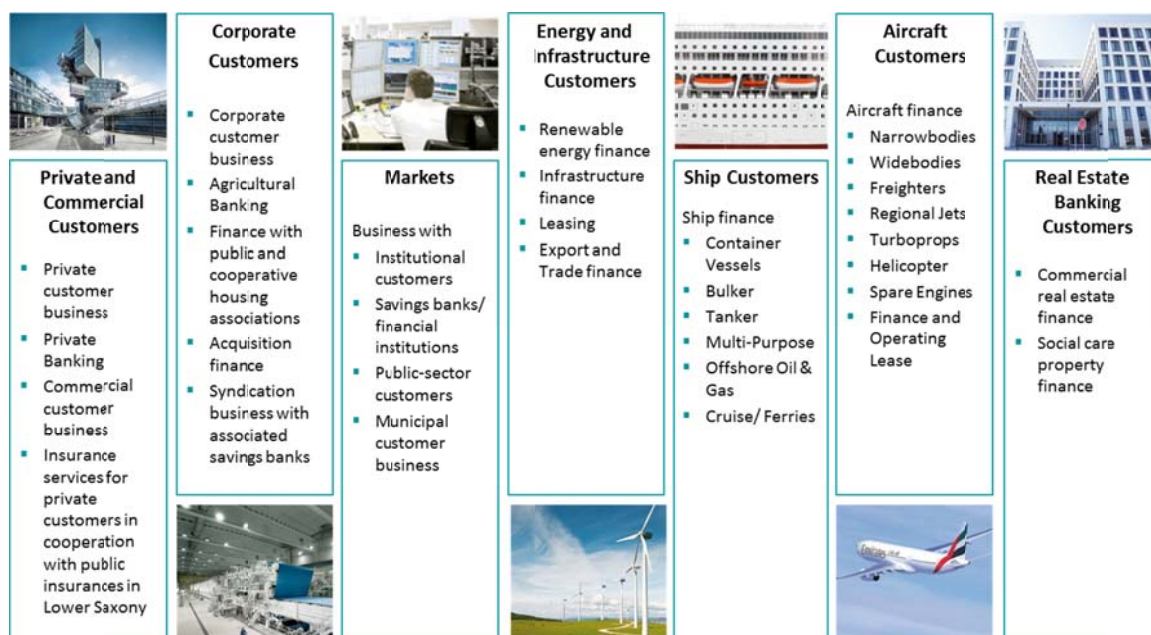
Figure 5: Geographical spread of the NORD/LB Group's locations



Addresses and more details: <https://www.nordlb.com/nordlb/about-us/locations-worldwide/>

The following chart provides an overview of the business segments of the NORD/LB Group. For detailed information on the business segments, Group management and the reconciliation between them, please refer to the financial reporting (IFRS) starting from page 17.

Figure 6: NORD/LB Group's business segments



## Executive bodies

102-18

NORD/LB's executive bodies are the Managing Board, the Supervisory Board and the Owners' Meeting.

The Managing Board has sole responsibility for the management of the bank and represents it in and out of court. As at 31 December 2017, the Managing Board of NORD/LB comprised the following members:

- Thomas Bürkle  
Chairman of the Managing Board since 1 January 2017  
Member of the Managing Board from 1 January 2014 until 31 December 2016
- Dr Hinrich Holm  
Deputy Chairman of the Managing Board since 1 January 2017  
Member of the Managing Board since 1 February 2010
- Ulrike Brouzi  
Member of the Managing Board from 1 January 2012 until 30 April 2018
- Christoph Dieng  
Member of the Managing Board since 3 February 2017
- Christoph Schulz  
Member of the Managing Board since 1 September 2006
- Günter Tallner  
Member of the Managing Board since 3 February 2017

For further information regarding the responsibilities and professional careers of the current members of the Managing Board, please refer to the bank's website ([www.nordlb.de](http://www.nordlb.de)).

NORD/LB's Supervisory Board has 18 members, 12 of whom represent the owners. The remaining six members represent the staff and are elected by the employees of the bank in accordance with the Staff Representation Act of Lower Saxony (NPersVG). The Chairman of the Supervisory Board is the Finance Minister of the federal state of Lower Saxony. The Supervisory Board has the task of advising the Managing Board and monitoring its management of the business. It may also form additional committees. Current and former members of the Managing Board are not represented on the bank's Supervisory Board; former members of the Managing Board are not permitted to become the Chairman of the Supervisory Board.

The Owners' Meeting represents the owners of the bank. It decides, for example, the general business strategy or changes to the capital base.

For further information regarding the members of the Supervisory Board and the Owners' Meeting, please refer to the financial reporting (IFRS, p. 277; 290) and the bank's website.

For further information, please also refer to the State Treaty and the statutes of NORD/LB, which are publicly available on the bank's website.

## Memberships of associations and interest groups

102-13

The members of NORD/LB's Managing Board held elected positions in the following organisations during the reporting period (listed in alphabetical order):

Table 1: Memberships

| Organisation  | Elected representative            | Interest group  | Position                    |
|---|-----------------------------------|---|-----------------------------|
| Association of German Banks   | Dr Hinrich Holm                   | Central Capital Market Committee  | Member                      |
| Association of the Friends of Sprengel Museum   | Ulrike Brouzi                     | Managing Board  | Member                      |
| Braunschweig Chamber of Industry and Commerce   | Christoph Schulz                  | Plenary meeting   | Vice President              |
| Braunschweig Higher Education Association   | Christoph Schulz                  | Presidium   | Member                      |
| Children of Chernobyl, a foundation of the state of Lower Saxony  | Ulrike Brouzi                     | Advisory Board  | Member                      |
| Company for risk management and regulation<br>Owner of the Frankfurt Institute for Risk Management and Regulation | Christoph Dieng                   | Managing Board  | Member                      |
| Die Braunschweigische Stiftung foundation   | Thomas Bürkle<br>Christoph Schulz | Advisory Board<br>Managing Board  | Chairman<br>Deputy Chairman |
| Donors' association for the promotion of humanities and sciences in Germany                                       | Thomas Bürkle                     | State Advisory Board Lower Saxony   | Member                      |
| Foundation for Photography and Media Art with the Michael Schmidt Archive   | Thomas Bürkle                     | Advisory Board  | Member                      |
| Friends of Herrenhäuser Gärten gardens  | Dr Hinrich Holm                   | Advisory Board  | Member                      |
| German Association of Public Banks (VÖB)  |                                   |   |                             |
|   | Dr Hinrich Holm                   | Committee for Capital Markets   | Chairman                    |
|   | Thomas Bürkle                     | Managing Board  | Member                      |
|   | Günter Tallner                    | Corporate Banking Committee   | Member                      |
|   | Christoph Dieng                   | Committee for Risk Management and Accounting  | Member                      |
| German Association of Savings Banks and Girobanks (DSGV)  |                                   |   |                             |
|   | Ulrike Brouzi                     | Technical Committee, Operations   | Member                      |
|   | Christoph Schulz                  | Technical Committee, Sales<br>Technical Committee, Communications and Media<br>Savings Banks Foundation for International Cooperation | Member<br>Member<br>Member  |

|  |                                   |   |   |
|--|-----------------------------------|---|---|
|  | Thomas Bürkle                     | Giro Centre Conference<br>Head<br>Managing Board<br>Presiding Committee<br>Controlling body for the<br>protection scheme of the<br>Savings Banks Financial<br>Group | Deputy Chairman<br>Member<br>Substitute Mem-<br>ber<br>Member |
|  | Christoph Dieng                   | Monitoring Committee for<br>the Security Reserve for<br>Landesbanks and Giro Cen-<br>tres   | Member  |
| Gottfried Wilhelm Leibniz<br>University of Hanover               | Ulrike Brouzi                     | University council  | Member  |
| Hanover Center of Finance<br>(HCF)                               | Dr Hinrich Holm                   | Advisory Board  | Deputy Chairman   |
| Hanover Chamber of Industry<br>and Commerce                      | Günter Tallner                    | Committee for Industry and<br>Research  | Member  |
| Hanover Industry Club  | Thomas Bürkle                     | Council   | Member  |
| Hanover Stock Exchange   | Dr Hinrich Holm                   | Exchange Council  | Chairman  |
| Institute of North German<br>Economics (INW)                     | Thomas Bürkle                     | Advisory Board  | Member  |
| Kestnergesellschaft art gal-<br>lery                             | Thomas Bürkle<br>Dr Hinrich Holm  | Advisory Board<br>Advisory Board, Managing<br>Board   | Member<br>Member  |
| Kurt Weill Society   | Dr Hinrich Holm                   | Advisory Board  | Member  |
| Lotto Niedersachsen founda-<br>tion for old people's homes       | Christoph Schulz                  | Advisory Board  | Chairman  |
| Lower Saxony Savings Banks<br>Foundation                         | Christoph Schulz<br>Thomas Bürkle | Foundation Board<br>Managing Board  | Member<br>Member  |
| NORD/LB Cultural Foundation                                      | Thomas Bürkle<br>Ulrike Brouzi    | Managing Board  | Chairman<br>Member  |
| NORD/LB provident fund   | Thomas Bürkle<br>Dr Hinrich Holm  | Managing Board  | Chairman<br>Member  |
| Research Centre for the De-<br>velopment of the Savings<br>Banks | Dr Hinrich Holm                   | Advisory Board  | Member  |
| Savings Banks Association of<br>Lower Saxony (SVN)               | Thomas Bürkle                     | Managing Board  | Member  |
| Savings Banks Foundation for<br>International Cooperation        | Christoph Schulz                  | Advisory Board  | Member  |
| Society of Friends of the Her-<br>zog August Library             | Christoph Schulz                  | Advisory Board  | Member  |

# Our corporate governance

## Ethics, integrity and regulatory compliance

“Ethics and integrity” and “Compliant conduct and anti-corruption” were identified as material topics during the materiality analysis.

UNGC

*Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-1*

When individuals or companies violate laws or behave in a corrupt or unethical manner, they harm society and the people in that society in many ways. The financial services industry plays an important role in preventing such behaviour.

In times of increasing financial crime, banks around the world are particularly challenged and equally at risk. They are therefore exposed to the inherent risk of being misused for the purposes of money laundering and terrorist financing, or in order to promote the anonymity of business relationships and transactions. A steady stream of new methods are being used in an attempt to “launder” funds and the assets from illegal activities, such as corruption in the broader sense, robbery, extortion, drug and arms trafficking or tax evasion. This is done by channelling these funds and assets back into the legal financial and business cycle through payment systems, new financial products or technologies in order to obscure their true origin. Terrorists also try to deposit and collect legal or illegal money at banks in order to finance terrorist purposes. Such activities must be prevented through the use of comprehensive prevention measures and by making all employees aware of these issues.

At the same time, it is essential – especially since the financial crisis – to maintain the trust of market participants and customers in a properly functioning banking system. Likewise, a bank’s own reputation and the trust of its customers and business partners are important intangible assets for financial services institutions and are key to their success. The financial damages (e.g. as a result of liability payments or fines) and the consequences of reputational damage can be enormous for the institution and thus for owners too. For these reasons, banks must conduct their business activities with the greatest care and prudence in order to maintain trust and to protect the institution, and its employees and owners, against material and non-material damage.

The above-mentioned topics are also a priority for lawmakers and the supervisory authorities. The overall economic significance of the sector, the complexity of banking transactions and the diversity of products, structures, processes and systems mean that numerous regulations and requirements apply to financial services institutions. These include not just “traditional” banking regulatory law, but also requirements under civil and tax law at a German, European and international level. At the same time, as the size and complexity of a company’s business activities increase, so too does the complexity of the regulatory requirements and thus the risk that such requirements will not be properly met. For this reason, targeted management and consistent implementation in the governance structure are essential.

As part of society, the NORD/LB Group believes it is important to protect society against criminal activities by doing its utmost to prevent them from occurring in the first place and by living up to the trust placed in it by its employees, customers and business partners through its own ethically, morally and legally compliant conduct, and to maintain and strengthen this trust. This also involves compliance with regulatory requirements, legally compliant conduct and a zero-tolerance policy towards bribery, corruption and the acceptance of advantages.

In light of its international focus and global activities, the NORD/LB Group is also subject to a wide variety of country-specific and international legal requirements. By adhering to the applicable regulations, every individual employee should act in the corporate interest of the NORD/LB Group. Legal prohibitions and obligations must be strictly observed, even if this might appear “inappropriate” or “commercially unfavourable” from the perspective of the individual or the company. When in doubt, acting in compliance with the law always takes precedence. In the event of contradictory requirements or stricter or more comprehensive laws and regulations, the stricter provisions must always be applied.

Moral and legally compliant behaviour ensures the long-term viability of the bank, and therefore also safeguards jobs. While there is no absolute guarantee that a financial services institution and its employees will always behave in accordance with every provision of the law in all business activities, there are appropriate strategies and safeguards that can be used to reduce the risk. At the same time, this also provides employees with certainty that they work for a company which complies with laws and operates with integrity, for which they will gladly render their work services without ethical concerns.

Both topics have an impact internally and externally, and because of the global integration of the sector and the related requirements, there are no boundaries. They are relevant for the entire NORD/LB Group, and they are also especially important for society, investors, customers and employees.

## Code of Conduct

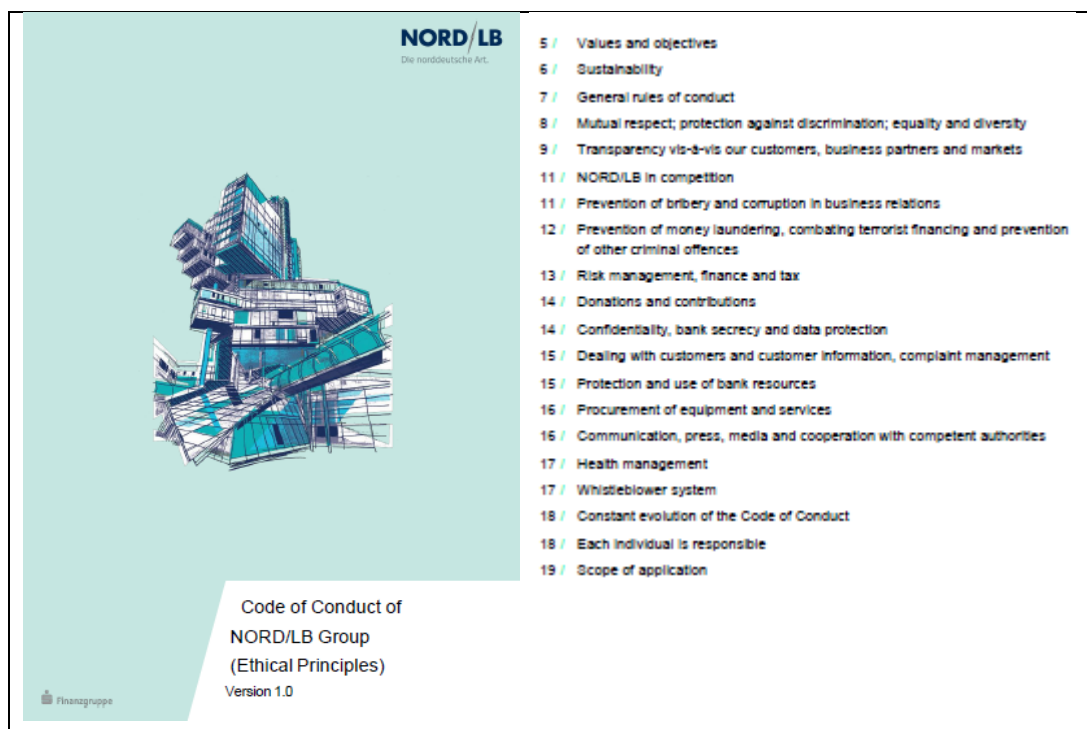
UNGC

*Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2  
102-16*

In order to combine the bank's need for regulatory compliance with ethically correct behaviour and thus to link entrepreneurial success with social responsibility, NORD/LB published a new Code of Conduct for the NORD/LB Group in the spring of 2017. The Code of Conduct is available to the public in German and English on the intranet and on NORD/LB's website. It sets out the framework for moral, value-oriented and fair behaviour and is binding on all members of the Managing Board, managers and employees. It was communicated to the entire Group by the Managing Board directly and has been supplemented with information about the bank's whistleblower system.

The subsidiaries of the NORD/LB Group were called upon to bring their own principles of behaviour into line with the Code of Conduct. NORD/LB CBB has already done this. As part of its merger with NORD/LB, the former BLB adopted the Code of Conduct in full as at 1 September, replacing its previous ethics principles. At Deutsche Hypo, the ethics principles that have applied until now and that govern comparable issues, will remain in place until the Code of Conduct is implemented there.

Figure 7: Code of Conduct



The Code of Conduct and the Ethical Principles contain clear commitments to avoiding conflicts of interest, fighting corruption and preventing money laundering, the financing of terrorism, fraud and other criminal acts.

These are supplemented with additional overall guidelines that set out rules and principles to ensure that a uniform minimum standard prevails in the companies of the NORD/LB Group.

## Whistleblower system and ombudsman

UNGC

Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2

A: 102-17

NORD/LB is required by law to take appropriate measures to protect against criminal acts committed internally or externally. Effective protection against and the prevention of damage from such acts is an important part of the bank's risk management. At the same time, this allows the bank to meet its own aspirations concerning ethics and integrity.

Any attempt to commit prosecutable, criminal or dishonest acts will be condemned by the bank as a serious and intolerable offence. The bank does everything in its power to prevent such acts, or at least detect them as early as possible, and to limit the potential of the risks as far as possible. An important element here is having employees who are aware and alert, and who know that they can report any suspicions without fear of reprisals.

The NORD/LB Group has set up a whistleblower system to help combat criminal and illegal acts. An external ombudsman has been engaged who is responsible for NORD/LB AöR and all subsidiaries and whom all employees and members of executive bodies may contact confidentially and, if desired, anonymously. This ensures that whistleblowers do not need to fear any repercussions, even if their suspicions prove to be unfounded.

In appointing an ombudsman, NORD/LB is complying with the guidelines set out in the German Corporate Governance Code. This role is performed by a lawyer who acts as a mediator between

the bank and the whistleblower. The ombudsman passes on information and maintains the anonymity of the whistleblower.

After an initial check, the ombudsman will forward the information provided to the responsible contact in the bank. This contact is responsible for taking the necessary additional internal steps. The ombudsman can also advise the whistleblower regarding problems, and provide help and advice on the discontinuation of criminal behaviour. A whistleblower will remain strictly anonymous to the bank because the ombudsman has a duty to maintain lawyer-client confidentiality and the right to refuse to give evidence. The whistleblower will also not incur any costs as a result of contacting the ombudsman; these will be borne by the bank.

Employees are regularly informed about the ombudsman, the respective tasks and activities, and accessibility. This information is provided in compliance training courses and in an internal newsletter. The contact details for the ombudsman are available on the NORD/LB intranet as well as online, and are thus available to all employees. Every member of staff also has the option of reporting relevant information to their manager, the responsible member of the Managing Board, the Personnel Department, the Legal Department, Internal Audit or Compliance.

Customers can submit any complaints they have via a complaint management system. The complaint management principles and information about the complaint management procedure can be found on the bank's website.

Notwithstanding any reports submitted, the Compliance department also has extensive rights of inspection and audit in legal and ethical issues. These can be exercised at fixed regular intervals, for example to meet reporting obligations, or at any time on a random basis as required. These also result in mechanisms for detection.

## Management of compliance-related topics

UNGC

*Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2*

The NORD/LB Group employs a range of compliance management measures to ensure ethics and integrity as well as legally-compliant behaviour. It does this by addressing compliance-related topics in a targeted manner.

A top-down commitment starting from the highest level of the bank ensures that employees have a clearly defined scope for action. This reduces the risk that employees unknowingly act to the detriment of the bank or place themselves in danger of violating laws or regulations. To that end, the managing boards in the NORD/LB Group have imposed the obligation to be 100 per cent compliant on the employees of all Group companies, and they have underscored this requirement by establishing a Corporate Compliance Policy.

NORD/LB has established a compliance management system that is based on the applicable German standard (IDW PS 980) issued by the Institute of Public Auditors in Germany (IDW).

The fundamental elements of this compliance management system include:

- The definition of significant objectives to be achieved with the help of the compliance management system,
- The definition of key sub-areas and the rules to be observed in these sub-areas,
- The identification of material compliance risks,
- The systematic identification of risks, risk assessment and consistent implementation and monitoring of processes within the bank,
- The introduction of risk-minimising principles and actions based on the identified risks,
- The communication of roles and responsibilities to employees and, where applicable, third parties,
- The provision of advice to specialist departments with respect to the implementation of and compliance with all statutory and supervisory regulations and obligations,
- The definition of a reporting method for identified risks, detected breaches of rules and incoming notifications as well as
- Monitoring the appropriateness and effectiveness of the system (incl. reporting).

The institutions of the NORD/LB Group have dedicated Compliance Officers. The respective Compliance Officers and Money Laundering Officers (including the central office representative) have been registered with the Federal Financial Supervisory Authority (BaFin) or the comparable foreign institution. In particular, the remits of the Head of Compliance and the Compliance departments of NORD/LB and its subsidiaries include capital market compliance, the prevention of money laundering and/or terrorism financing as well as other criminal activities (fraud) and compliance with financial sanctions/embargoes. The Regulatory Compliance departments at the NORD/LB Group continuously identify new/changed banking supervision regulations and inform the affected specialist departments of any required actions. In addition, they support the specialist departments with implementation, follow up on implementation and assess implementation. The Managing Board receives regular progress reports.

In addition, appropriate technically supported prevention measures have also been defined within the bank's existing risk management. The bank's business and customer-related protection systems, for instance, are designed to prevent the bank from entering into or continuing business relationships that might serve white-collar crime or facilitate anonymous transactions. If there is any indication of suspicious transactions, a suspected money laundering report must be prepared.

Employees are made aware of this issue through regular internet-based learning programmes, classroom training, newsletters and information letters.

Thanks to the establishment of an independent and effective whistleblowing system, employees, customers and business partners have several means of providing information about potential breaches, and they may also do so anonymously.

*Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-3  
A: 205-1*

Regular risk analyses represent an important basis for a preventive compliance management system, while simultaneously helping to evaluate the measures that have been implemented. They ensure that risks are not only identified, but that they are also classified correctly.

NORD/LB conducts annual risk analyses in all compliance-related areas (prevention of money laundering, terrorism financing and fraud, capital market compliance and MaRisk). The risk analyses assess and evaluate any risks. All of the risk analyses are also used to determine specific measures to reduce risk. For example, department-related risk scenarios regarding corruption and other criminal acts as defined in §25h para. 1 sentence 1 of the German Banking Act (KWG) are examined and evaluated in terms of their criticality using external statistics and in-

ternal assessments. This analysis is then reconciled to the existing preventive measures in order to determine the residual risk and develop additional prevention measures. Potential measures to prevent money laundering and terrorism financing and fraud include, for example, developing a risk-based monitoring plan, creating a training concept and defining measures to implement the “know your customer” principle. In addition, a system-based review of all customers and transactions is performed, for example, to identify suspicious facts or items subject to embargoes and financial sanctions.

The Managing Board is informed about the findings in the annual risk report.

Furthermore, all of these topics are also the subject of regular and comprehensive external reviews.

## Managing conflicts of interest

*Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2  
A: 102-25*

Conflicts of interest can occur where several persons have an interest in the realisation of certain business opportunities or where one party can realise its own interests only at the expense of another party. This may be the case in relationships between the bank/staff and the customer/supplier, between the bank and staff, and between customers.

In order to justify and maintain the trust of customers, staff and the public in the capability and integrity of the bank, the Managing Boards of NORD/LB AöR and its subsidiaries have commissioned the respective Compliance departments with monitoring and preventing conflicts of interest.

For the particularly sensitive area of (ancillary) securities services, the Compliance departments work to ensure that no transactions are processed in which there are conflicts of interest.

In addition, the Compliance departments work to ensure that the statutory regulations regarding the prevention of conflicts of interest are observed. The disclosure of confidential information that may affect securities prices is monitored by NORD/LB's Compliance department, which is independent from the Trading, Business and Settlement departments. The Compliance department may, if necessary, issue trading prohibitions and restrictions in order to ensure that information that may affect securities prices is not misused and to prevent confidential information from being disclosed to departments if it could result in a conflict of interests.

Employees play a key role in the avoidance of conflicts of interest. All employees of the NORD/LB Group are required to provide their services to the best of their knowledge, with due care and diligence. Every employee is responsible for recognising potential conflicts of interest and informing the relevant Compliance departments before the customer utilises the respective service. Appropriate measures to manage the conflict of interest are developed by the specialist department in collaboration with the Compliance departments.

In the event of unavoidable conflicts of interest which occur because the customer and bank or the customer and employee have different information, care will be taken to ensure that the customer orders are executed in a manner that duly protects the interests of the customer.

All employees are also required to avoid situations in which their personal interests conflict with the interests of the bank or a customer, or give the impression that they might do so. Such situations are generally to be prevented or avoided; the Compliance department has defined other disclosure and approval processes in policies and directives.

Conflicts of interest must also be taken into account when executing employee transactions; neither the interests of customers nor the reputation and solvency of the bank itself may be

harmed. The statutory requirements related to the rules of conduct for employees in respect of employee transactions based on European legal requirements (e.g. the Market Abuse Directive), the German Securities Trading Act (WpHG) and the relevant country-specific regulations of the subsidiaries and branches domiciled there are observed in full by the institutions of the NORD/LB Group.

In order to prevent dishonest behaviour and conflicts of interest, the bank has issued behavioural rules for employee transactions, taking into account the statutory and regulatory framework. These provisions are set out in the “Guidelines for Employee Transactions” and in corresponding working instructions, which are binding for all employees.

### Prevention of insider trading

*Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2*

The staff of the NORD/LB Group, through their work, might obtain access to information that is not available to other persons and that they might be able to use for their own advantage. This represents a conflict of interest, too.

The purpose of insider-trading legislation is to ensure the proper functioning of the markets for financial instruments and to give investors the assurance that they are treated equally and protected against the unlawful use of information.

Insider information is any precise information on circumstances which are not public knowledge and relate to one or more issuers of insider securities or to the insider securities themselves, and could, if this information became public knowledge, significantly influence the exchange or market price of the insider securities.

Employees and also members of executive bodies are not permitted to use insider information to buy or sell insider securities for their own or someone else's account. They are also not permitted to pass on insider information or make it available to third parties without authorisation, or to use it to make investment recommendations. This also includes disclosing the information within the bank; disclosing the information to other staff is only permitted if the staff concerned need to know the information in order to perform their work duties and they have formal authorisation to receive it.

Staff members who typically have access to insider information of listed companies or have such access for a special reason are also monitored separately by Compliance.

### Prevention of money laundering and the financing of terrorism

*Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2*

In order to combat money laundering, organised crime and international terrorism in a targeted manner, the financial aspects of these activities must also be addressed in order to hinder the investment of the proceeds from criminal activity and the cash flows used to finance terrorist activity.

The prevention of money laundering and the financing of terrorism is a high priority for the NORD/LB Group. The institutions of the NORD/LB Group have all either created a central office for the prevention of money laundering and terrorist financing and for protection against other criminal offences (fraud), or have outsourced this responsibility to NORD/LB AöR. The Anti-Money Laundering Officer reports to the central office of NORD/LB. The Federal Financial Supervisory Authority (BaFin) designates this officer (including the central office representative). In the framework of the requirements imposed on NORD/LB AöR, as the parent company, the Anti-Money Laundering Officer is designated for the entire Group and reports directly to the supervisory authority. Besides the responsibility to prevent money laundering, the financing of

terrorism and other criminal acts, the central office also monitors compliance with financial sanctions/embargoes and reports to the Managing Board and Internal Audit.

All institutions pursue a risk-based “know your customer” business policy, which takes into account the applicable laws, such as the provisions in the German Anti-Money Laundering Act (GwG), and regulatory requirements.

An essential part of NORD/LB’s procedures to combat money laundering and the financing of terrorism is establishing the identification of the customer with official documents and other relevant information. If there are reasonable doubts concerning the customer, the establishment of a new business relationship or the processing of a transaction must be refused.

Suspicious facts must be reported to the Anti-Money Laundering Officer, who reviews all reported information to determine its relevance. The Anti-Money Laundering Officer is available to advise all employees who have questions.

### Prevention of other criminal acts (fraud)

*Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2  
102-16*

The prevention of corruption and other criminal acts (fraud) is also a high priority in the NORD/LB Group. In order to protect society as well as their reputation and own assets, all of the Group’s institutions actively and rigorously take appropriate preventive measures against all forms of white-collar crime or violations of applicable law. The NORD/LB Group complies with the legal requirements regarding the prevention of other criminal acts (KWG, GwG and DK-Hinweise (interpretation and application suggestions from Deutsche Kreditwirtschaft (German Banking Industry Committee)), or comparable international standards).

As a member of the German Association of Public Banks, NORD/LB also uses damage events from other institutions to constantly check their risk of suffering damage as a result of corruption, and to make adjustments, if necessary several times a year, to their preventive measures. If events occur in the Group involving a relatively high level of damage, special committees are convened immediately after the event to deal with the issue. Their purpose is not only to limit the damage, but in particular also to modify guidelines and controls in order to prevent similar events from occurring in the institution in the future.

In addition, the integrated risk assessment also included questions for the departments regarding fundamental fraud relevance. This method is now used to evaluate risks throughout the entire NORD/LB Group.

### Prevention of corruption and bribery

*Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2*

The institutions of the NORD/LB Group do not tolerate corruption or bribery in their business activities. In addition to the respective applicable legal requirements, which must be strictly observed, NORD/LB also fulfils the 10th principle of the UN Global Compact, which NORD/LB has signed: “Anti-corruption: Businesses should work against corruption in all its forms, including extortion and bribery.”

The Code of Conduct and Ethical Principles contain clear requirements regarding the avoidance of corruption and bribery, and on accepting and giving benefits. Supplemental internal guidelines describe the permissibility of accepting or giving invitations and gifts as well as the requirements for the reimbursement of expenses for entertainment and gifts. Employees are obliged to maintain internal documentation for all invitations and gifts. This documentation must be provided to the Compliance departments upon request.

A: 205-2

Compliance performs monitoring activities to ensure adherence to these rules. Accompanying training courses on the avoidance of conflicts of interest with regard to invitations and gifts serve to ensure that they are dealt with correctly.

205-3

In 2017, the Group suffered no corruption-related damages thanks to its extensive prevention measures.

## Integrity check

*Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2*

The process of accepting customers at the institutions of the NORD/LB Group includes performing a separate integrity check for lending or trading transactions as well as for business relationships with brokers, suppliers and service providers. This check is performed using a set of defined criteria.

The bank's business and customer-related protection systems are designed to prevent the bank from entering into or continuing business relationships which might be linked to money laundering, the financing of terrorism, other criminal acts or relevant sanction and embargo regulations. This integrity check is conducted on the basis of publicly-available information (e.g. review of sanctions lists, internet research, institution/office information, SCHUFA query).

If the check reveals that the potential business partner has, for example, been convicted of a criminal offence or fined by a government regulatory authority, fraud prevention management measures will be taken. For instance, the available information must be checked in respect of reputational and business risks in particular, the business relationship must be voted on and, if appropriate the customer risk must be adjusted.

## Information security and data protection

*"Information security and data protection" have been identified as material topics during the materiality analysis.*

*Management approach: information security and data protection: 103-1*

Financial services companies now use a wide variety of information. Such information and the related resources (e.g. information technology and saved information or non-digital information, such as knowledge, forms, letters, printouts, contacts) represent fundamental values. Protecting these values is essential in order to maintain and strengthen the bank's capability and competitive position, the trust of business partners, customers and employees and its public reputation as well as to prevent abuse.

Protecting information encompasses the security and backing up of IT systems, the protection of electronic data and the protection of information that is not processed electronically. For example, confidential information (including personal data) must be protected from being accessed by unauthorised persons, and the integrity/accuracy and non-repudiability of information must be ensured.

In this respect, threats such as cyber-criminality, hacker attacks, password theft, phenomena such as social engineering, phishing or man-in-the-middle attacks as well as ignorance and human error pose new and growing challenges for all companies that handle information.

Because of the global nature of information nowadays, this issue is relevant both internally and externally. There are no boundaries. It is relevant for the entire NORD/LB Group, and also especially important for investors, customers and employees.

*Management approach: information security and data protection: 103-2*

Information security is legally regulated at all NORD/LB Group locations and implemented in the bank's corporate governance. At its German locations, the NORD/LB Group's institutions comply with the following regulatory, legal and contractual requirements, among others:

- German Banking Act (KWK) § 25a and § 25b
- German Data Protection Act (BDSG)
- German Commercial Code (HGB), risk management of information processing
- Minimum Requirements for Risk Management (MaRisk)
- Minimum Requirements for the Security of Internet Payments (MaSi)
- Circulars issued by banking supervisory authorities, such as the Federal Financial Supervisory Authority (BaFin)
- Group guidelines related to information security
- Contractual security obligations with third parties

Specific comparable regulations apply for foreign locations.

Pursuant to § 25a KWG, institutions must have adequate staff and technical/organisational resources for risk management. The risk management requirements are set out in detail in MaRisk, in particular, in AT 7.2 (Technical facilities and related processes).

The Managing Board has overall responsibility for all matters related to information security, which is an integral part of the business and risk policies of the institutions of the NORD/LB Group. Nevertheless, it is the duty of each and every employee to comply with the rules concerning information security and to protect sensitive information. The corresponding requirements, based on the bank's business strategy and security strategy (as part of the risk strategy) are operationalised through guidelines on information security and security guidelines in manuals and work instructions, and provided to all Group employees. The corresponding documentation of internal regulations applies throughout the bank, and is supplemented with regular compulsory training on all information security topics as well as measures to raise awareness.

In order to implement and maintain an adequate level of security, the Managing Board of NORD/LB has appointed a Chief Information Security Officer (CISO) at Group level. The CISO is the highest-level authority with respect to the Group's information management system and has the following remit at Group level:

- Develop and coordinate the Group-wide information security strategy and obtain the Group Managing Board's approval of the strategy,
- Define an adequate level of information security (Group standard) by providing information security requirements irrespective of specific technology,
- Organise committees and conduct management reviews, including preparation and follow-up,
- Advise and communicate with the Group Managing Board as well as the information security officers at subsidiary institutions,
- Prepare regular reports for the Group Managing Board,
- Provide procedures and methods and support adequate handling of risks,
- Initiate and coordinate Group-wide awareness measures,
- Analyse the effectiveness of the ISMS (e.g. by collecting and assessing metrics) and defining changes based on the results.

The CISO's remit encompasses the following:

- Authorisation to issue guidelines for the NORD/LB Group,
- Right to report regularly and directly to the Group Managing Board of the NORD/LB Group,
- Participation in the Risk Round Table,
- Convening the ISMS Steering Committee,
- Authorisation to receive information and carry out inspections in order to monitor implementation of security specifications,
- Budget responsibility and decision-making competency as the basis for carrying out duties.

Each subsidiary company has its own Information Security Officer (ISO), who is appointed by the respective Managing Board.

The respective Information Security Officers have been tasked by the Managing Boards with developing, implementing and continuously improving information security specifications. They report directly to the relevant Managing Board, providing reports to these Managing Boards on a regular or an ad-hoc basis. Their duties include controlling and managing information security and the related risks, conducting regular reviews and advising the Managing Board and specialist departments.

## Data protection

In general, all internal data must be protected. However, the protection of personal data represents a special aspect of information security management, as such data involves an individual's personality rights, which is a right granted in specific data protection laws.

The employees of banks come into contact with a wide range of personal data. The protection of this data and of the trust associated with its provision is one of a bank's key responsibilities. Accordingly, the confidential, sensitive handling of personal data has the utmost priority in the NORD/LB Group. The relevant statutory obligations and data protection requirements are particularly important in this regard. This applies to the processing of both the personal data of staff and customers and the personal data of suppliers, consultants and other contract partners in the NORD/LB Group. Banking secrecy is strictly maintained. Data and information are used only for the purpose intended and in compliance with legal requirements.

NORD/LB is subject to the provisions of the German Federal Data Protection Act (BDSG) and other laws with provisions pertaining to data protection. The statutory regulations on data protection apply to all natural persons, in particular to customers and employees of the bank. Besides ensuring that protected personal data are handled properly, data protection also relates to checking that the rights of the data subjects affected by automated data processing are observed and that the fundamental duties of specific office-holders with access to personal data in the bank are being fulfilled.

Every employee is responsible for ensuring that the data protection regulations are complied with. NORD/LB, (BLB until the merger, and then NORD/LB), Braunschweigische Landessparkasse, Deutsche Hypo and NORD/LB CBB impose on all internal and external employees who have access to personal data the obligation<sup>1</sup> to comply with data secrecy in accordance with § 5 BDSG, or in Luxembourg with professional secrecy pursuant to Article 41 of the Act on the Financial Sector as amended; this obligation also extends beyond the termination of the employ-

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<sup>1</sup> In Luxembourg the bank acts in accordance with the coordinated version of the Act of 2 August 2002 on the Protection of Personal Data in Data Processing.

ment contract. The data protection policy of the NORD/LB Group is set out in Group data protection guidelines, which are valid throughout the bank in the respective institutions.

Data Protection Officers in the institutions of the NORD/LB Group are responsible for monitoring, advising, regular training and raising awareness to ensure that data protection requirements are met. NORD/LB (BLB until the merger, and then NORD/LB) and Deutsche Hypo each have their own Data Protection Officer. NORD/LB CBB has a Data Protection Officer officially authorised by the National Data Protection Commission (CNPD) of the Grand Duchy of Luxembourg.

In order to ensure functional independence vis-à-vis all of the departments to be monitored, the Data Protection Officers are directly responsible to the Managing Board, which also has overall responsibility for this function and monitors its effectiveness. They report regularly and when needed on an ad hoc basis directly to the General Managing Board as well as on an ongoing basis as part of day-to-day operations to the responsible member of the Managing Board.

Employees may contact Information Security and Data Protection Officers for help. Customers can submit any complaints they have via a complaint management system. The complaint management principles and information about the complaint management procedure can be found on the bank's website.

*Management approach: information security and data protection: 103-3*

In order to ensure and monitor the compliance, appropriateness and effectiveness of all requirements related to information security and data protection, here, too, annual uniform risk analyses are carried out throughout the Group on the basis of risk-based audit plans. The audit plans of the subsidiaries are coordinated with the Information Security Officer of the NORD/LB Group so that the audits can be performed simultaneously and the findings reported to the General Managing Board. In addition, information security and data protection are also the subject of regular external audits. Any incidents or complaints are analysed and solutions with appropriate preventive measures developed.

*418-1*

No data protection incidents were identified during the reporting period that required NORD/LB, in its capacity as the data controller, to provide notification pursuant to § 42a BDSG.

## Training on compliance-related issues

*UNGC*

*Management approach for ethics and integrity / compliant conduct and anti-corruption / information security and data protection: 103-2  
A: 205-2*

The Corporate Compliance Policy of the NORD/LB Group requires the planning and performance of target group-specific employee training or the provision of support for operational areas to conduct their own training.

The aim is to increase employee understanding of compliance-related topics and thus improve awareness of these topics in their day-to-day activities, while simultaneously enabling employees to act in compliance with the law.

NORD/LB always provides training based on need. For this reason, a distinction is made between legally required training, target group-specific training and ad-hoc measures.

Legally required training is provided on a regular basis in the form of web-based training (WBT) and/or on-site training and must be completed by all employees of NORD/LB AöR (BLB until the merger, and then NORD/LB), Deutsche Hypo, NORD/LB CBB and NORD/Asset Management, including their Managing Boards.

Statutory training based on the German Securities Trading Act, Anti-Money Laundering Act, Data Protection Act, Minimum Requirements for Risk Management (MaRisk) and the resulting standards (including the corresponding training under comparable legislation that applies to foreign branches) currently includes:

- Information security, valid for one year
- Compliance training (incl. capital market compliance, prevention of money laundering, prevention of other criminal offences/fraud, OpRisk), valid for three years
- MaRisk, valid for three years

In addition, the HR department provides mandatory training on equal treatment in the workplace in the form of a WBT session, which is valid for three years.

All WBT sessions end with a test. Successful participation is documented by the employee. Electronic checks are conducted on a monthly basis; if the required training has not been completed, the employee will be prompted by the system to complete the WBT.

Ad-hoc, need-based training is also offered. Employees in all specialist departments who process customer transactions or who must otherwise take account of the provisions of the QI agreement in the course of their daily work, are required to complete, for example, the QI WBT. Other topics include, for example, FATCA, the Volcker Rule, iOPC etc.

The primary objectives of the training and awareness-raising measures are to:

- provide/refresh knowledge,
- establish a (uniform) basic understanding of compliance-related issues,
- increase the awareness of security among all employees,
- raise the awareness of dangers and risks on a regular basis. An especially important objective of the training measures is to clarify the personal impact as well as a possible (co-)responsibility that could result from (intentionally) dishonest actions by employees and/or third parties,
- explain the whistleblower system (ombudsman) and demonstrate how it can be used.

The specific contents of the training and departments affected are determined across functions.

## Sustainability and sustainable corporate governance

“Management of ESG topics” and “Social and environmental impact of financing and investments” were identified as material topics during the materiality analysis.

UNGC

Management approach for the management of ESG topics / Social and environmental impact of financing and investments: 103-1

ESG stands for “environmental, social and governance”. The inclusion of ESG topics is intended to show that business decisions are taken not only on the basis of profits, but that they also take account of sustainability considerations.

Banks have a major impact on the long-term direction of the economy and society because they guide financial flows. At the same time, investors around the world increasingly want to know the specific social and environmental impact of their investments. For example, more and more investors and financial institutions are taking account of ESG considerations when evaluating investments and making investment decisions, minimising the negative impact where possible. This includes refraining from making investments in certain areas, or curtailing such investments that they have already made, often with the help of sustainability ratings and research. As a result, sustainability and ESG topics have become a major economic driver at banks.

At the same time, functional sustainability management also serves as an “early warning system” for economic risks (e.g. reputational risks). Risks can arise, for example, as a result of socially unacceptable or illegitimate actions. Material topics include, for example, violations of human rights, inhumane working conditions, environmental damage and unethical business practices. By taking account of sustainability considerations in strategic decision-making as well as in the investment and credit process, managers can minimise these risks while simultaneously building up the trust of all key stakeholders. Consequently, ESG topics should be taken into account and managed not only for ethical reasons and to generate new business opportunities, but also to prevent risk. This also includes communicating transparently about ESG topics, e.g. in the form of sustainability reports.

Both topics have an impact internally and externally, and because of the global interdependence of financial streams, there are no boundaries. The management of ESG topics is relevant for the entire Group. By contrast, the negative impact of the financing and investment business primarily affects the corresponding business units and must be managed and controlled with the help of corresponding guidelines. Externally, both topics are especially important to investors, the capital market, customers, society and politicians.

## Management of sustainability within the Group

UNGC

Management approach for the management of ESG topics / Social and environmental impact of financing and investments: 103-2 102-18 A: 102-19

The Chairman of the Managing Board bears the main responsibility for sustainable development at NORD/LB and reports the results to the owners. Organisationally, management of sustainability topics is handled in Department 3 – Financial Markets. The Managing Board is supported in its duties by the sustainability management team, which establishes, manages and develops the issue of sustainability within NORD/LB, conducts ESG reviews, oversees communication with internal and external stakeholders (including answering any questions, providing information and responding to complaints) and is responsible for sustainability reporting. The sustainability management team submits proposed resolutions on environmental, economic and social topics to the Managing Board for approval at its meetings.

NORD/LB CBB and Deutsche Hypo have additional Sustainability Officers. Proposals from the parent company, together with current focal points and issues, are discussed, deliberated on and proposed for implementation.

The NORD/LB Group has had a sustainability strategy to serve as a strategic foundation since 2013.

**Figure 8: Sustainability Strategy**

|  |
|--|
| <p style="text-align: center;"><b>Corporate Sustainability Strategy 2020</b><br/>NORD/LB supports its customers to manage global change</p>  |
| <p style="text-align: center;"><b>How we see ourselves</b></p> <p>The NORD/LB Group believes that sustainability is first and foremost a question of attitude: it is a part of the bank's public mandate to support sustainable development directly and indirectly through its own business activities.</p> <p>The NORD/LB Group is convinced that many aspects of global change result in opportunities and risks for its customers and will therefore also affect its business activities. The Sustainability Strategy addresses the key aspects of global change for the NORD/LB Group and its customers, and shows how opportunities can be realised efficiently and risks managed responsibly. Under this strategy the bank pursues the following fundamental directions:</p>  |
| <p style="text-align: center;"><b>Strategic direction</b></p> <p>The customers of the NORD/LB Group must, with varying degrees of intensity and urgency, take account of long-term trends in relation to such issues as climate change, demographic change, the process of urbanisation and raw materials shortages. They must match their traditional business models in a prompt and regular manner to the complex effects of these changes, and create solutions. The employees of the NORD/LB Group help their customers to consider the shifts resulting from global change in their decisions, thereby contributing to sustainable development.</p> <p>This naturally means that two stakeholder groups are the focal points of this Sustainability Strategy 2020: customers and employees of the companies in the NORD/LB Group.</p> <p>The NORD/LB Group pursues a systematic approach to sustainability to ensure that the necessary sustainability aspects are taken into account in its business activities.</p> <p>Transactions that clearly violate fundamental principles of sustainable development, such as transactions in connection with controversial weapons or pornography, are identified and rejected using exclusion criteria.</p> <p>A framework of sustainability guidelines establishes the link between the individual transaction and the relevant specific sustainability standard from the perspective of the NORD/LB Group. This makes it possible to manage sustainability on an individual basis and in a targeted manner.</p> <p>Above all else, the NORD/LB Group and its staff consider it their duty to support their customers and help them to give greater consideration to "sustainable development" in their business activities and investment decisions. This support includes, for example, identifying promotional opportunities and pointing out existing business potential through sustainability.</p> <p>The NORD/LB Group regularly reports on the implementation status of the Sustainability Strategy. This sustainability reporting, which is based on generally accepted standards, documents the contributions made by the NORD/LB Group for customers and society. The reporting covers the different facets of the Group's business activities, including the direct and indirect contributions to sustainability which the core business of the NORD/LB Group generates for customers and society, as well as the contributions that are complementary to the core business.</p> <p>The NORD/LB Group has set out the following focal points among the topics of sustainability and aims to achieve the following objectives by 2020:</p> |

|  |   |
|--|---|
| <p style="text-align: center;"><b>Governance</b></p> <p>The NORD/LB Group will maintain and structurally enhance its management approach towards sustainability. This will include, in particular, continually revising the strategic direction of the Group's sustainability activities. This is done by the Group's Sustainability Management team, which is already in place. The Sustainability Committee, which advises the Group Managing Board, plays a particularly important role.</p> <p>The companies of the NORD/LB Group consult relevant stakeholders in order to obtain ideas for the direction of Sustainability Management. This ensures that our business activities are in line with the needs of interest groups so that the Group will remain successful and competitive over the long term.</p> <p>The results of these stakeholder meetings are considered in the sustainability programmes and provide the NORD/LB Group with ideas for the future direction of sustainability activities.</p> | <p style="text-align: center;"><b>Customers</b></p> <p>The NORD/LB Group embeds sustainability aspects in all relevant business segments. In doing so, it ensures an approach to business which considers not only economic aspects for the benefit of customers, but also environmental and social governance aspects.</p> <p>By consulting customers on sustainability issues and offering "green products", the NORD/LB Group makes an ever-increasing contribution towards the financing of the green economy.</p> <p>The NORD/LB Group conducts its business activities such that they take account of economic, environmental and social aspects. This improves the competitive position of customers and strengthens the risk position of the NORD/LB Group.</p> <p>The sustainability objectives for the respective business segments are included in the strategy process.</p> |
| <p style="text-align: center;"><b>Employees</b></p> <p>Employees are the future of the NORD/LB Group and ensure its commercial success over the long term. The Group therefore has a major responsibility towards its employees to create conditions that allow them to fully develop and "live diversity". A key element of this is the development of women in professional and managerial roles in order to systematically make use of their management potential so that the bank is more successful. We will therefore continually increase the share of women in management positions.</p> <p>The professional and personal development of employees is supported by an extensive range of seminars. By providing information and training, the NORD/LB Group promotes and raises the awareness of sustainable business and makes it possible for these skills to be used.</p>   | <p style="text-align: center;"><b>Society</b></p> <p>The NORD/LB Group, in its capacity as a corporate citizen, participates in social projects and contributes its financial expertise to the public debate. The NORD/LB Group is a sponsor of art, culture and science in its core regions, and encourages its staff to do voluntary work. In all of these activities, the NORD/LB Group focuses its non-commercial activities on contributions that benefit both society and the NORD/LB Group.</p> <p>In implementing a sustainable approach to business, the NORD/LB Group urges its suppliers and service providers to act with the same environmental and social principles and standards.</p>   |
| <p style="text-align: center;"><b>Environment</b></p> <p>The NORD/LB Group organises its environmental activities in accordance with ISO 14001. Every year it creates an environmental programme to systematically optimise the effects that its business activities have on the environment. By conserving resources, saving energy and reducing emissions, the Group's environmental efficiency is expected to improve as a result. A particular focus in this regard is on energy efficiency.</p>   |   |

By signing the UN Global Compact, NORD/LB and the NORD/LB Group have also undertaken to incorporate its ten internationally recognised principles relating to human rights, labour conditions, environmental protection and corruption in to their business activities. For NORD/LB and the NORD/LB Group, taking account of these principles is a key element of their responsibility towards customers and employees in the capacity of financial service providers, and towards society as a whole in the capacity of a "corporate citizen".

## Management of ESG risks

UNGC

*Management approach for the management of ESG topics / Social and environmental impact of financing and investments: 103-2*

ESG risks are risks related to environmental, social or commercial considerations that can arise in connection with controversial business activities or practices. These include, for example, transactions or business practices with negative effects on the natural environment and/or on human and labour rights, including the rights of indigenous peoples, as well as sectors, such as alcohol, embryonic research, fossil fuels, gambling, GMOs, palm oil, pornography, tobacco or activities related to the arms and defence industry.

In addition to its own ethical understanding, NORD/LB also takes account of the assessment of civil society groups, especially non-governmental organisations (NGOs), and other interest groups of the bank when evaluating ESG risks.

As part of an ESG risk review, the NORD/LB Group aims to identify, reduce or, if possible, eliminate risks in order to recognise business and reputational risks early on in the interests of customers and the bank. Like other risks, these risks are also assessed in the lending process and are considered, as soon as they are identified or emerge, in the overall vote for the business transaction. The starting point for the assessment and evaluation of the risk potential is the technical skills and experiences of employees, the specific ESG guidelines and the underlying rules. Each and every employee is primarily responsible for preventing reputational risks. External information on the environmental risks of some industries is also taken on board. References to appropriate information sources are continually updated and made available.

In addition, NORD/LB has completely excluded the following transactions as part of its sustainability guidelines:

- Financing of arms and armaments transactions in areas of conflict and tension.
- Financing of controversial weapons. In particular, these include:
  - atomic weapons,
  - biological weapons,
  - chemical weapons,
  - mines,
  - cluster bombs and cluster munition,
  - depleted uranium weapons.
- Business relationships with companies that produce and trade in pornography as well as companies associated with this sector.
- Financing the construction of nuclear plants and conventional coal-fired power plants.
- Financing the construction of dams and hydroelectric power stations in protected areas.
- In addition, NORD/LB does not conduct any transactions in its own name and for its own account on commodity futures markets.

*Own disclosure: ESG reviews*

When necessary, or if there are indications that ESG damages may occur in a business transaction, or if a transaction to be conducted is with a business partner from an industry considered to be controversial, unclear business transactions and their possible effects are forwarded to Sustainability Management for further assessment. Sustainability Management together with Compliance then reviews such unclear ESG questions. Any additional checks are carried out by an ad hoc committee, which adopts a resolution setting out the next steps. In the previous reporting year, 15 enquiries about possible controversies were submitted to Sustainability Management/Compliance. Ten cases were approved, one was implemented with restrictions and four cases were rejected. It was not necessary to convene the ad-hoc committee.

The reputational risks incurred are considered to be operational risks and are a part of the “Framework for Reputational Risks”, which is the responsibility of Finance and Risk Controlling. They are included in the quarterly risk reporting to the Managing Board (Governance, OpRisk & Compliance Report (GOC)).

For further information about risk management, please refer to the bank’s financial reporting (IFRS).

## Internal regulations and standards

UNGC

*Management approach for the management of ESG topics / Social and environmental impact of financing and investments: 103-2*

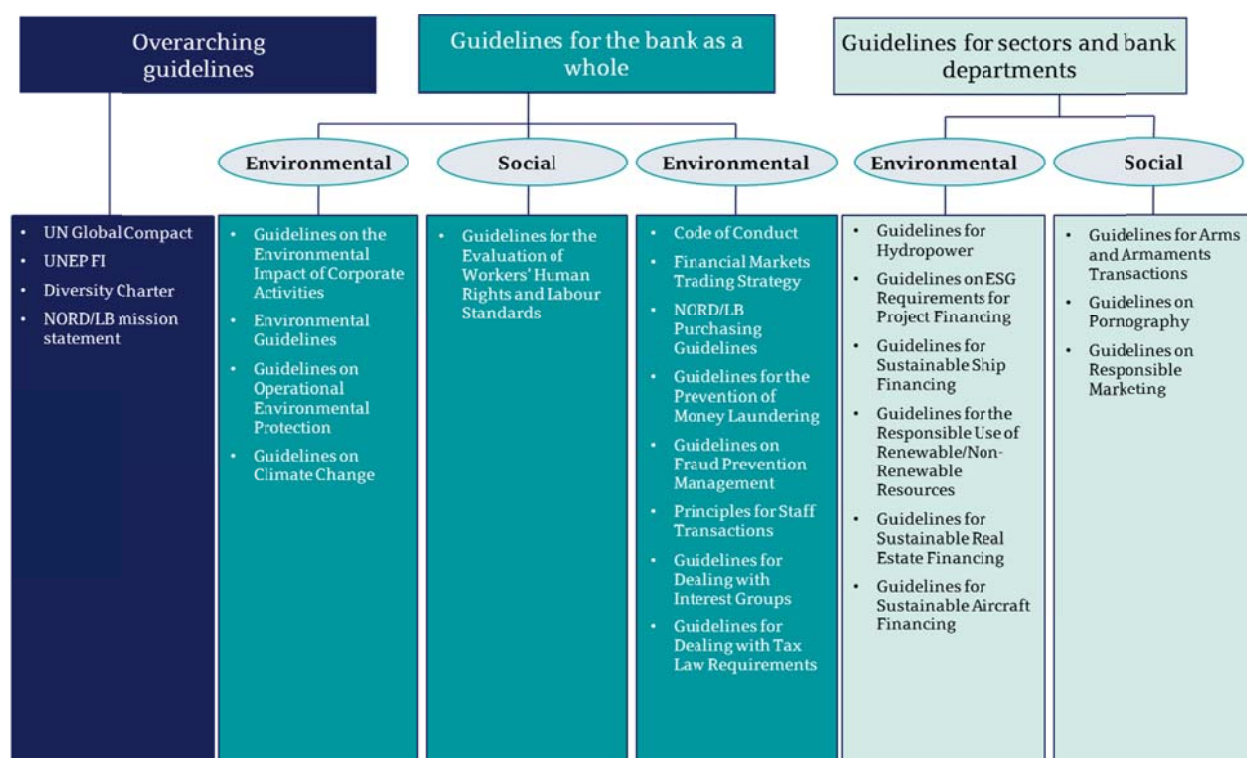
The NORD/LB Group and its institutions have a number of internal strategy documents, guidelines and working instructions that have been integrated in to the documentation of internal regulations. In addition to guidelines on implementation of and compliance with the requirements of “traditional” bank supervisory law at a German, European and international level, the Group also has additional ESG guidelines that govern and regulate its business activities with respect to economic, environmental and social issues. All ESG guidelines have been reviewed by the Group Managing Board, approved by the Managing Board of NORD/LB and, provided that they are relevant to their business operations, largely adopted by the subsidiary institutions. BLB (until August 2017) and Deutsche Hypo provide corresponding information in their sustainability reports and on their websites. All ESG guidelines have been approved by the Managing Board and are binding on all employees. An external audit does not take place.

The ESG guidelines for the bank’s departments and the individual sectors are always developed together with employees from the departments. Awareness training regarding the ESG guidelines has been conducted in the relevant departments and is also provided at regular management workshops.

As part of regular quarterly reviews conducted by Sustainability Management, the ESG guidelines are evaluated and, if necessary, adjusted in line with current developments, or new guidelines are initiated. Written voting policies on environmental and social issues in the companies in which NORD/LB has invested do not exist.

There is a comprehensive section on the intranet with information about and training related to ESG issues. In addition, Sustainability Management is available to all employees if they have any questions or for additional ESG evaluations.

Figure 9: ESG guidelines



### Guidelines for the bank as a whole

#### Environmental impact of corporate activities

With this guideline, NORD/LB complies with Principles 7-9 of the UN Global Compact for the consideration of the environment in business activities.

The direct environmental impact of NORD/LB's business activities is measured, assessed and managed by the bank's Corporate Environmental Management function. The elements and processes of this environmental management system are based on the requirements of ISO 14001, the international standard for environmental management.

The indirect environmental impact of NORD/LB's business activities is managed in the business segments; this is done, among other ways, through the management of ESG risks.

#### Corporate environmental protection

The Guideline on Operational Environmental Protection defines a uniform minimum standard for corporate environmental protection and is based on the requirements set out in ISO 14001, the international standard for environmental management.

**Climate change**

The NORD/LB Group acknowledges the importance of climate change and the role to be played by the financial industry in the transition to a lower-CO<sub>2</sub> economy as one of the most important challenges now and for the future. The “Guideline on Climate Change” serves as the framework for achieving the German climate goals. By applying this guideline, NORD/LB is able to take into account climate change for its market partners and society, to focus the market partners on the opportunities and risks, and to create transparency for further development as well as for assessment, analysis and monitoring.

NORD/LB’s guideline on climate change sets out the bank’s commitment to renewable energies and the modernisation of energy generation. At the same time, the guideline excludes the possibility of NORD/LB financing the construction of nuclear power plants and conventional coal-fired power plants.

**Human rights and labour standards**

Through its “Guideline on Human Rights and Labour Standards”, NORD/LB complies with Principles 1-6 of the UN Global Compact on the consideration of human rights and labour standards. In applying this guideline, NORD/LB incorporates into its business activities the importance of human rights requirements for employees, market partners and society; gives guidance to employees and market partners concerning potential violations of human rights; enhances the processes to create transparency, for evaluation and analysis, and for monitoring; and ensures human rights aspects are taken into account in complaints management.

**Interest groups**

The “Guideline for Dealing with Interest Groups” serves as the basis for dialogue with stakeholders. In applying this guideline, NORD/LB focuses on the three principles developed by the international organisation Accountability regarding dealing with relevant interest groups.

**Requirements under tax law**

The “Guideline for Dealing with Tax Law Requirements” sets out the bank’s commitment to complying with the obligation to establish appropriate processes and controls to ensure compliance with tax legislation, to promoting its social reputation, and to strengthening relationships with government agencies, tax authorities and customers.

**Marketing**

The “Guideline on Responsible Marketing” integrates the Group’s sustainability objectives in to its marketing activities. This Guideline is based on the Consolidated ICC Code of Advertising and Marketing Communications Practice published by the International Chamber of Commerce (ICC).

## Guidelines for the individual business segments

### ESG requirements in relation to project financing

The “Guideline on ESG Requirements for Project Financing” and accompanying instructions govern the financing of customer projects in which significant ESG risks are created by the project’s structure and scope. The Guideline also corresponds to the requirements of the Financial Initiative of the United Nation’s Environmental Programme and the principles of the UN Global Compact, both of which have been signed by NORD/LB.

For project financing with no ECA cover and a total cost of more than USD 10 million outside of high-income OECD countries that NORD/LB provides as syndicate leader or on its own, customers are required to prove separately that they manage ESG project risks safely. To that end NORD/LB refers to the requirements and procedures suggested by the Equator Principles.

NORD/LB provides partial financing for projects outside of high-income OECD countries only if the financing syndicates are led by banks that guarantee compliance with the Performance Standards on Environmental and Social Sustainability of the IFC or a comparable set of rules.

### Ship financing, aircraft financing and real estate financing

The three specific guidelines for the respective business segments govern how technological, environmental and social standards are taken into account.

## Guidelines for individual industries/sectors

### Business relationships with companies in the defence industry

This guideline governs the structure of the business relationship with companies in the defence industry. NORD/LB has placed strict conditions on this business and only maintains business relationships with companies that adhere to the Global Principles of Business Ethics for the Aerospace and Defence Industry, and which do not violate any embargo imposed by the United Nations, the European Union or the Organisation for Economic Cooperation and Development. Business relationships with companies that are involved – no matter to what extent – in the production, sale, transport, storage and repair of controversial or outlawed weapons are completely prohibited.

### Pornography

The Guideline on Pornography prohibit business relationships with companies that produce and sell pornography as well as companies related to this sector.

### Responsible use of renewable resources

With its “Guideline for the Responsible Use of Non-Renewable Resources”, the NORD/LB Group has established appropriate rules so that its decision-making, when financing economic activities, takes account of whether its customers act correctly with respect to the statutory requirements related to environmental, planning, animal welfare and nature protection law. The guideline refers to voluntary national and international environmental and social guidelines and standards, such as FSC, PEFC, MSC and ASC certifications.

In the context of its activity as a financial services institution, NORD/LB also operates as the Eurex clearing house for agricultural products. NORD/LB considers trading in commodity futures contracts to be useful as a means to provide market participants, from the producer to the trader to the processing industry, with a way of reacting to price changes and hedging price risks. The prices on the commodity futures markets are also used as a reference price for physical trading and serve as a guide when negotiating the sale or purchase price.

NORD/LB does not conduct any transactions in its own name and for its own account on commodity futures markets. It undertakes commodity futures transactions only on behalf of customers.

### Responsible use of non-renewable resources

The NORD/LB Group has established the “Guideline for the Responsible Use of Non-Renewable Resources” so that when financing economic activities, the Group’s business decisions take into account whether its customers deal correctly with the respective legal requirements and voluntary standards, such as those of the International Council on Mining and Metals (ICMM), the Extractive Industries Transparency Initiative, and the International Petroleum Industry Environmental Conservation Association (IPIECA).

NORD/LB’s understanding of the term “use of resources” includes all activities related to the mining of metals, minerals, precious and semi-precious stones, as well as building and mine planning, mine development and the operation and the closure of mines. It also includes all activities in connection with oil and gas extraction during the exploration, oil field development, production, refining (incl. cracking) and transport and storage phases. Additional reviews must be conducted if the business transactions take place outside high-income OECD countries or the European Union.

### Hydropower

The “Guideline for Hydroelectric Power” serves as a supplement to the “Guideline for the Environmental Impact of Business Activities” and the “Guideline on ESG Requirements for Project Financing” in relation to project financing for dams and general hydroelectric power stations. This guideline requires customers to commission an environmental due diligence report from an independent third party. Financing the construction of dams and hydroelectric power stations in specially protected areas is precluded.

## External regulations and standards

UNGC  
102-12



By signing the UN Global Compact in 2013, NORD/LB has undertaken to incorporate the ten internationally recognised principles of the UN Global Compact relating to human rights, labour conditions, environmental protection and corruption in to its business activities. For NORD/LB, the consideration of these principles is a key element of its responsibility as a financial services provider for customers and employees, and as a “corporate citizen” for society.



As a signatory of the UNEP FI Finance Initiative in 2013, NORD/LB recognises the interdependence of the economy, the environment and society, and it undertakes to practise sustainable development, forward-looking environmental management and open communication with the public about the promotion of environmental issues.



Since the 2013 reporting year, NORD/LB has prepared an annual Group Sustainability Report based on the Global Reporting Initiative (GRI) standards.



The Association for Environmental Management and Sustainability in Financial Institutions (VfU) is a network of financial services providers from Germany, Austria and Switzerland. Since 1995, the association and its members have been working to develop and implement innovative and sustainable solutions for financial services providers with the goal of increasing the contribution made by the financial sector to sustainable development.

NORD/LB has been a member since 2008.



As a signatory of the Carbon Disclosure Project (CDP), NORD/LB supports, through NORD/LB Asset Management, the improved incorporation of the risks and opportunities presented by climate change in corporate activities.



charta der vielfalt

By signing the Diversity Charter in 2013, NORD/LB aims to promote the recognition, respect and inclusion of diversity in the corporate culture in Germany – regardless of gender, nationality, ethnic origin, religion or belief, disability, age, sexual orientation and identity.

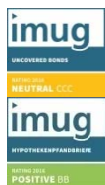
## Sustainability ratings

*Management approach for the management of ESG topics / Social and environmental impact of financing and investments: 103-3*

The NORD/LB Group provides transparent and regular reports on its sustainability activities. In addition, external evaluations of corporate sustainability activities, such as those conducted by special sustainability ratings agencies, are very important for a number of stakeholders. Sustainability ratings are not commissioned or paid for by the company being evaluated and thus offer an independent evaluation of how environmental and social considerations are being integrated into the company's business activities.

As the number of investors incorporating ESG considerations into their decision-making rises steadily, the significance of sustainability ratings agencies has increased in recent years, as has the level of dialogue with these agencies. For this reason, the NORD/LB Group defines sustainability ratings agencies as key stakeholders, and is also in regular contact with them during the rating process and beyond. This allows investors to base their decisions on external assessments and to manage their portfolio in a targeted manner with respect to compliance with (internal) regulations. They can also opt to exclude or minimise different controversial areas in a targeted or individual manner. The Sustainability Management team at NORD/LB uses the sustainability ratings to conduct targeted strength-weakness analyses and to develop improvement measures. At the same time, the annotation of the rating documents is also used to conduct an intensive dialogue with the corresponding specialist departments.

The NORD/LB Group is currently evaluated by four sustainability ratings agencies. The current rating from each agency is published on the bank's website.



## Environmental and social figures from core business

### Products and services with environmental and social benefits

UNGC

*Own disclosure Products and services with environmental and social benefits*

The calculation of the monetary value of products and services with an environmental benefit takes into account the direct and indirect contributions that the core business generates for customers and society. With regard to social sustainability, lending to customers whose business activities are of particular public interest was therefore recorded. Based on the industry code of the German Central Bank (Bundesbank), the following sectors were identified:

**Table 2: Sector according to the Bundesbank code**

|                                | Volume in €k<br>(as at 31.12.2017) |
|--------------------------------|------------------------------------|
| Water supply                   | 330,426                            |
| Waste water disposal           | 327,593                            |
| Waste disposal                 | 365,806                            |
| Clean-up of contaminated sites | 24,677                             |

The percentage of “green technology” co-financed in other industries was also estimated. For this purpose, we used the GreenTech shares of global market volumes of selected industries as calculated by the German Federal Environment Ministry. The GreenTech shares of the following industries were considered:

**Table 3: Sector according to the Bundesbank code**

|  | Volume in €k<br>(as at 31.12.2017) |
|--|------------------------------------|
| Automotive industry (GreenTech share 2 per cent) | 30,146                             |
| Chemicals industry (6 per cent)                  | 40,980                             |
| Electrical industry (12 per cent)                | 87,703                             |
| Machinery and plant engineering (20 per cent)    | 166,985                            |

The financing volume which the NORD/LB Group has committed to in these industries totalled approx. € 1.1 billion as at 31 December 2017.

In addition to their own offerings, NORD/LB, BLB (until the merger, and then NORD/LB) and Braunschweigische Landessparkasse also provide their customers with access to programmes from partners that enable attractive interest rates. This helps to improve the economic, social and environmental conditions in Germany. These include, for example, development programmes for energy-efficient new building projects or for energy and cost-saving projects to modernise and renovate existing properties. In addition, NORD/LB provides advisory services regarding regional development programmes and on the different possibilities that exist to involve the public sector in the risk and refinancing associated with the creation and financing of new companies. In particular, the bank brokers development programmes offered by the German Reconstruction Credit Institute (KfW).

**Table 4: New business loans for environmental purposes**

|   | Number       | Volume in €k<br>(as at 31.12.2017) |
|---|--------------|------------------------------------|
| Energy efficient renovations - efficient home                                       | 369          | 76,120                             |
| Energy efficient renovations - individual measures                                  | 815          | 42,589                             |
| Energy efficient construction   | 2,356        | 561,524                            |
| Energy efficient renovations - additional loan                                      | 37           | 991                                |
| IKU – energy efficient construction   | 7            | 24,590                             |
| IKU – energy efficient renovations  | 1            | 357                                |
| KfW environmental programme   | 7            | 430                                |
| KfW energy efficiency programme - individual measures, renovations and construction | 61           | 88,751                             |
| KfW programme renewable energies standard   | 197          | 587,267                            |
| KfW programme renewable energies premium  | 83           | 5,521                              |
| KfW programme renewable energy storage  | 247          | 4,417                              |
| KfW - energy efficiency programme - production                                      | 12           | 47,964                             |
| KfW - energy efficiency programme - waste heat                                      | 5            | 1,288                              |
| <b>Total</b>  | <b>4,197</b> | <b>1,441,809</b>                   |

Lending business with a social benefit was identified in line with the environmental benefit and the Bundesbank code for the following industries:

**Table 5: Sector according to the Bundesbank code**

|  | Volume in €k<br>(as at 31.12.2017) |
|--|------------------------------------|
| Crop and animal production, hunting and related service activities | 2,394,393                          |
| Forestry and logging   | 5,592                              |
| Fishing and aquaculture  | 1,073                              |
| Real estate activities   | 19,815,815                         |
| Public administration  | 3,526,916                          |
| Manufacture of food and feed products                              | 1,371,230                          |
| Education  | 129,430                            |
| Healthcare activities  | 601,355                            |
| Residential care activities  | 1,135,252                          |
| Social work activities   | 6,316                              |
| Libraries, archives, zoological gardens and museums                | 6,892                              |
| <b>Total</b>   | <b>28,994,477</b>                  |

The bank also brokered development programmes offered by the German Reconstruction Credit Institute (KfW).

**Table 6: Loans for social purposes**

|  | Number       | Volume in €k<br>(as at 31.12.2017) |
|--|--------------|------------------------------------|
| KfW home ownership programme   | 5,739        | 281,573                            |
| IKU - investment credit municipal and social companies   | 32           | 92,167                             |
| Altersgerecht Umbauen KREDIT (loan to help convert properties so that they are suitable for the elderly) | 162          | 12,452                             |
| <b>Total</b>   | <b>5,933</b> | <b>386,192</b>                     |

## Investment products

Through NORD/LB Group Asset Management, NORD/LB Group offers institutional and private investors investment funds that take special account of environmental, ecological and social issues. The fund's assets come from investments made by a variety of sustainability-focused stakeholders, such as the Evangelical Church of Germany and the credit rating agencies oekom Research AG and imug.

**Table 7: NORD/LB AM sustainability funds**

|  | Volume in €k<br>(as at 31.12.2017) |
|--|------------------------------------|
| NORD/LB AM Global Challenges Index Fund      | 181,114                            |
| NORD/LB AM Global Challenges Corporate Bonds | 26,537                             |
| Special AIF sustainability funds             | 363,448                            |
| <b>Total</b>                                 | <b>571,099</b>                     |

## Advisory and service

One of the bank's key duties is to offer people the ability to participate in (cashless) payments in its area of business and to provide advice on financial matters.

NORD/LB focuses its advisory services on its customers' objectives and needs. To achieve this, advisors in the private customer business of Braunschweigische Landessparkasse use the S-finance concept (savings bank finance concept), a standard advice tool which ensures that full consideration is given to individual customer needs. This also ensures the high quality of advice focusing on the long term. As the use of the S-finance concept is a high priority due to the aforementioned reasons, Braunschweigische Landessparkasse trains its staff on how to use it on an ongoing basis. For example, all of the bank's apprentices learn how to use the finance concept in the first few months of their training. In addition, NORD/LB and Braunschweigische Landessparkasse stopped paying sales commissions to their staff at the end of 2012 and therefore adhere to what is standard practice in the savings bank sector.

The laws governing financial products require that banks fulfil extensive obligations regarding information and transparency, for example, maintaining minutes of consultation meetings, defining customers and products and allocating them to risk classes, providing advice tailored to the for investors and investments, and providing an overview of costs and remuneration. All institutions of the NORD/LB Group meet these requirements without exception and embed them in their advisory processes. There is a systematic process in place regarding the provision of investment advice on financial instruments, with corresponding documentation requirements. Staff members who provide investment advice have the required qualifications in ac-

cordance with the German Investor Protection Act (AnsFuG) and are accordingly registered with the Federal Financial Supervisory Authority (BaFin). To ensure that staff knowledge is kept up to date, internal training takes place regularly. Customers are informed not only in consultation meetings and by the product information handed out, but also through publications on specific issues, such as customer information on transactions with securities and other financial instruments.

The bank's own issues are sold on the basis of the applicable laws, e.g. in Germany pursuant to the German Securities Prospectus Act (WpPG). All information that the customer requires can be obtained at the bank and is also published in the internet. The NORD/LB Group attaches great importance to compliance with this Act and other legal requirements. This is monitored by Compliance, which audits procedures, and by Internal Audit.

Braunschweigische Landessparkasse is represented in 91 locations throughout the business region so that customers can be provided with financial services across the region, even in sparsely populated areas. All of the branches have either a self-service or a conventional cash point. 18 locations are operated jointly with Öffentliche Versicherung Braunschweig as finance centres, while another is operated with LBS Braunschweig. The locations are supplemented by 27 self-service points. All of the locations have self-service facilities, such as cash machines, self-service terminals and account statement printers. The former BLB has two branches in Bremen and Oldenburg.

84 locations of the Braunschweigische Landessparkasse and both locations of the former BLB have disabled access. In order to offer a better service to customers with impaired vision, 78 cash machines with a deposit function at Braunschweigische Landessparkasse and 11 devices at the former BLB have voice guidance. This provides these customers with independent access to cash services at 67 locations. In addition, alternative access methods have been created and expanded through telephone and online banking. As a result, customers are able, if they desire, to also perform most of their banking transactions from home. Further assistance for visually-impaired customers is provided by specialised software, which reads out the online content.

In order to enable people with a difficult financial background to make cashless payments as well, Braunschweigische Landessparkasse and the former BLB also offer a "citizen" / basic account (Bürger-/Basiskonto), which is maintained solely on a non-borrowing basis. As at 31 December 2017, there were 6,544 citizen accounts and 1,895 basic accounts at Braunschweigische Landessparkasse.

## Customer satisfaction

102-43

NORD/LB conducts regular Group-wide customer satisfaction surveys every two years in order to record and measure customer satisfaction. The goals of the customer satisfaction survey are, first, to reveal the satisfaction of the bank's customers and, second, to identify the risk of potentially losing customers. The results of the Group-wide survey are then used by NORD/LB and its subsidiaries to determine specific needs for action.

The survey method used by NORD/LB initially defines standard recording criteria. The data collected are then aggregated and adjusted so that the different business areas can be compared. The survey involves interviews with customers from the NORD/LB Group business segments and covers the following areas:

- Overall customer satisfaction
- Customer loyalty
- Customer advisors
- Quality of advice
- Proactive approach

The results of the survey are transformed to a scale of 0 to 100. NORD/LB has set a minimum target score of 80 index points to be achieved by itself and its subsidiaries.

NORD/LB's benchmarking uses the best-in-class method, i.e. it compares itself with the best respective competitor. This comparison reveals potential for improvement. NORD/LB has defined a target of 60 points for the benchmarking.

Data on product use and preference are also collected in order to reveal how much of the customer's product and advice needs the NORD/LB Group covers or can cover and where NORD/LB still needs to improve.

The Group-wide survey was conducted using telephone interviews and online surveys. In some cases the surveys were conducted independently by the subsidiaries, but always using the same method defined by NORD/LB for the Group.

Braunschweigische Landessparkasse deviated from the Group's methodology and performed its customer satisfaction survey using the method for savings banks. In order to regularly review quality from a customer perspective, the annual customer satisfaction surveys have been a fixed component of quality management for many years. A short survey is used covering the following three subject areas:

- Service / liquidity / price-performance relationship
- Advice and offer orientation
- Overall satisfaction and customer loyalty

The survey is performed throughout the year and the results are transformed to create comparability and ensure a uniform assessment scale.

A standardised complaint management system has existed in the Group units for many years in the form of the customer ideas management system. A strategic complaint management system aims to do more than just improve customer satisfaction. It is also a way of obtaining important ideas from customers in order to identify specific opportunities for improvement. This helps the bank to achieve its strategic goals of "quality leadership" and "market leadership". All feedback is taken seriously and responded to accordingly.

## NORD/LB as an employer

An increasingly complex regulatory environment as well as ever faster changes in the labour market and the financial sector as a whole are having an impact on the NORD/LB Group. In particular, digitalisation is changing the world of work and promoting more flexible forms of working.

The labour market in Germany, with its fundamental demographic challenges, remained an employees' market in 2017. There continued to be a lack of specialist and managerial staff in 2017, especially in the area of IT. As a result, the “war for talent” continued to be a major challenge for NORD/LB during the reporting year. Competition among employers in NORD/LB's markets increased in 2017, the reputation of the banking industry as a whole deteriorated, and thus the number of applications received by NORD/LB also fell.

In addition, the continuing income and cost pressure on the NORD/LB Group had an impact on the overall personnel work in 2017: the Group needed to ensure investment flexibility while also achieving its cost objectives. Within the NORD/LB Group, companies and employees had to deal with restructuring measures, particularly as a result of the merger with Bremer Landesbank. Consequently, NORD/LB launched the Group-wide “One Bank” transformation programme in the first quarter of 2017. In addition to the business model, market position and dimensioning of the bank's business segments, “One Bank” also involves the simplification of the Group's structure with the aim of achieving long-term cost savings of up to € 200 million through synergies by the end of 2020 and reducing payroll by 1,250 positions.

In the first step, staff synergies were achieved at the end of 2017 as a result of the merger between BLB and NORD/LB. In this context, in 2017 the Managing Board approved a qualified external hiring freeze. This expressly did not apply to junior staff, i.e. apprentices and trainees, and in 2017 the Managing Board continued its general approach of moving the bank's junior staff onto specialist and career paths at the bank. Of course, the Managing Board also adhered to the objectives of the Group's sustainability strategy in 2017, which included the specialist and personal development of its employees.

For further detailed information, please refer to NORD/LB's financial reporting (IFRS).

## Strategy

In order to attract talented young employees at an early stage and retain the employees it already has given the complex environment described above, NORD/LB relies on the corporate culture it has developed as well as on its employee-oriented approach to human resources management.

Human resources activities at the NORD/LB Group are based on a long-term human resources strategy derived from the bank's business/risk strategy, taking account of the special requirements of the “One Bank” initiative. The strategic focal points during the 2017 financial year were managing:

- staff quality, i.e. improving leadership commitment and increasing motivation by creating clarity regarding competencies and responsibility Group-wide,
- the number of staff, i.e. allocating available resources and capacities in a value-added manner as well as securing and retaining jobs,
- transformation, i.e. the ability of staff to deal with change.

As a competitive employer in a challenging environment, the NORD/LB Group has used its personnel strategy to retain, develop and create jobs throughout the Group in 2017 using the following personnel tools, which are described in detail in subsequent chapters:

- Retention of staff through attractive working conditions, including remuneration, equal opportunities, work/life balance and corporate health management,
- Personnel management of resources and capacities,
- Employee and junior staff development with management skills and agility, and
- Recruiting junior staff.

## Headcount, new staff and staff turnover

UNGC  
102-8

The NORD/LB Managing Board is the highest-level decision-maker. Staff planning is coordinated with it on a regular basis. At the end of 2017, the NORD/LB Group employed 6,453 people (compared with 6,427 people in 2016). The headcount was therefore almost unchanged (with an increase of less than 0.4 per cent). This was made possible on a Group-wide basis through the best possible allocation of resources with a qualified freeze on external recruitment for professionals at NORD/LB as well as the initial (albeit minimal) staff synergies from the merger of BLB and NORD/LB in 2017. At the same time, NORD/LB increased IT-related resources in a targeted manner, e.g. by founding the iLab in 2017 and through ongoing IT modernisation efforts. In the short term, this was achieved through the targeted contracting of some professionals. With a view to the medium term, the Group built up its own talent pipeline with qualified junior staff, however.

The percentage of women in the workforce remains unchanged at 49.4 per cent (2016: 49.4 per cent). The mix of women and men within the NORD/LB Group is balanced and has remained stable for many years with limited staff turnover.

The majority of employees work at the NORD/LB Group's German locations. None of the foreign locations employs more than 100 people – in countries outside of high-income OECD countries, for example, it employed 20 people in Shanghai and 77 people in Singapore, as at 31 December 2017. All employees of NORD/LB working at foreign branches must abide by the respective branch's staff manual.

For the most part, employees at NORD/LB are hired on a permanent basis. The bank values long-term relationships with its employees and invests in retaining them. Seasonal fluctuations in employment do not occur given the type of business activity. The bank only employs temporary staff to complete temporary jobs or to avoid overtime, during large projects for example, and not as a replacement for permanent employees. In particular, temporary employment includes serving as a replacement for an employee on paternity leave or an employee on sick leave, and working on major projects with a fixed term.

**Table 8: Personnel figures**

|                                  | 2015  | 2016  | 2017  |
|----------------------------------|-------|-------|-------|
| Employees (total)                | 6,343 | 6,427 | 6,453 |
| Permanent employees (total)      | 5,940 | 6,008 | 6,018 |
| of which male                    | 3,014 | 3,061 | 3,069 |
| of which female                  | 2,926 | 2,947 | 2,949 |
| Permanent full-time employees    | 4,642 | 4,684 | 4,653 |
| of which male                    | 2,906 | 2,944 | 2,946 |
| of which female                  | 1,736 | 1,740 | 1,707 |
| Permanent part-time employees    | 1,298 | 1,324 | 1,365 |
| of which male                    | 108   | 117   | 123   |
| of which female                  | 1,190 | 1,207 | 1,242 |
| Temporary employees (total)      | 403   | 419   | 435   |
| of which male                    | 188   | 197   | 196   |
| of which female                  | 215   | 222   | 239   |
| Temporary full-time employees    | 381   | 393   | 402   |
| of which male                    | 183   | 189   | 189   |
| of which female                  | 198   | 204   | 213   |
| Temporary part-time employees    | 22    | 26    | 33    |
| of which male                    | 5     | 8     | 7     |
| of which female                  | 17    | 18    | 26    |
| Apprentices and trainees         | 262   | 284   | 278   |
| of which male                    | 121   | 132   | 124   |
| of which female                  | 141   | 152   | 154   |
| Total workforce by region (in %) |       |       |       |
| Germany                          | 92.6  | 92.2  | 92.3  |
| Europe, Asia, USA                | 7.4   | 7.8   | 7.7   |

The data for the employees and products have been obtained from multiple sources, including the accounting systems, which summarise the results of all ongoing business operations.

A: 202-2

NORD/LB AöR and the other German subsidiaries recruit staff throughout Germany, while NORD/LB CBB and the foreign branches of NORD/LB, in line with their international locations, recruit staff in their regional employment markets at all hierarchical levels.

A: 401-1

**Table 9: New staff**

|                            | 2015 | 2016 | 2017 |
|----------------------------|------|------|------|
| Total new staff            | 292  | 395  | 323  |
| New staff by gender:       |      |      |      |
| Male                       | 158  | 225  | 193  |
| Female                     | 134  | 170  | 130  |
| New staff by age category: |      |      |      |
| up to 30 years             | 160  | 206  | 179  |
| 31-50 years                | 115  | 166  | 120  |
| from 51 years              | 17   | 23   | 24   |
| New staff by region:       |      |      |      |
| Germany                    | 222  | 327  | 280  |
| Europe, Asia, USA          | 70   | 68   | 43   |

The staff turnover rate in the NORD/LB Group fell in 2017 to 8.2 per cent (2016: 9.0 per cent).

**Table 10: Turnover<sup>2</sup>**

|                                    | 2015 | 2016 | 2017 |
|------------------------------------|------|------|------|
| Turnover (in %)                    | 10.4 | 9.0  | 8.2  |
| By gender as % of total workforce: |      |      |      |
| male                               | 10.3 | 10.3 | 9.5  |
| female                             | 10.4 | 7.7  | 6.7  |
| By age as % of total turnover:     |      |      |      |
| up to 30 years                     | 33.4 | 41.5 | 43.8 |
| 31-50 years                        | 33.8 | 41.0 | 43.1 |
| from 51 years                      | 32.8 | 17.5 | 13.1 |
| By region as % of total turnover:  |      |      |      |
| Germany                            | 81.5 | 82.8 | 82.0 |
| Europe, Asia, USA                  | 18.5 | 17.2 | 18.0 |

## Representation of interests

UNGC

The NORD/LB Group complies with all legal requirements in the countries where the Group has business operations. In Germany, this includes all of the relevant individual and collective bargaining laws, regulations and guidelines. In addition to general labour laws, collective agreements and regulations, the primary basis for the employee-employer relationship at NORD/LB is formed by the Staff Representation Act of Lower Saxony (NPersVG) in the case of NORD/LB and the German Works Constitution Act (BetrVG) in the case of Deutsche Hypo.

The NORD/LB Group attaches great importance to co-determination. Staff at all German locations – both pay scale and non-pay scale employees – are represented by local staff councils (or a works council, such as the one at Deutsche Hypo) as well as a General Staff Council. All staff

<sup>2</sup> The turnover rates take into account socially responsible early retirements, retirements and special early retirement.

representatives and management collaborate in a trusting manner and work together to implement statutory, collective and company regulations.

*A: 402-1*

Important operational changes are discussed with staff representatives, as the elected representatives of employees, at an early stage. Pursuant to the co-determination and other participation rights (NPersVG and BetrVG), NORD/LB employee committees are provided with information in a timely manner, feedback obtained, participation processes initiated and agreements reached.

The union ver.di represents the interests of employees during collective bargaining negotiations within the applicable scope of the relevant collective bargaining contract, i.e. all employees of the NORD/LB Group in Germany. This group of employees also has the option and the right to organise in unions. In the event of a lawful strike, members of the union will receive strike pay. The right to assemble generally applies.

The practice at NORD/LB is to provide all employees and their elected representatives with comprehensive information at an early stage about important issues and significant changes at the bank. All employees are provided with regular and comprehensive information about current events at staff or works meetings or at partial staff meetings. The representative of the ver.di union also attends every NORD/LB staff meeting, providing staff with report to staff as a standing agenda item. The time spent at these meetings counts as working time for staff. The Staff/Works Council and the ver.di union also provide employees with information in the form of regular informational letters. In addition to the staff representatives, Corporate Communications and the personnel department also provide employees with information on a proactive and regular basis via the intranet, by e-mail and via teleconferences.

## Remuneration

“Remuneration policy” has been identified as a material topic during the materiality analysis.

*UNGC*

*Management approach for remuneration: 103-1*

A central issue with regard to the appropriate governance of banks is remuneration policy. In this context, banks are required to provide transparent reporting about how bonus payments to the Managing Board and senior management are calculated, and how or whether commissions are paid on product sales. This also involves the provision of comprehensive and tailored investment advice. At the same time, remuneration decisions are made as a valuable investment in employee potential, including with respect to the bank’s strategic focus. Ultimately, NORD/LB uses its attractive and competitive remuneration system to attract and retain employees. This is because the remuneration system supports NORD/LB’s corporate culture by translating the Group’s corporate values, as defined in its mission statement (performance, responsibility, trust and sustainability), into its remuneration strategy and tools.

This topic has both an internal impact (on the Managing Board, employees and the HR department) and an external impact (particularly in the bank’s area of activity), and it is especially important for society, customers and employees.

*Management approach for remuneration: 103-2  
102-36*

NORD/LB is a significant institution as defined by the German Remuneration Ordinance for Institutions. This means that it is subject to special requirements. NORD/LB also has a disclosure obligation in accordance with § 16 of the InstitutsVergV in conjunction with Article 450 of Regulation (EU) No. 575/2013, and prepares an annual Remuneration Report, which is available on its website.

The Supervisory Board is responsible for ensuring that the design of the remuneration systems for the members of the Managing Board is appropriate. The remuneration of members of the Managing Board is made up of a fixed annual salary and variable remuneration. Based on the planning for the Group, the Supervisory Board sets the targets for the measurement of the variable remuneration for the members of the Managing Board. These reflect the long-term overall performance of the Group and of the bank, as well as the contribution to performance of the department concerned and the individual contribution to performance, taking into account the risks taken. The variable remuneration for the Managing Board is paid solely in cash. It consists of a 40 per cent cash component; the remaining 60 per cent of the variable remuneration is deferred over a retention period of five years and paid in instalments taking into account risk criteria. 50 per cent of the variable remuneration is linked to the performance of the company and has a one-year retention period. The variable remuneration may not exceed the fixed remuneration.

The Managing Board, in turn, is responsible for the appropriate structuring of the remuneration system of the bank's employees. It approves the remuneration system, including the internal remuneration principles and the annual budget for salary increases.

Employees (excluding the Managing Board) are remunerated in accordance with the following differentiators and criteria:

- Pay scale and contractual employees in Germany,
- Risk-takers (employees whose activities have a major impact on the overall risk profile of the bank) in Germany and abroad,
- Employees at foreign branches.

Employees in the reporting line below the Managing Board (known as direct reports) are remunerated above the pay scale (as at 30 December 2017: 36 direct reports). The remuneration of direct reports is normally made up of a fixed annual salary and variable remuneration. The variable remuneration may not exceed the fixed remuneration. The bonus system for the direct reports is based on a system of key figures for the measurement and payment of bonuses approved by the Managing Board. The system is basically the same as the system for the members of the Managing Board. The key figures reflect the long-term overall performance of the bank, the performance of the department for which the direct report is responsible, and the individual contribution to performance, taking into account the risks taken. The amount of the portion to be deferred is 60 per cent and is spread over three to five years. 50 per cent of the variable remuneration is linked to the long-term performance of the company and has a one-year retention period. NORD/LB has made use of the option provided for in the interpretation guide of the InstitutsVergV, under which the payment of the variable remuneration of risk takers, in this case the direct reports, may be made immediately if the total variable remuneration is below € 50,000.

All non-pay-scale jobs are also allocated to so-called career bands. As a result, the very different requirements in the various fields of employment can be reflected more easily and more transparently. All non-pay-scale employees are above pay scale group 9, the 11th year of employment under the collective agreement for the private banking sector.

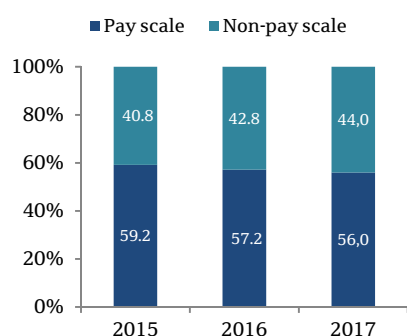
102-41

Remuneration paid to pay scale employees at the NORD/LB Group is based on the collective agreement for the private banking sector and public banks. All job evaluations are conducted on the basis of performance, not on the basis of the individual and are therefore non-discriminatory. In 2017, the lowest pay scale salary in the private banking sector (pay scale group 1, first year of employment) was € 2,160 per month with 13 monthly salary instalments, and is therefore well above the statutory minimum salary. In 2017, NORD/LB did not hire anyone below pay scale group 4, first year of employment.

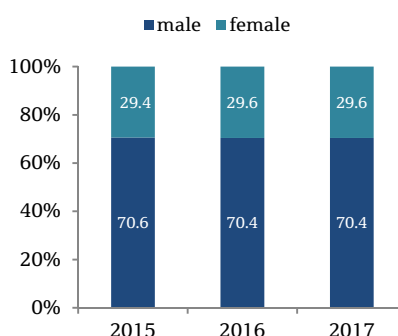
In order to ensure that the remuneration is appropriate, an external remuneration consultant is instructed at regular intervals to obtain current market comparisons. These comparisons concern both the fixed and the variable remuneration. If necessary, external consultants are also involved in the design of remuneration systems. In 2017, the consulting services of a personnel consultancy were used in the design of remuneration systems.

A: 405-2

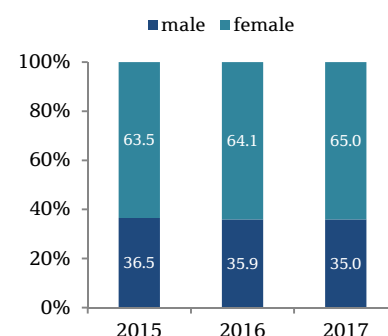
**Figure 10: Overview of pay-scale and non-pay-scale employees (in per cent)**



**Figure 11: Overview of non-pay-scale employees by gender (in per cent)**



**Figure 12: Overview of pay-scale employees by gender (in per cent)**



In addition, the Managing Board also sets the annual budget for variable remuneration in line with specified parameters. At the end of the financial year, it decides – taking account of risk criteria – on the actual amount and business segment-based distribution of the volume for the variable remuneration of employees. Pay scale employees may receive a profit-sharing bonus, the amount of which is based on the ratio of the available budget for variable remuneration to the planned bonus volume as well as the key performance indicator. A performance bonus may be granted for special performances and contributions. There is an orientation bonus for contract employees. Similar to the definition of salary bands for fixed salaries, market-rate bands of variable remuneration have been developed and linked with different orientation bonus ranges. At the end of the financial year, individual performance bonuses are determined on the basis of the performance of the bank, business segment and individual.

Payments for individual product sales are not planned in order to ensure comprehensive advising. NORD/LB and Braunschweigische Landessparkasse suspended payment of sales commissions to their employees back in 2012. The former BLB did not have product sales goals either. Instead, it only had overall revenue targets for the bank as well as qualitative activity targets, including targets related to customer satisfaction. Complaints may be submitted via the bank's complaint management system or the mediation board for public banks.

*Management approach for remuneration: 103-3*

The Remuneration Officer and, depending on the task, the bank's control units, are involved in the development and enhancement of the remuneration systems. Compliance with the bank's

remuneration system is stipulated in writing in the organisational guidelines and was ensured in the previous financial year by the Group Organisation and HR unit.

The appropriateness of the remuneration systems for employees was likewise monitored by the Remuneration Officer and is documented in the annual report on the appropriateness of the employee remuneration systems (remuneration control report). This was also done by the Supervisory Board's Remuneration Control Committee. The Remuneration Control Committee met four times during the 2017 financial year. As part of its duties, it discussed the following topics, among others:

- Structure of the Managing Board's remuneration,
- Review of the calculation of the total amount of the variable remuneration,
- Assessment of the impact of the remuneration systems as well as ensuring that the focus remained the long-term growth of the institution (incentives in the remuneration system),
- Monitoring and assessment of the appropriateness of the structure of the remuneration systems (remuneration control report),
- Acknowledgement of the remuneration report.

For additional information on the topic of remuneration, please refer to the NORD/LB remuneration report.

## Social benefits

UNGC  
A: 201-3

The NORD/LB Group's permanent employees are entitled to receive a company pension under the pension scheme for the respective institution. Several different occupational pension schemes are in place in the NORD/LB Group.

In addition to pension commitments, the present value of defined benefit obligations of € 2.54 billion (2016: € 2.63 billion) includes commitments to benefit payments of € 264 million (2016: € 246 million). The defined benefit obligation can be divided as at the reporting date into amounts of € 2.05 million (2016: € 2.11 million) from defined benefit plans which are not financed through a fund, and amounts of € 492 million (2016: € 515 million) from defined benefit plans which are fully or partially financed from a fund. This information and further details can be found in the Notes to the consolidated financial statements on pages 125 onwards of the 2017 financial reporting (IFRS).

NORD/LB grants a defined-benefit company pension to employees and members of the Managing Board who were employed by the end of 2013. Starting in 2014, NORD/LB began granting new employees access to a defined-contribution company pension.

All of NORD/LB's pension benefits are based on bank-wide, non-discretionary rules and do not provide any incentive to take disproportionately high risks. Instead, the aim of the bank's company pension commitments is to motivate and to work towards the long-term success of the bank.

A: 401-2

There are also extensive social and fringe benefits available to NORD/LB Group employees, such as contributions to capital formation, continued payment of wages in case of illness, special leave for special events, subsidised catering at lunchtimes and subsidised use of public transport. Almost all company social benefits, such as health care, part-time telecommuting (home office) and parental leave, are generally available to permanent full-time and part-time employees and to employees with temporary contracts.

## Diversity, equal opportunities and work/life balance

“Diversity and equal opportunities” has been identified as a material topic during the materiality analysis. NORD/LB also includes all measures related to work/life balance under this topic.

UNGC

Management approach for diversity and equal opportunities / work/life balance: 103-1

“Diversity and equal opportunities” recognises the diversity of employees and uses this diversity for the benefit of the company and all stakeholders. “Difference” and “being different” are not simply tolerated, but are welcomed and viewed as a valuable addition to the company. Utilising and promoting all of our employees' qualities enables us to recognise different abilities, and provides us with a wide variety of experiences and ways of thinking. Diversity and equal opportunities represent a valuable economic and competitive factor for companies if the different abilities and skills of various groups of employees are consciously utilised. These include core qualities (such as age, gender, religious affiliation) as well as personal characteristics (e.g. skills, emotions, attitudes), origin and type of socialisation as well as the hierarchical affiliation within the company.

Diversity and equal opportunities are important at the NORD/LB Group as well and a key economic factor. NORD/LB uses the connections between the outward manifestations of diversity as well as inner perspectives, i.e. the differences in approaches, perspectives, experiences, cultural orientations and values in order to achieve a better understanding of market and customer needs and increase its customer focus. This also allows us to use the various qualities as a source of innovation and creativity in order to boost the economic competitiveness of our products and services as well as NORD/LB's long-term viability on the market and thus for its stakeholders.

At the same time, the numerous challenges in the banking sector mentioned above also affect the diversity efforts at NORD/LB: a lack of skilled employees, the needs of generations Y and Z, the growing number of older employees (along with the need to retain them in the workforce and utilise their expertise) and the necessary training of immigrants as well as the need to work flexibly within the bank (e.g. on key strategic projects – for example, when collaborating with subsidiaries and during the merger with Bremer Landesbank). There is also a greater need for NORD/LB staff to work together on key topics in a more collaborative manner.

Employees' non-work life is now inseparable from their work life. That is why the issue of “Diversity and equal opportunities” is bound up with the concept of “work/life balance”. In order to promote diversity and equal opportunities, employers must create the necessary conditions for integrating employees' different life perspectives into their work life.

The work/life balance offered by an employer is an important issue not only for employees of NORD/LB, but for prospective candidates and applicants as well, as revealed by surveys of recent graduates. And having a good work/life balance is also important for corporate health management and boosts employee productivity. The development of corresponding measures is therefore an important economic factor for NORD/LB.

These two issues have both an internal impact (employees, HR department) and an external impact (society, potential applicants). They are especially important for employees and their families as well as for society.

## Diversity and equal opportunities

UNGC

*Management approach for diversity and equal opportunities / work/life balance: 103-2*

The NORD/LB Group and its Managing Board are expressly committed to diversity and equal opportunities in a non-discriminatory environment. The NORD/LB Group therefore pursues a holistic, integrative approach in its diversity work: i.e. the desire to treat and promote the workforce fairly and correctly is linked to actively managing the differences, cultural backgrounds and practical experiences for the benefit of the company. This also includes a family-friendly personnel policy.

The diversity of the Group's employees is already part of NORD/LB's corporate identity. Accordingly, NORD/LB defines its diversity management as skill- and customer-oriented personnel management, but with a strong impact on the Group's value orientation. Mutual respect serves as the basis for collaboration. The framework guidelines for the bank's diversity efforts include the Group's fundamental values and the "Diversity Charter of German Companies". NORD/LB, along with the former BLB, has been a member of the Diversity Charter initiative ([www.charta-der-vielfalt.de](http://www.charta-der-vielfalt.de)) since 2013; Deutsche Hypo signed the charter in 2014.

The key goals of the bank's diversity efforts include reinforcing its role as an attractive employer and serving as a beacon in the northern German banking centre for current employees and prospective employees from generations Y and Z. That is why all diversity topics have been integrated in NORD/LB's personnel management tools, such as its training programme and its management workshops. The ability to recognise, value and utilise the diversity of employees is already part of the target profile and skills model at NORD/LB and is therefore required of employees at all levels of the bank – including junior staff. This creates the conditions for both managers and staff to recognise, share and practice the values of diversity. This also includes providing information about diversity efforts and evaluating the results.

In order to help the bank achieve its economic and social objectives, in 2017 NORD/LB's personnel department provided tailored offerings related to diversity, including training programmes and personal development measures as well as offers to help employees meet family obligations, such as raising children or taking care of ill family members. These include the following family and career-related topics:

- Expansion of teamwork and promotion of interdisciplinary networks,
- Demographic change,
- Equal pay,
- Women and men,
- Work and family,
- People with disabilities.

The behaviour of employees – and thus of the company – is guided by mutual respect, openness, honesty, appreciation and a spirit of trust and collaboration. This outlook had a fundamental impact on the merger with Bremer Landesbank in 2017 and the “One Bank” initiative, which involved substantial interdisciplinary collaboration. NORD/LB ensures the participation of staff through decentralised coordinators in NORD/LB’s specialist departments.

Furthermore, NORD/LB has been using different employee groups as sounding boards to discuss and compare different perspectives for many years now. For example, the bank’s skills model was developed in collaboration with various groups within the company, including the Managing Board, senior management, women in positions and employees under the age of 30. These internal activities have helped the NORD/LB Group to gain acceptance among customers, business partners and society.

NORD/LB’s diversity efforts have been supported by transparent corporate communication through, for example, the use of communication platforms including an award-winning staff magazine, management dialogue and feedback tools.

405-1

The percentage of women in the workforce amounted to 49.4 per cent (2016: 49.4 per cent). These figures have remained stable for many years with limited fluctuations. Both the proportion of women in management positions, at 21.2 per cent (2016: 19.0 per cent) and the share of female members in supervisory and administrative boards, at 22.3 per cent (2016: 17.0 per cent) have risen substantially. It is particularly worth highlighting the increase of more than 2 per cent in the share of women in management positions at the NORD/LB Group in 2017.

Because the number of members of the Group’s Board of Directors fell, the proportion of women on the Board of Directors increased again to 9.6 per cent (2016: 8.7 per cent). In 2017, the Bank’s employees came from 36 different countries (2016: 34 countries).

The share of persons with disabilities in the NORD/LB Group totalled 3.2 per cent in 2017. At its current ratio, the bank is below the legally required minimum, which stipulates that at least 5 per cent of the company’s workforce must be comprised of people with disabilities. For this reason, the bank must pay a compensation fee.

**Table 11: Diversity figures**

|   | 2015  | 2016  | 2017  |
|---|-------|-------|-------|
| Employees (total)                           | 6,343 | 6,427 | 6,453 |
| Male  | 3,198 | 3,258 | 3,266 |
| Female                                      | 3,145 | 3,169 | 3,187 |
| Employees by age category                   |       |       |       |
| Employees up to age 30                      | 984   | 1,027 | 1,015 |
| Employees ages 31 to 50                     | 3,279 | 3,285 | 3,169 |
| Employees 51 and older                      | 1,375 | 1,436 | 1,602 |
| Employees with a management function        | 705   | 679   | 667   |
| Male managers                               | 573   | 550   | 526   |
| Female managers                             | 132   | 129   | 141   |
| Managers by age category                    |       |       |       |
| Managers up to age 30                       | 6     | 4     | 7     |
| Managers ages 31 to 50                      | 458   | 418   | 382   |
| Managers 51 and older                       | 241   | 257   | 278   |
| Managing Board                              | 22    | 23    | 21    |
| male  | 21    | 21    | 19    |
| female                                      | 1     | 2     | 2     |
| Managing Board age structure                |       |       |       |
| Members of the Managing Board up to age 30  | 0     | 0     | 0     |
| Members of the Managing Board ages 31 to 50 | 5     | 7     | 6     |
| Members of the Managing Board 51 and older  | 17    | 16    | 15    |
| Supervisory and Administrative Boards       | 53    | 53    | 36    |
| Male  | 42    | 44    | 28    |
| Female                                      | 11    | 9     | 8     |

The NORD/LB Group is also obligated to protect its employees. Employees are already provided with special and comprehensive protection against discrimination in Germany through the General Act on Equal Treatment (Allgemeine Gleichbehandlungsgesetz, or AGG). NORD/LB abides by the provisions of the AGG. At the bank's foreign locations, it abides by local anti-discrimination laws and documents these in employee manuals. In addition, the Code of Conduct and Ethical Principles prohibit all forms of discrimination throughout the NORD/LB Group, irrespective of whether such discrimination is based on gender, age, disability, ethnic or social origin, religion or beliefs, sexual identity or political views, marital status or involvement in a union. A violation of these principles may result in disciplinary consequences, up to and including dismissal.

NORD/LB provides all employees with similar qualifications with the same training and advancement opportunities. NORD/LB aims to continuously improve career opportunities for women and wants to increase the share of women in specialist and management positions. In 2017, the bank improved opportunities for women through targeted measures. Within its specialist departments, the bank focuses on identifying female candidates for management positions early on and promoting them. This includes a target for the share of women at NORD/LB, which serves as a guiding framework starting with the hiring process, e.g. through the targeted appointment of female trainees. NORD/LB aims to motivate women to pursue or continue their careers after they have started a family by providing a broad range of measures to help combine a career with family life.

NORD/LB also ensures equal pay for men and women by offering identical and transparent calculation bases and procedures, as well as through defined remuneration components. Job evaluations are generally conducted on the basis of the tasks carried out, and not the incumbent. Remuneration is therefore paid with no link to gender, nationality, ethnic origin, religion or ideology, disability, age, sexual orientation or identity, but is based gender-neutrally on qualifications, range of responsibilities and functions as well as professional experience. Because of increased regulatory requirements, detailed information regarding compensation is disclosed in separate compensation reports prepared by the individual companies of the NORD/LB Group.

NORD/LB has comprehensive rules and procedures to ensure equal treatment and to make employees aware of the consequences in the event of any violations. Potential discrimination can be reported to a complaints office. Because of the regulatory requirements, the issue of equal opportunity is overseen at NORD/LB by a designated Equal Opportunities Officer. Confidants and representatives of severely disabled staff members are selected to support and protect disabled people, people at risk of disability and the severely disabled. Employees at locations in Germany are required to complete mandatory web-based training concerning implementation of the AGG every two years.

A: 406-1

There were no reported incidents of discrimination in 2017 (2016: 0).

## Work/life balance

UNGC

*Management approach for diversity and equal opportunities / work/life balance: 103-2*

Another important element of NORD/LB's diversity efforts are its human resources management tools for ensuring the greatest possible balance between work and family, and improving employees' ability to meet family obligations, such as caring for children. These tools include home offices, spaces in daycare, emergency care assistance, subsidies for childcare costs and childcare assistance during school holidays.

A: 401-3

The Federal Parental Allowance and Parental Leave Act gives mothers and fathers a maximum of three years' leave per child and the guaranteed right to return to a comparable job. At NORD/LB, full- and part-time women and men who have been with the company for at least five years and who take advantage of the statutory parental leave and do not perform any work outside of the company have the right to return to work at the company six months after the statutory parental leave ends. The employment relationship is suspended during this period (for a maximum total of three and a half years). In 2017, 2.6 per cent of the bank's employees were on parental leave (2016: 2.5 per cent).

As an employer, NORD/LB always wants to help its employees to achieve a good work/life balance with respect to caring for children and family members who require assistance. The Act on Better Reconciliation of Family, Care and Work (Gesetz zur besseren Vereinbarkeit von Familie, Pflege und Beruf, or FPfZG) of 1 January 2015 governs employees' right to leave and also applies to NORD/LB staff, i.e. employees, apprentices and "employee-like" persons. In addition, NORD/LB works with an external service provider to offer employees advice and referrals of care facilities for family members who require assistance.

Various flexible working options as well as the ability to open long-term working time credit accounts are other options offered by NORD/LB. The service agreement grounded in the collective bargaining agreement enables, for example, sabbaticals and an extension of parental leave.

The interplay of measures related to career and private life not only creates an appreciative working climate and environment, but also ensures good development opportunities for all

staff – applied equally to both women and men. This commitment was also recognised in a survey conducted by Eltern, a parenting magazine, which looked into the most family-friendly employers in Germany for the first time. During the summer of 2016 the Statista statistics portal evaluated around 274 companies with about 19,000 employees. The assessment criteria included reconciling paid work and family life, remuneration and career as well as recommending the person's own employer regarding family-friendly practices. NORD/LB scored well with its practices to reconcile work and family within the category Banks and Financial Services, and was named one of the "Best Companies for Families".

*Own disclosure work/life balance: Part-time telecommuting*

In 2017, 423 female employees and 356 male employees took advantage of the ability to telecommute part-time (home office). This figure was calculated for the first time in 2017. Part-time telecommuting must not comprise more than 80 per cent of an individual's working time and is available for NORD/LB staff employed in Germany (excludes student assistants and interns).

*Management approach for diversity and equal opportunities / work/life balance: 103-3*

The General Managing Board receives information about the status of diversity, equal opportunity and work/life balance, e.g. in the form of submissions to the Managing Board and the sustainability report. Events such as diversity days contribute to the bank's diversity activities under the Diversity Charter and also help to make diversity topics transparent for employees.

## Training and development

"Training and development" has been identified as a material topic during the materiality analysis.

*Management approach for training and development: 103-1*

The challenges described above – the regulatory environment, changes to the labour market, digitalisation, a lack of specialist staff and managers and demographic change – pose a problem for all companies in the sector in terms of increasing requirements for the consistent development of junior staff and the training and development of employees, which companies must address if they want to remain competitive. In turn, employees receive professional training, development and career support. From a wider social perspective, providing training to young employees and offering adequate development opportunities to current staff represent important aspects of education and economic policy, with an impact beyond the NORD/LB Group's business area.

This topic has an impact on individuals both internally and externally, and on society at a regional and national level.

## Apprenticeships

*Management approach for training and development: 103-2*

The “war for talent” continued to be a major challenge for NORD/LB in 2017. Young employees are mobile with a flexible outlook on what is a highly transparent labour market. In addition, the expectations of generations Y and Z during their training period must be met in a manner that is as personal and individual as possible. The general demographic challenge in Germany, the lower reputation of the entire banking industry, which has resulted in fewer applicants, and the ongoing pace of digitalisation in the worlds of work and training mean that the NORD/LB Group, especially through the training that it provides and its development of junior staff, must meet certain resource needs, with a focus on IT. For this reason, NORD/LB enhanced its training offerings for junior staff in 2017, making them even more competitive.

NORD/LB offers attractive and high-quality training opportunities at its locations, primarily in the commercial and IT/technical fields. In addition to these training options, the recruitment of students and graduates through its trainee programme is an important component of the bank’s future success.

NORD/LB also provides training in line with the federal training regulations pursuant to the Vocation Training Act (Berufsbildungsgesetz, or BbIG). This act regulates vocational training, tests, monitoring of training, professional development and professional retraining. NORD/LB has a special duty of care towards apprentices. NORD/LB complies with regulations that apply to all professions, such as the Act on Youth Employment (Jugendarbeitsschutzgesetz, or JArb-SchG).

### Junior staff planning

In response to changed requirements in 2017 the NORD/LB Group needed a comprehensive and integrated method for developing junior staff. Junior staff planning and the corresponding strategy are discussed with the Managing Board on a regular basis. The focus of the bank’s staffing and training efforts in 2017 were on attracting junior staff from generations Y and Z. For this reason, the Managing Board maintained its general approach of steering junior staff towards the bank’s specialist and career paths in 2017, despite the freeze on hiring external candidate that otherwise applied.

NORD/LB began gradually taking over the training function from Deutsche Hypothekbank back in 2016. This began with joint recruitment activity, which was expanded in 2017 to include support and administration as well as overarching resource planning. The operational transfer of the training function from Deutsche Hypothekbank as well as the consolidation of activities from the former BLB resulted in synergy effects for the NORD/LB Group in 2017.

The systematic approach to attracting and developing young talent supported the NORD/LB Group’s short- and medium-term personnel needs qualitatively and quantitatively in 2017 by finding and recruiting qualified young professionals. Training was managed in three key ways in 2017:

- The number of junior employees to be recruited and retained at the bank was defined,
- The quality of the training was improved and
- The ability of junior staff to adapt to change was increased.

## Recruiting and retaining staff

NORD/LB's eRecruiting platform provides an online job market and information for students and graduates regarding entry-level career opportunities. NORD/LB was the "Focus Top National Employer" in 2017, part of the rankings compiled by news magazine Focus in cooperation with employer rating platform kununu and online professional network XING. In addition to traditional recruiting measures and focused target group campaigns, NORD/LB also used social media to attract potential candidates in 2017.

Regionally, NORD/LB cooperates in particular with the following colleges: Leibniz University of Hanover, the Hanover Centre of Finance (HCF), the Technical University of Braunschweig, the Georg-August University of Göttingen and the Otto-von-Guericke University of Magdeburg. Thanks to its targeted activities (e.g. scholarships, most recently the Dr. Hannes Rehm scholarship offered by the HCF in 2017, mentorships, attendance at trade fairs, strategic funding of professorships and student internships), NORD/LB was once again able to come into early contact with students and young professionals in 2017. In order to meet the bank's specific resources needs, especially in the area of IT, a new medium-term university partnership was established in 2017 with the elite Finance and Information Management (FIM) Centre in Bavaria. The Managing Board's collaboration with universities has increased the willingness to recommend NORD/LB and improved its reputation as an employer. This collaboration also helped the bank to once again achieve its recruitment goals in 2017.

NORD/LB's alumni programme provided an even greater recruiting pool for trainees in 2017 than in previous years. A substantial number of the bank's junior employees were recruited via its alumni circle through networking events, the arrangement of graduate theses and team-building activities. Alumni members include former apprentices/employees and college interns, scholarship recipients and selected members of NORD/LB's university work programme with great potential who have recorded above-average performance and have left the bank to pursue their studies.

Targeted trainee programmes represented one especially efficient solution for filling vacancies in specialist departments in 2017, i.e. trainee programmes in which the target position was clearly defined at the start of the programme. This programme, which was accelerated in 2017, helped to counter the demographic trend at NORD/LB, and created a high level of satisfaction among both junior staff and in the bank's specialist departments.

On the hard-fought market for the best applicants, speed and a seamless application and hiring process are essential for attracting junior staff to NORD/LB. At NORD/LB, support for junior staff begins before an employee even joins the bank in order to distinguish the bank from its competitors through its high quality and its excellent recruiting process – from the first interview to accompanying events to personal support in the form of a specific contact partner during the entire training period – all of which begins the moment the candidate's application is received. The goals of such individual support are clearly defined: To increase the commitment of junior staff, to begin efforts to retain young employees with potential at an early stage and to boost the performance of junior staff. The "Leibniz Dialogue", a forum for dialogue and networking hosted by the Leibniz School of Business in collaboration with NORD/LB at which students in dual study programmes discuss innovations in the banking sector with practitioners and researchers and develop joint recommendations for action, supports the retention of junior staff at the bank.

All apprentices and all other employees may submit any complaints they might have, depending on the nature of the complaint, to their manager, the personnel department or their local or regional staff representative. The first point of contact specifically for apprentices is the youth and trainee representative. For more information, please refer to the "Ethics and integrity" chapter.

## Quality

The bank's training strategy aims to ensure the skill-oriented development of all junior staff at NORD/LB – in line with the NORD/LB skills model. The model provides a uniform definition of the expected tasks, attitudes and competencies in terms of performance, change, action and leadership skills. Apprentices receive basic professional training and are challenged and encouraged in terms of personal development, e.g. through team development exercises and coaching/mentoring. In addition to this basic programme, certain employees and professional groups also receive customised and flexible development measures. At the end of the programme, the qualification level of the bank's junior staff is subjected to regular evaluations.

Seminars and workshops were used to expand employees' ability to develop solutions and act to great success in 2017. The redesign of a team development academy for apprentices helped to improve the culture of performance at NORD/LB – with a clear focus on the bank's holistic skills model.

The involvement of trainees, apprentices and dual study programme participants in bank projects provided the participants with a greater understanding of the bank as a whole while also reducing consulting and staffing costs. Junior staff continued to be involved in bank-wide projects for young employees, such as the organisation of future days, on a regular basis in 2017.

The partnership with AIESEC, the world's largest student organisation, provided advantages for all participants in just its second year: project work in developing and emerging countries during the trainee programme, e.g. with children and young people or with a focus on cultural exchange, meets the wishes of generations Y and Z to perform meaningful activities as part of a volunteer commitment that also provides them with international experience. With its trainees serving as representatives of NORD/LB and Germany, the bank made a valuable contribution to social responsibility, while simultaneously strengthening its employer brand in the financial sector thanks to this unique partnership.

Another important focus in 2017 was the bank's promotion of the capacity for innovation of junior staff. As part of a training and development initiative, the bank expanded its current interdisciplinary offerings to include creative workshops as well as design thinking workshops for trainees and selected apprentices. The workshops were conducted by internal coaches who had been involved in the programme in previous years as part of the NORD/LB Design Thinking Academy.

Another new initiative – "Learning 2.0" – was launched at NORD/LB based on a cooperation project with the University of Göttingen. The aim of the project is to digitalise analogue learning processes for junior staff. One of the first milestones achieved was a collaboration to produce an exam review video that provides apprentices with optimal preparation for their technical/vocational school and ICC exams.

In 2017, NORD/LB also provided training to immigrants, who learned about day-to-day activities at a bank as part of internships, increasing their professional experience and improving their knowledge of German and thus making an important contribution to the integration of newly arrived people.

*Management approach for training and development: 103-3*

The regular publication of key figures for the Managing Board documents the relevance of junior staff training at the NORD/LB Group. Despite structured trainee recruitment campaigns and stable partnerships with universities, the number of applicants to the bank's apprenticeship programme fell. In contrast to the industry trend it was, however, within the target range. As a result, despite challenging external and internal conditions NORD/LB's training ratio, at 4.3 per cent, was almost the same in 2017 compared with the previous year (2016: 4.4 per cent).

NORD/LB largely filled its advertised positions for university graduates in 2017, despite the difficult staffing conditions. Consequently, the number of junior staff in training (apprentices and trainees) fell slightly to 278 (2016: 284).

With its positive training figures and retention rates, the NORD/LB Group this year has again acted in keeping with its social and economic position in accordance with its educational mandate.

## Training

*Management approach for training and development: 103-2  
A: 404-2*

NORD/LB pursues a staff development policy based on potential and focused on quality, investing in the training of its employees in order to ensure its corporate competitiveness and the future of the NORD/LB Group. Employees actively support the bank by developing themselves and enhancing their skills throughout their entire career. In addition, NORD/LB offers all employees a broad range of seminars, as training and development are decisive prerequisites for professional development and employee commitment.

Staff development is the responsibility of the Group Organisation/Personnel unit, which reports directly to the Management and Organisational Development organisational unit. Staff development translates the set of requirements based on the business focus into skill requirements for current employees and transfers them into specific employee qualifications. Skills management at NORD/LB includes the assessment and development of employees' skillsets. The basis for all personnel and skill development measures is the established NORD/LB skills model, which now also applies to employees of the former BLB following its acquisition. The model provides a uniform definition of the tasks, attitudes and competencies that NORD/LB expects of its employees in terms of performance, change, action and leadership skills. This also includes constantly analysing which skills are currently required – from mental attitudes to digital skills. In order to meet employee and staff development requirements, the skills model was analysed closely in 2017 with respect to digital skills.

The need for personal, individual employee training and development is determined together with the specialist departments. Development work in the area of knowledge building, training and succession management at NORD/LB is based on the bank's offerings, comprised of seminars, training sessions, webinars and traditional e-learning courses. These offerings have traditionally supported staff in their specialist and managerial expertise, in their social and methodological skills, and in their personal skills. The training offering is equally available to the same extent for all employees, irrespective of any factors (e.g. age, gender, working-time model, pay scale group, temporary/permanent etc.). The offerings are classified and published in a training programme, which was expanded in 2017 in accordance with the bank's needs to include the themes of digitalisation, innovation and change.

The development efforts at the NORD/LB Group in 2017 focused in particular on the impact of restructuring processes related to the merger with Bremer Landesbank and "One Bank" transformation programme initiated in the first quarter of 2017. This is because in addition to the business model, market position and dimensioning of the bank's business segments, "One Bank" includes not only a reduction of the NORD/LB Group's headcount by up to 1,250 positions

by the end of 2020, but also a qualified external hiring freeze for NORD/LB in 2017. Consequently, the requirements resulting from the merger had a strong impact on the strategic focus of development efforts in financial year 2017:

- An improvement in staff quality, i.e. increasing motivation by creating clarity regarding skills and responsibility Group-wide.
- An increase in leadership commitment, together with an increase in motivation.
- The ability of staff to deal with change.

Also in the context of the “One Bank” initiative as well as a future safeguarding agreement initiated in this regard and thus with a view to succession planning, NORD/LB offered to provide all employees with professional guidance in the form of personal orientation counselling and targeted new placement counselling in the event of professional reorientation.

The digitalisation megatrend also had a major impact on personnel development and the associated training offerings. The related “World of Work 4.0” programme and changed customer needs shaped NORD/LB, the associated management philosophy and the bank’s corporate and knowledge culture. This was associated with an essentially higher level of pressure on the bank’s employees to innovate, a general increase in more complex tasks in the banking and financial sector, and the need for fundamentally more flexible forms of work. NORD/LB initiated educational efforts in 2017 to confront these developments. In the medium term, NORD/LB will attempt to ensure that its managers and experts are significantly more able to embrace and engage in change, digitalisation and innovation. In this overall context, the bank endeavoured to further improve the general management and team quality of its staff in 2017.

Mandatory training based on legal requirements (e.g. AGG, compliance) is organised centrally. NORD/LB fully complies with its legal training obligations. For more information, please refer to the “Ethics and integrity” chapter.

Careers at NORD/LB are made possible not only as a result of employee management, but also through specialist expertise. The dominant development career paths in the NORD/LB Group, including management, expert and specialist career paths, were prioritised across the Group again in 2017. As part of the “One Bank” transformation programme described above, a targeted training programme for managers at NORD/LB, including those at the former Bremer Landesbank, was also started in 2017 with the aim of strengthening the management team to cope with future requirements. This training programme was also part of NORD/LB’s structured succession planning. Any complaints regarding training and development measures or providers can be submitted to management or the personnel department. There were no such incidents during the reporting year.

*Management approach for training and development: 103-3*

NORD/LB’s comprehensive support and training programme strengthened the commitment of employees in 2017. In 2017, training and personal development issues were coordinated on a regular basis by the bank’s highest level decision-making body, the Managing Board, with especially detailed coordination of the “One Bank” initiative.

*404-3*

Learning is also intended to develop skills. Building knowledge and providing training where required are the necessary prerequisites for doing this. The goal of operational training at NORD/LB is to identify areas at NORD/LB where there is a need for employee development and where there is potential, to utilise this potential as effectively as possible, and to provide training in a systematic manner for the benefit of the NORD/LB Group.

Employee and development potential is assessed during regular, structured annual reviews and performance evaluations, which were harmonised Group-wide in 2017, including all inter-

national locations. Individual employee training needs are discussed between employees and their managers during the annual reviews held at all of the Group's sites. The annual reviews document the principle of lifelong learning as well as the importance of employee development as a management task to be carried out between managers and employees; in 2017, this was done as part of employee evaluations for 100 per cent of female and male employees and female and male managers. The annual reviews are also connected with employee development meetings, which support the dialogue between managers and employees regarding strengths and areas for development. The annual reviews help to identify the expectations, views and ideas of managers and employees with respect to training and development.

A: 404-1

The targeted measures for employees and managers are also reflected in the number of training and development days, which remains high despite the merger and the “One Bank” transformation programme (2017: 8,557 work days compared with 2016: 11,435 work days).

## Occupational safety and health protection

“Occupational health and safety” has been identified as a material topic during the materiality analysis.

UNGC

Management approach for occupational health and safety: 103-1

Occupational health and safety serves as the basis for the protection of employees, who are the bank's most important asset. The bank can only be successful over the long term if its employees are productive, well trained, motivated and – most importantly – healthy.

The working world is in a constant state of change. There is greater pressure as a result of change and an increased need for employees to be flexible. The consequences of high levels of stress can include, among other things, reduced productivity, illnesses such as high blood pressure, depression, back, shoulder and neck pain, and work missed as a result of these illnesses. These consequences have a direct impact on a company's economic strength and its market success.

There is also a relationship between the working conditions and the performance of employees that the bank manages by optimising working conditions and strengthening personal resources. In the view of NORD/LB's Managing Board, corporate health management (CHM) is therefore a worthwhile investment in the health and performance of NORD/LB. It is about more than simply complying with legal requirements. For the NORD/LB Group, the health of its employees is not only a factor for economic success in the operational value chain. The health of its employees and thus the management of occupational health also represent an important social topic for the bank. In the first instance, every employee benefits from the corresponding measures. A low sickness rate also makes it easier to have a social life, helps employees to achieve a work/life balance and eases the burden on the welfare system too.

This topic has an impact both internally and externally. It is relevant for the entire NORD/LB Group as well as for potential applicants and society as a whole and also of particular importance for employees.

## Occupational safety

UNGC

Management approach for occupational health and safety: 103-2

In Germany, the Occupational Health and Safety Act (AsiG), the Labour Protection Act (ArbSchG) and the Accident Prevention Regulations “DGUV regulation 2” govern aspects related to occupational health and safety. In addition, occupational safety matters are now also strongly influ-

enced by European legislation. There are uniform minimum standards for occupational safety and health protection applicable in the EU Member States. This level of protection thus also encompasses service providers and suppliers.

At all of the bank's locations, including those abroad (representing 7.7 per cent of employees), there are high levels of legal protection with respect to occupational safety, with corresponding requirements. The NORD/LB Group complies with these requirements without exception. All employees of NORD/LB working at foreign branches must abide by the respective branch's staff manual that sets out these requirements.

Local conditions are examined regularly during workplace inspections. In addition, any noticeable problem, such as a cluster of accidents in a particular place or the suspicion of work-related causes of accidents, is reviewed by the Occupational Safety Officer and the company doctors, e.g. during walk-throughs. If necessary, measures are initiated.

All employees must practise what to do in emergency situations at least once annually. This includes practising the escape route and meeting at the assembly point, being familiar with the fire safety regulations, and knowing the respective location's escape and rescue plan. In addition, if there are new employees or new work tools, safety training must first be provided before the activity is commenced, and the training must be repeated subsequently at regular intervals. The intervals for regular training are based on operational requirements and the likelihood of a risk occurring, but such training should be conducted at least once annually. Implementation must be documented.

At its German locations, NORD/LB is required by law to train five per cent of its staff in first aid and in extinguishing incipient fires. The assessment for 2017 revealed that 7.8 per cent of employees received training as first aid responders and 4.6 per cent as fire safety assistants (Germany only). The departments that did not meet or only partly met the ratios were required to train appropriate staff in 2017.

Occupational health and safety also encompasses issues such as possible violence against or threats to employees, especially if they are in direct contact with customers. The bank makes a distinction in this regard between preventive and reactive measures. The Group's preventive measures include providing appropriate training to employees who are likely to face potential threats because of their work responsibilities. Regular training sessions at the workplace are held in accordance with the German Statutory Accident Insurance Association (DGUV) Regulation 25 (German Accident Prevention Regulations (UVV)). If potential risks have been identified, direct training is given to the employees concerned by the Occupational Safety Officer, a representative of the police prevention centre and the manager. If an event occurs despite all the preventive measures, psychological follow-up care is provided by NORD/LB's employee and manager counselling service. This ensures that, depending on the specific circumstances, an expert counsellor is always available to the affected employee.

Statutory measures and additional measures are also applicable at the respective corporate locations for all employees there.

*Management approach for occupational health and safety: 103-3*

Occupational safety officers prepare an activity report (annually) and provide regular reports on their activities to NORD/LB's Health and Safety Committee (HSC). In addition, as part of the Governance / OpRisk/Compliance (GOC) report, a risk assessment is conducted at regular intervals and a report provided to the bank's Managing Board.

The evaluation of corporate health management is a continuous process. Illness rates are assessed on a regular basis and linked with action areas. If health issues arise, special counselling events are initiated by the personnel department and the specialist departments of the bank.

Reports covering these activities are also prepared. Feedback processes for managers also provide indicators for a health-sustaining management culture. The defined figures and current activities are recorded on a regular basis as part of CHM, submitted to the Managing Board and summarised in a separate health report. The health report thus provides written documentation of CHM activities, creates transparency for the company regarding the effectiveness of its CHM and offers employees and managers a good basis of knowledge for their daily work.

Due to increased employee requirements and despite its professional corporate health management, the illness rate (the rate of time missed due to illness) at the NORD/LB Group, at 5.3 per cent in 2017, did not fall (2016: 4.7 per cent).

*A: 403-1*

NORD/LB's Health and Safety Committee (HSC) is responsible for all issues concerning occupational safety and accident prevention at all domestic locations. The HSC represents the matters concerning the employees of the bank, including Braunschweigische Landessparkasse, Landesförderinstitut and Investitionsbank Sachsen-Anhalt. It normally meets four times a year and, in accordance with legal requirements, is comprised of the following members:

- One employer or company representative,
- Several Staff Council members,
- The chief company physician,
- Three occupational safety officers,
- Several safety officers.

Representatives of CHM, the Braunschweigische Landessparkasse, the Investitionsbank Sachsen-Anhalt and the Landesförderinstitut Mecklenburg-Vorpommern and the representative of severely disabled staff also participate in the HSC. Deutsche Hypo has a similar committee which also meets several times a year. The Health and Safety Committee's duties include, for example:

- dealing with fundamental issues and problems relating to occupational safety, accident prevention and ergonomics,
- making recommendations on the implementation of new regulations and laws,
- developing campaigns and actions for selected topics,
- dealing with the latest information from media reports on potential health risks and
- publishing internal safety information as and when required.

All occupational safety topics in the NORD/LB Group are also formally agreed with the staff representatives.

A: 403-2

**Table 12: Overview of days lost to sickness and accidents at work**

|   | 2015      | 2016      | 2017      |
|---|-----------|-----------|-----------|
| Accidents at work (number)  | 36        | 34        | 36        |
| of which male   | 17        | 19        | 17        |
| of which female   | 19        | 15        | 19        |
| Accidents at work (working days)  | 475       | 419       | 453       |
| of which male   | 153       | 208       | 93        |
| of which female   | 322       | 211       | 360       |
| Deaths due to accidents at work   | 0         | 0         | 0         |
| Days lost to sickness (working days)  | 71,458    | 69,231    | 77,788    |
| of which male   | 29,849    | 29,608    | 33,291    |
| of which female   | 41,609    | 39,623    | 44,497    |
| Planned working days  | 1,521,455 | 1,469,137 | 1,463,886 |
| of which male   | 792,160   | 765,897   | 765,615   |
| of which female   | 729,295   | 703,240   | 698,271   |
| Accidents at work as a percentage of headcount                                | 0.5%      | 0.5%      | 0.5%      |
| Accidents at work as a percentage of days lost to sickness                    | 0.6%      | 0.6%      | 0.5%      |
| Accidents at work as a percentage of planned working days                     | 0.0%      | 0.0%      | 0.0%      |
| Days lost to sickness as a percentage of planned working days (sickness rate) | 4.6%      | 4.7%      | 5.3%      |

Accidents that must be reported mainly involve commuting accidents, in other words accidents that occur on the way to work or the way home. Such accidents were mainly caused by weather conditions, such as bicycle accidents on icy pavements, pedestrians who have fallen over or slipped, and traffic accidents involving a car.

403-3

As employees of a financial services company, NORD/LB Group employees generally do not perform activities that can be categorised as especially dangerous or harmful or that involve specific health risks.

A: 403-4

The Group's locations are subject to legal provisions that involve a high level of protection. Among other things, the Group must observe the provisions of the Joint German Occupational Safety and Health Strategy (GDA) and campaigns conducted by the German Statutory Accident Insurance Association (DGUV) regarding the structuring of workstations and demographic change. In particular, occupational safety officers work to update risk assessments. The restructuring of computer workstations and the potential creation of safety zones is carried out in co-ordination with the representative of the Staff Council (co-determination rights). In accordance with statutory requirements, the HSC also includes staff representatives.

## Corporate Health Management

UNGC

*Management approach for occupational health and safety: 103-2*

Ensuring that all staff remain healthy and fit for work through qualitative corporate health management is an important aspect of the management approach to personnel work at the NORD/LB Group. CHM is overseen by the individual personnel departments on behalf of the Managing Board as the highest-ranking decision-making body at the NORD/LB Group.

CHM at NORD/LB supplements traditional occupational safety through the development of corporate objectives that promote health, by corresponding management behaviour and via other healthcare resources to firmly embed them in the structures of the bank. These can also involve changes in the work organisation (structures and procedures), the restructuring of work responsibilities or an improvement in communication structures.

NORD/LB's long-term CHM goals are set out in a mission statement. The focus of its activities are the promotion of healthy working conditions as well as strengthening staff and corporate health potential. The successful promotion of health at NORD/LB is characterised by meeting and implementing the following medium-term sub-goals:

- Health is considered to be an important criterion in the structuring and organisation of work.
- Staff have a high awareness of health and actively participate in improving their working conditions and in reducing stress.
- Managers are trained and perform their duties in a manner that promotes health as role models.
- NORD/LB analyses health risks and stresses systematically and comprehensively, and reports systematically on corporate health.

The active participation of employees is just as important for successful CHM as the credible commitment of managers, the Staff Council and the Works Council.

A targeted improvement in working conditions and the work organisation can improve the personal health behaviour of staff and solve or reduce health problems. The work and life quality of employees improves as a result of:

- fewer health complaints,
- increased work satisfaction, identification and commitment,
- improved well-being and a better quality of life,
- healthier behaviour at work and during free time and a
- better atmosphere at work.

The benefits for the bank are as follows:

- increased quality and productivity,
- decrease in absences, staff turnover and accidents,
- a lower sickness rate,
- increase in productivity and work satisfaction,
- productivity and
- increase in employer attractiveness (image).

In 2017, the NORD/LB Group made its proactive and preventive support tools more consistent with the help of a professional corporate health management system. CHM at NORD/LB, Deutsche Hypo and the former BLB is managed on the basis of general CHM standards. The legal framework based on the German Labour Protection Act (ArbSchG) and the Social Code also

requires implementation of various measures, such as workplace integration management and a mental health risk assessment.

One particular focus of CHM was the work situation analysis conducted on behalf of the Managing Board as a tool to help carry out the legally required mental health risk assessment (§ 5 ArbSchG). The risk assessment serves as a tool for analysing the effects and identifying and managing the resources available for health management. In this way, NORD/LB demonstrates its role as a responsible employer pursuant to the legal requirements.

Workplace Integration Management (WIM) is used for employees with longer illnesses, irrespective of the cause of the illness. As required under § 84, para. 2 of the Social Code, Book IX, all employees of NORD/LB who are unable to work as a result of an illness for longer than six weeks during a 12-month period (continuous or repeatedly) are offered the opportunity to participate in WIM, with the goal of overcoming their inability to work, making the return to the workplace easier and preventing a recurrence of the inability to work as far as possible. WIM includes all measures that help to prevent the inability to work or at least end it as soon as possible, on the one hand, and on the other help to ensure the workplace. For examples, employees who are ill and present a medical certificate can request that their employer reduce their working time for a limited period of time. Managers and employees are proactively informed about WIM. Guidelines for managers and a flyer for employees explain the basics of WIM and point out additional counselling options.

Beyond the legal requirements concerning occupational health and safety, NORD/LB offers all of its staff a range of advisory services. For example, company doctors also provide information on how to optimally organise workplaces and on preventive measures to counter false posture and vision problems. When furniture and computer equipment are purchased, the ergonomic features are taken into account. Furthermore, several Group locations have early defibrillation devices. Neutral external employee and manager counselling is available for all employees with work-related or psychosocial problems.

The NORD/LB Group has also increased its preventive and individual health-promotion offerings. The basic offering comprises:

- annual flu vaccinations,
- fitness classes focusing on the back,
- massage,
- business yoga to improve the handling of stressful situations,
- partnerships with fitness clubs in the region and
- health checks for staff and managers.

With the focus on healthy working conditions, managers at NORD/LB receive training from the date they assume their function. They are shown the WIM tools during a management workshop. There are also other specific seminars for managers, such as “Management and Health”.

In addition, informational material is provided as part of the WIM programme, with topics such as “Addiction”, “Dealing with Employees Suffering Mental Problems” and “Workplace Integration Management”. All employees can consult with social counselling experts at no charge if they experience personal or professional problems.

In addition, particularly to support implementation of reorganisation measures at the company, NORD/LB offers special seminars on topics such as “Staying Healthy During Change – Increasing Personal Strength in Periods of Change” and “Resilience – Finding Personal Sources of Strength”.

## Social commitment

A: 201-1

A: 203-1

A: 413-1

The regions where the institutions of the NORD/LB Group are located are not just a business location, they are also the home and living environment of its employees and many customers, and, not least, are an important source of new employees for the future. Banks also obtain many of the services that they use from the region.

For this reason, the institutions of the NORD/LB Group focus not only on supporting business and infrastructure, but also on supporting educational opportunities and social, scientific and cultural developments in their region. They are also financially involved in numerous social projects to help make the region attractive and worth living in:

- as a partner to the economy and municipalities,
- as a promoter of art, culture and science,
- as a supporter of social projects;
- as a donor, backer and sponsor and
- through the voluntary work of its staff.

The institutions of the NORD/LB Group focus on stability, continuity and reliability in their sponsorship activities, as in their business policies in general. The projects thus enabled are usually long-term in nature. In order to ensure a targeted support of selected projects, transparent funding principles have been adopted. Institutions and projects may be supported only if their funding application meets these principles. This approach also fulfils other principles, such as the Compliance Guidelines, the Code of Conduct and Ethical Principles, and the Rules of Corporate Governance.

Because of its business activities and the locations where the NORD/LB Group is active, no negative effects are expected on local communities, nor are there especially negative dependencies or groups that require protection.

**Table 13: Overview of donations (in €k)**

|                                | 2015         | 2016         | 2017         |
|--------------------------------|--------------|--------------|--------------|
| Social                         | 431          | 391          | 230          |
| Culture                        | 1,610        | 1,404        | 898          |
| Environment                    | 5            | 10           | –            |
| Sport                          | 363          | 315          | 386          |
| Research, business and science | 387          | 215          | 143          |
| Others (incl. bonus savings)   | 325          | 417          | 431          |
| <b>Total</b>                   | <b>3,120</b> | <b>2,751</b> | <b>2,088</b> |

## Culture

A: 201-1      A: 203-1

NORD/LB has a decades-long tradition as a sponsor of art and culture. This commitment has been taken over by the NORD/LB Culture Foundation, which was founded in November 2012. The purpose of the NORD/LB Culture Foundation is to provide financial and non-financial support for art and culture in areas where NORD/LB conducts its business. In 2017 a total of € 499,960 was awarded to 37 projects. The focus of this funding includes projects in the areas of contemporary art and music, such as exhibitions in Hanover's Wilhelm Busch Museum and the Kunstmuseum Moritzburg Halle (Saale) in Magdeburg. The Kunstfestspiele Hannover, the Kurt Weill Fest in Dessau and the Musik-Festspiele in Mecklenburg-Vorpommern are also among the Foundation's most important funding projects.

In 1994 NORD/LB set up the Braunschweigische Stiftung together with Öffentliche Versicherung Braunschweig, which is today one of the biggest sponsorship foundations in Lower Saxony. Its activities are centred on the region in and around the city of Braunschweig.

Since 1993, the former BLB's "Kontakte zur Kunst" (Contacts with Art) cultural programme has focused on exhibitions of contemporary international art in cooperation with museums in Bremen and Oldenburg. In 2017, the former BLB sponsored the following exhibitions of contemporary artists: Stefan Pfeiffer (at the Oldenburger Kunstverein), Michael Kienzer (at Gerhard-Marcks-Haus Bremen), Fernando Bryce (at Kunsthalle Bremen), and Sonia Boyce (at the Edith-Ruß-Haus für Medienkunst in Oldenburg). In addition, the bank also sponsored concerts and music theatre projects, including Theater Bremen and the Musikfest Bremen (Bremen music festival).

## Academics

A: 201-1      A: 203-1

NORD/LB has a social responsibility as a regional bank in Lower Saxony and Saxony-Anhalt and as the clearing house and central bank for the savings banks in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania. It fulfils this responsibility by providing financial and non-financial support for academic projects in its business region.

In its support for academics, NORD/LB focuses on the next generation of scholars and relies, in addition to awarding scholarships, in particular on the targeted sponsorship of individual academic projects in a number of different disciplines. NORD/LB also funds foundation professorships and sponsors the Hanover Center of Finance, while Braunschweigische Landessparkasse sponsors the Braunschweigischer Hochschulbund e.V. (Braunschweig association of universities).

In 2017 Deutsche Hypo also sponsored the Johann Georg Zimmermann Research Prize and the Johann Georg Zimmermann Medal. Both prizes are awarded annually for exceptional service in the field of cancer research. The award presentation ceremony was held in Hannover Medizinische Hochschule (Hanover school of medicine (MHH)).

## Social

A: 201-1      A: 203-1

In order to strengthen social cohesion, NORD/LB supports institutions and organisations involved in the education and training of disadvantaged children and young people as well as people with a difficult social background. The aim is to allow them to improve their living conditions. NORD/LB also supports numerous projects in information centres for disadvantaged people and people with special social difficulties.

Braunschweigische Landessparkasse underscored its commitment to funding social projects by establishing the Braunschweigische Sparkassenstiftung foundation in 2015. Last year the foundation fully deployed its promotional activities and has already realised its first own project, the first ever Braunschweiger Stiftungslauf (Branschweig Foundation Run). In addition, many generally smaller clubs and initiatives between Holmwind and Helmstedt have also been supported. Braunschweigische Sparkassenstiftung therefore makes an important contribution to promoting civil engagement and strengthening local communities.

Through Braunschweigische Landessparkasse, NORD/LB Group also performs the important task of educating children and young people about finance. One focal point is its cooperation with schools throughout the business region. For example, the “Planspiel Börse” (stock exchange business game) is offered to children every year to teach them how to manage money responsibly and introduce them to the world of the stock exchange. Primary schoolchildren play games to learn the first handling of money when young-customer coordinators visit the primary schools. Secondary schools are offered project days and lessons on money topics, which provide practical knowledge on issues such as opening a current account for the first time and pension schemes.

Braunschweigische Landessparkasse is also very interested in supporting creative business start-ups so that these young companies are successful. Since 2010, Braunschweig Zukunft GmbH and Braunschweigische Landessparkasse have therefore been inviting young entrepreneurs to submit their business idea and compete for the Braunschweig Founder Award, which is held every two years. “Inspirational business people” are sought here. Creative ideas and the courage to found a company were awarded again in 2016 with a € 10,000 prize. Besides monetary awards, the winners benefit from the consulting and coaching expertise of the Mittelstandsportaal (SME portal) corporate network.

One of the long-term focuses of the social commitment of the former BLB is providing assistance to children and young people in need. The following initiatives were supported as part of a wager on interest rates: the Hermann Hildebrand House, Kinderhospiz Jona (Jona Children’s Hospice), Aktion Hilfe für Kinder (Initiative to Aid Children), Förderverein Wildwasser (White Water Association), Verein Hilfe für krebskranke Kinder Vechta (Vechta Association to Help Children with Cancer) and Flugkraft – Fotoprojekte gegen Krebs (The Power of Flight – Photo Project against Cancer). BLB also supported the migrant job initiative pro:connect and the START Stiftung gGmbH with a scholarship for a student from a migrant background.

## Politics

A: 415-1

NORD/LB is actively involved in the development of a binding and transparent regulatory framework for the financial services sector. To that end, its representatives work in various associations, including the German Global Compact Network, the Finance Initiative UNEP FI, the Association for Environmental Management and Sustainability in Financial Institutions, the German Association of Savings Banks and Girobanks, and the Association of German Public Sector Banks.

The NORD/LB Group’s guidelines do not permit contributions to political parties or organisations with links to political parties.

# Banking operations

## Use of resources

### Emissions

“Emissions” has been identified as a material topic during the materiality analysis.

UNGC

Management approach for emissions: 103-1

Climate change is one of the greatest challenges of our time, with a tangible impact across the world. One of the main causes of climate change is the emission of greenhouse gases.

Given the substantial negative impact as well as current global developments – including a shortage of water and resources, deforestation and threats to biodiversity – businesses and society must contribute to the conservation of the natural environment. It is with this in mind that the NORD/LB Group has for years been involved in issues related to climate and environmental protection.

Given the global significance of this issue, there are no boundaries. It is relevant for all stakeholders and also of particular significance socially and politically.

Management approach for emissions: 103-2

The only greenhouse gas emitted by the NORD/LB Group in substantial quantities as a result of its business activities is CO<sub>2</sub>. Because CO<sub>2</sub> emissions, and efforts to reduce them, are key factors in climate change, NORD/LB focuses on reducing its direct and indirect emissions of CO<sub>2</sub>. For example, as part of the Group sustainability strategy, protection of the environment was defined as a key area with the goal of improving the Group’s environmental efficiency by reducing its consumption of resources, decreasing its consumption of energy and cutting emissions, and in this way helping to reduce global CO<sub>2</sub> emissions.

The significance of this issue can be seen in the management of the indirect environmental consequences of business activities and in corporate environmental protection.

102-11

NORD/LB addresses indirect environmental consequences in its Guideline on Climate Change. In addition, other guidelines have been issued which address the implicit environmental consequences of certain project investment initiatives. These include the Guideline on ESG Requirements for Project Financing, the Guideline for the Responsible Use of Non-Renewable Resources and the Guideline for Hydroelectric Power. In its business activities, the NORD/LB Group takes account of the precautionary approach in line with Principle 15 of the Rio Declaration on Environment and Development. As a company active in the financial services industry, however, the NORD/LB Group estimates that the risk that its own direct business activities could directly contribute to irreversible environmental damage is low.

In terms of its direct emissions, the NORD/LB Group views the continuous reduction of the company’s CO<sub>2</sub> emissions as essential in view of climate change. In order to improve the bank’s environmental performance, NORD/LB has set up an environmental management system based on the ISO 14001 international standard. The bank’s use of resources is generally limited due to its activities as a service provider as opposed to a manufacturer. However, the NORD/LB Group employs more than 6,000 people in offices which are heated, powered with electricity and supplied with drinking water, and which are also equipped with IT hardware and office equipment. In addition, the activities of the NORD/LB Group require mobility on the part of the

Group's employees so that they can perform one of the key services of a financial services company, advising customers.

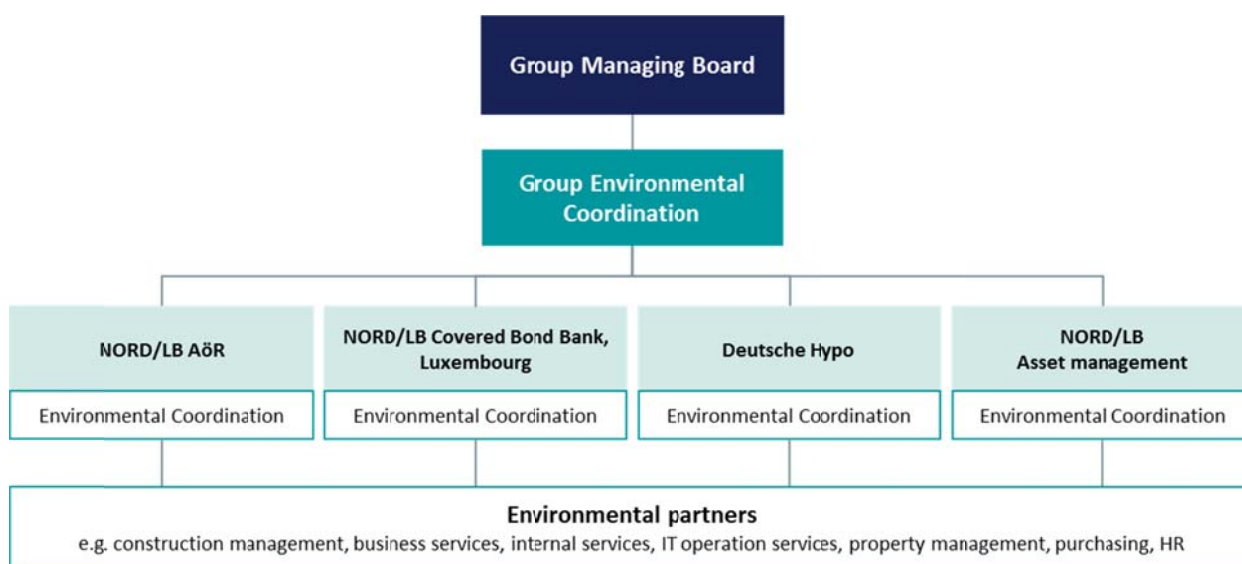
In the search for potential energy savings, the Group also focuses on its buildings. In recent years, external planning and consultancy firms have been used many times, and savings measures have been introduced in the area of building installations, underground car parks, heating, lighting and air conditioning. Measures have also been implemented on the basis of the energy audit conducted in 2015.

Subsidiaries are included in NORD/LB's corporate environmental management as part of its coordinated Group activities. The environmental management team also welcomes feedback and initiates improvements.

*Management approach for emissions: 103-3*

As part of its environmental management system, the Group manages, records and evaluates all aspects of operational environmental protection, including purchasing management, the construction of buildings and the design of workstations, facility and mobility management, and waste management. This means that several items of the Group's environmental balance can benefit simultaneously from the measures taken.

**Figure 13: Environmental management system**



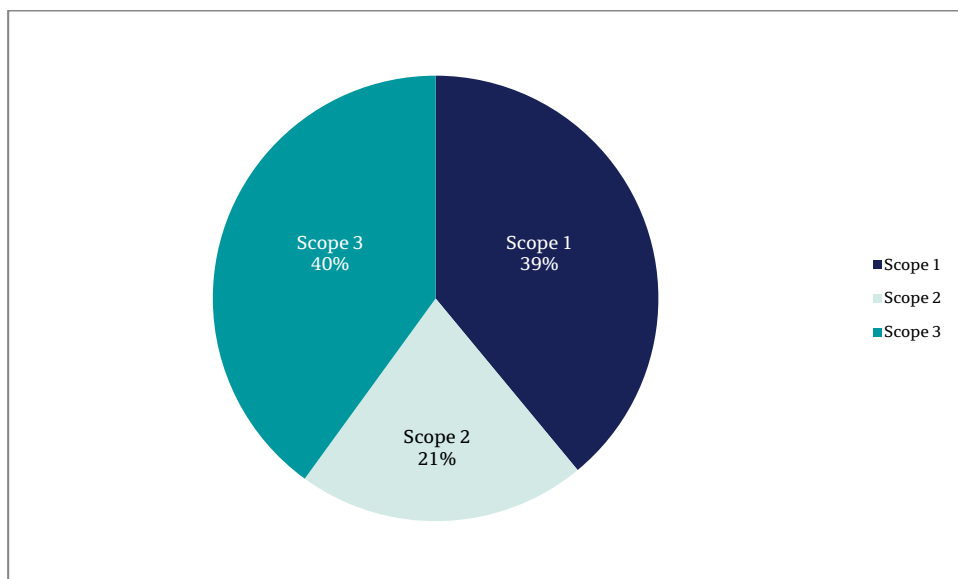
In order to analyse and manage its emissions, each year the NORD/LB Group calculates its consumption and greenhouse gas emissions (GHG) in accordance with the method specified in the Greenhouse Gas Protocol. The figures are divided into three areas of emission, known as scopes:

- Scope 1 comprises direct emissions of CO<sub>2</sub>. At NORD/LB locations, these emissions stem from the use of fossil fuels and the operation of the bank's fleet of vehicles.
- Scope 2 relates to indirect CO<sub>2</sub> emissions caused by the production of energy by the bank's suppliers, which the bank purchases in the form of electricity, district heating and natural gas.
- Scope 3 includes all other CO<sub>2</sub> emissions caused along the value chain by the bank's business operations, such as business trips by taxi, rail, aeroplane or hire car, as well as the consumption of paper and water, and the production of waste.

The NORD/LB Group bases the calculation and presentation of its figures on current VfU indicators (as at November 2015), the standard of the Verein für Umweltmanagement und Nachhaltig-

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

Figure 14: Relevance of GHG emissions, scope 1-3



88.9 per cent of CO<sub>2</sub> emissions are caused by the consumption of energy (heat and electricity) as well as business trips with the bank's own fleet of vehicles or via hire car, rail or aeroplane.

305-1

A: 305-2

A: 305-3

A: 305-4

A: 305-5

A: 305-6

A: 305-7

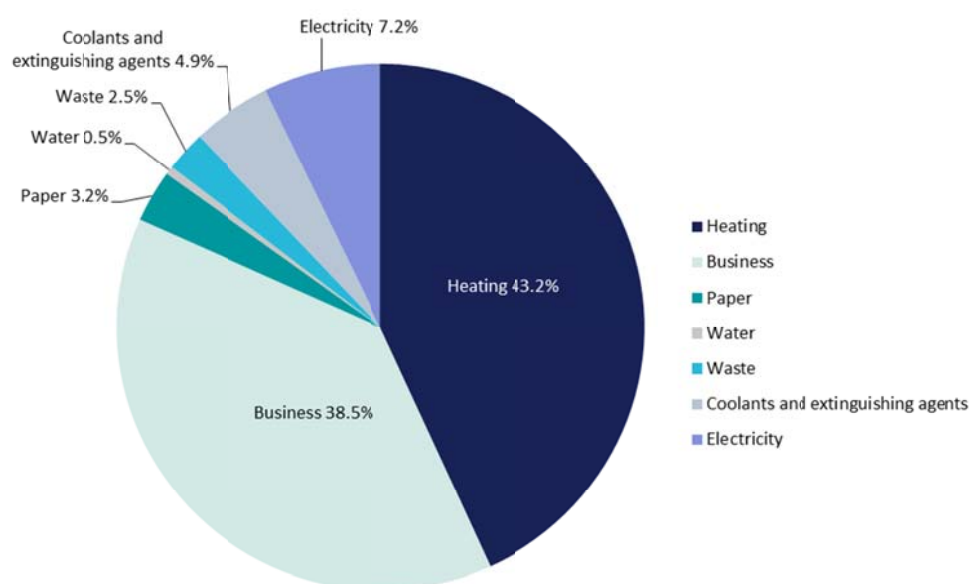
**Table 14: Greenhouse gas emissions using the Greenhouse Gas Protocol method**

| (in t CO <sub>2-e</sub> )                           | 2015   | 2016  | 2017   |
|---|--------|-------|--------|
| <b>Scope 1: Direct CO<sub>2-e</sub> emissions</b>   |        |       |        |
| Natural gas   | 1,408  | 1,349 | 1,756  |
| Heating oil <sup>3</sup>                            | 17     | 23    | 19     |
| Fuels (emergency power)                             | 22     | 13    | 0      |
| Petrol (service vehicles)                           | 45     | 50    | 120    |
| Diesel (service vehicles)                           | 1,792  | 1,758 | 1,556  |
| Refrigerant leakage                                 | 434    | 223   | 499    |
| Scope 1 subtotal                                    | 3,718  | 3,416 | 3,950  |
| <b>Scope 2: Indirect CO<sub>2-e</sub> emissions</b> |        |       |        |
| District heating                                    | 1,517  | 1,699 | 1,667  |
| Electricity   | 2,431  | 341   | 482    |
| Scope 2 subtotal                                    | 3,948  | 2,043 | 2,149  |
| <b>Scope 3: Indirect CO<sub>2-e</sub> emissions</b> |        |       |        |
| Electricity   | 422    | 297   | 257    |
| Heating   | 846    | 880   | 987    |
| Travel (e.g. business travel) and transportation    | 2,220  | 2,275 | 2,268  |
| Paper   | 347    | 350   | 331    |
| Water   | 55     | 54    | 51     |
| Waste   | 372    | 344   | 259    |
| Scope 3 subtotal                                    | 4,262  | 4,200 | 4,153  |
| Total   | 11,927 | 9,658 | 10,251 |
| Relative per employee (in kg)                       | 1,954  | 1,567 | 1,661  |

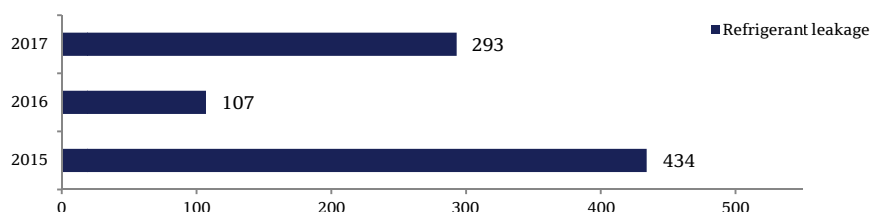
CO<sub>2</sub> has been included in the calculation of CO<sub>2-e</sub>. CH<sub>4</sub>, N<sub>2</sub>O, HFC, PCF, SF<sub>6</sub> and NF<sub>3</sub> and any biogenic CO<sub>2</sub> emissions have not been calculated separately. No information can be provided about 305-1e/f.

NORD/LB provides figures for the last three years in all cases. Over the past three years, the NORD/LB Group's CO<sub>2-e</sub> emissions have fallen by a total of around 14 per cent from 11,927 t to 10,251 t.

<sup>3</sup> as of 2017, emergency power from heating oil

**Figure 15: CO<sub>2</sub> emissions in 2017 – broken down by source of emissions**

At NORD/LB, including the Braunschweigische Landessparkasse, Deutsche Hypo, NORD/LB Luxembourg and the locations in Bremen and Oldenburg, the energy consumed mainly comes from renewable sources (hydroelectric power), so the share of emissions from electricity is very low.

**Figure 16: Emissions of ozone-depleting substances / loss of coolants (in kg)**

Refrigerant losses of 293 kg during the 2017 reporting year were caused by the replacement of a refrigerant, among other factors.

## Energy

UNGC

A: 302-1

A: 302-2

A: 302-3

A: 302-4

A: 302-5

The companies of the NORD/LB Group are reliant on energy in order to carry out their business activities. The forms of energy consumed include natural gas, heating oil, electricity and district heating as well as petrol and diesel for the bank's fleet of vehicles.

At 9,111 t CO<sub>2</sub>, the consumption of energy and business travel made up nearly 89 per cent of total emissions during the reporting year and were thus the largest sources of emissions. The impact represents the largest individual item in all three scopes.

There was also once again a focus on the energy efficiency of the heating of and supply of energy to buildings.

In addition, system equipment was modified and lighting converted to LED technology (including lighting in exterior advertising) as part of investment measures.

**Table 15: Direct energy consumption by primary energy source**

| (in GJ)                                    | 2015   | 2016   | 2017   |
|--|--------|--------|--------|
| Natural gas                                | 25,562 | 24,496 | 31,891 |
| Heating oil                                | 212    | 296    | 243    |
| Fuels (petrol, diesel) for emergency power | 275    | 159    | 5      |
| Petrol consumption for vehicles            | 607    | 677    | 1,391  |
| Diesel consumption for vehicles            | 23,805 | 23,351 | 20,676 |
| Total                                      | 50,461 | 48,979 | 54,206 |

Direct energy consumption increased by 10.7 per cent to 54,206 GJ during the reporting year.

**Table 16: Indirect energy consumption by primary energy source**

| (in GJ)                             | 2015    | 2016    | 2017    |
|-------------------------------------|---------|---------|---------|
| Electricity                         | 88,753  | 82,588  | 82,913  |
| of which from renewable sources     | 69,162  | 74,318  | 74,404  |
| of which from non-renewable sources | 19,591  | 8,270   | 8,509   |
| District heating                    | 54,410  | 61,439  | 58,465  |
| of which from renewable sources     |         | 1,833   | 1,831   |
| of which from non-renewable sources |         | 59,606  | 56,634  |
| Total                               | 143,163 | 144,027 | 141,378 |

Indirect energy consumption fell by 1.8 per cent to 141,378 GJ.

Total energy consumption increased year-on-year by 1.3 per cent to 195,584 GJ.

In Q3 2016, BLB occupied its new building, which is powered with natural gas. In November 2014, Deutsche Hypo also moved into a new building, which has received platinum certification.

Further energy-saving measures have also been implemented in recent years.

For example, all PCs and notebooks have been replaced with energy-efficient devices as part of a hardware replacement measure. Most workstations now have thin clients. The switch to thin clients alone resulted in a saving of 1,780,629 kWh. Printers and monitors have also been replaced. In many departments, standalone devices, fax machines and copiers have been replaced with multifunction devices. By default, printers print in black and white on both sides of the page, and any fax machines that are still in use do not automatically print logs and sent notifications. Devices automatically switch to standby mode shortly after they are used.

Further savings have been realised by discontinuing the use of 188 physical servers as part of a server virtualisation programme (with the parallel operation of various server systems on a physical computer through the use of software and hardware technologies). The current ratio of physical servers to virtual servers is 30:70. The migration of applications to data centres operated by service providers also contributed to this result.

Overall, electricity consumption in 2017 fell by around 1.8 per cent to 22,522,483 kWh, and heating energy consumption for company buildings rose in 2017 by 7.2 per cent to 25,167,787 kWh.

In addition, photovoltaic systems at the Bremen and Luxembourg locations produce in-house electricity, and in Hanover a solar thermal system helps to heat water in the kitchen.

## Paper and water

UNGC

A: 301-1

A: 301-2

A: 303-1

As service providers, the companies of the NORD/LB Group do not rely on the use of raw materials and supplies. In addition, they do not produce any products that must be packed. However, the Group, like other companies, does rely on various consumables. In this respect, paper is the largest individual item, and reducing the consumption of paper remains a significant challenge.

During the reporting period, paper consumption made up about 3.2 per cent of total emissions; the impact is in scope 3.

The share of recycled paper was around 9 per cent. With regard to virgin fibre paper, most of the printer and copier paper used by the bank is paper from sustainably-managed forests with the Forest Stewardship Council (FSC) seal.

At BLB, CO<sub>2</sub> emissions are also avoided by sending parcels and packages via the GoGreen service offered by Deutsche Post DHL.

**Table 17: Materials used by weight or volume and share of recycled materials**

|  | 2015 | 2016 | 2017 |
|--|------|------|------|
| Paper consumption (in t)                       | 305  | 299  | 282  |
| of which recycled paper                        | 40   | 33   | 24   |
| of which virgin fibre paper (ECF and TCF)      | 265  | 265  | 258  |
| of which virgin fibre paper, chlorine bleached | 0    | 0    | 0    |
| Percentage of paper with sustainability label  | 82%  | 80%  | 78%  |
| Paper consumption per employee (in kg)         | 49   | 48   | 46   |

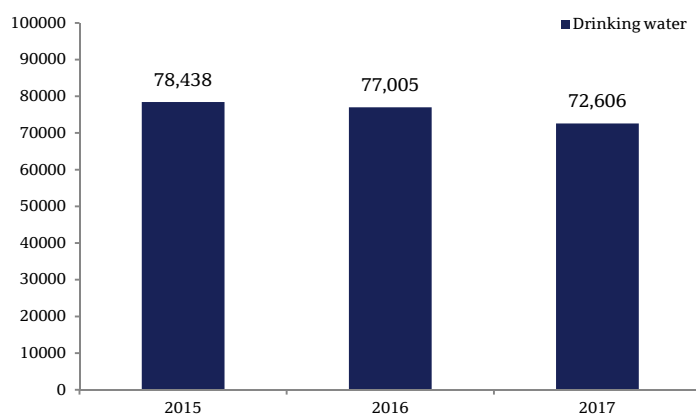
Paper consumption fell by 5.7 per cent year-on-year to 282 t.

A: 306-1

The NORD/LB Group primarily obtains drinking water for its locations in Germany and abroad from regional utility companies. The water for the location in Hanover, for example, is obtained from waterworks to the north and south of the city (Elze-Berkhof, Fuhrberg, Grasdorf) as well as from reservoirs in the Harz. In Braunschweig, drinking water is primarily obtained from the Ecker and Grane reservoirs in the Harz. The offices in Bremen obtain their water from the Wildeshausen, Liebenau and Schneeren waterworks. The drinking water of the city of Oldenburg is obtained from the Donnerschwee, Alexandersfeld and Sandkrug waterworks. The foreign branch in Luxembourg obtains its drinking water from the Esch-Sauer reservoir.

Water consumption fell by 5.7 per cent year-on-year to 72,606 m<sup>3</sup>.

The amount of waste water corresponds to the specified water consumption of 72,606 m<sup>3</sup>. It mainly relates to drinking water consumed in kitchen areas and sanitary facilities. In compliance with statutory requirements, waste water is fed into the municipal sewage system and treated there.

**Figure 17: Total water consumption (in m<sup>3</sup>)**

## Waste

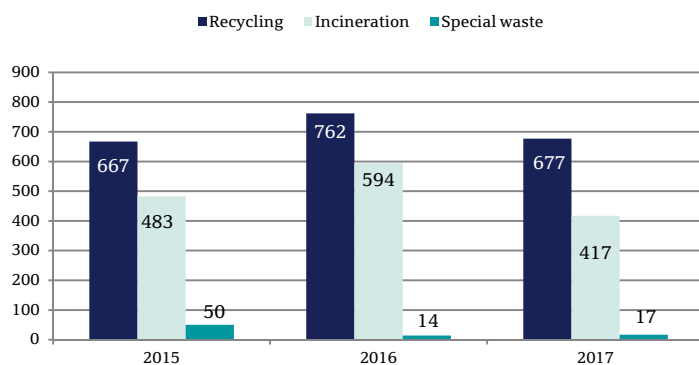
UNGC  
A: 306-2

As a general rule, all employees are required to use materials sparingly and to sort all waste consistently. Paper is disposed of via waste paper and data protection containers. Documents that contain sensitive data are destroyed in accordance with the German Federal Data Protection Act. In addition, bins for biowaste, packaging and residual waste have been placed at central points in NORD/LB's locations in Germany.

Recyclable materials are recycled as far as possible. Overall, the NORD/LB Group has achieved a recycling rate of around 61 per cent. Special waste is disposed of by waste management companies via the legally prescribed methods. Toner cartridges are returned via manufacturer recycling programmes and reused.

During the reporting period, waste made up about 2.5 per cent of total emissions; the impact is in scope 3.

The total amount of waste fell year-on-year by 18.9 per cent (259 t) to 1,111 t.

**Figure 18: Total weight of waste by type and disposal method (in t)**

## Mobility

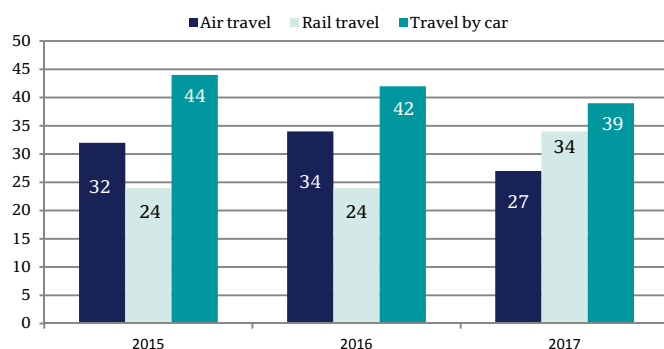
UNGC

At 3,944 t CO<sub>2-e</sub>, mobility accounted for around 38.5 per cent of total emissions during the reporting year and is thus the second largest source of emissions. The effects are in scopes 1 and 3.

The banking sector is very reliant on personal contact with its customers and consultation among staff. Business travel is therefore a key factor in the area of transport. NORD/LB's staff are required, first, to choose the most economical form of transport and second, to take into account environmental considerations in their travel planning and arrangements. For example, the bank's policy for travel expenses states that rail travel is generally preferred over the use of a car or air travel. However, the bank's presence across the region means that the car is still the most frequently used form of transport. The objective is also to limit travel by air and car to the bare minimum by boosting staff awareness and further increasing the use of technological alternatives such as telephone and video conferences.

The extent of business travel in 2017 increased by 4.9 per cent to 24,433,790 km compared with the previous year. While trips by train rose by around 46.2 per cent to 8,319,559 km, air travel fell by about 16.9 per cent to 6,498,482 km and business travel by car decreased by about 1.8 per cent to 9,615,749 km. Accounting for approximately 39.4 per cent, business trips by car continue to make up the largest share of total travel, followed by rail travel at 34 per cent and air travel at 26.6 per cent.

Figure 19: Overview of the methods used to transport staff (rounded in per cent)



Daily commuting to and from work by its employees is another potential area where the NORD/LB Group can reduce or avoid emissions. For this reason, the NORD/LB Group provides its employees at its major locations in Hanover, Bremen, Oldenburg and Braunschweig with the opportunity to acquire season tickets so that they can travel by public transport in order to reduce the environmental impact as much as possible. In 2017, some 2,400 employees of the NORD/LB Group (2016: 2,428) took advantage of this offer.

## Environmental footprint

The NORD/LB Group's CO<sub>2</sub> emissions fell by 6.1 per cent year-on-year to 10,251 t in 2017.

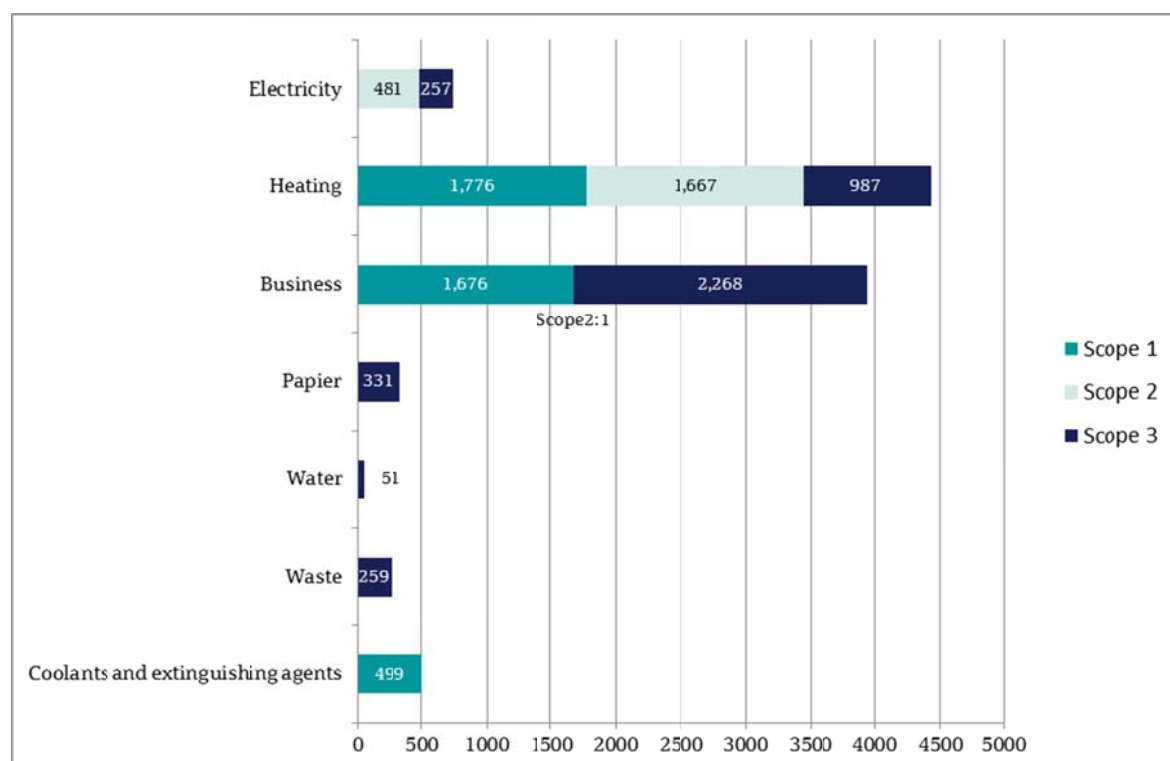
The largest individual items here are business travel (38.5 per cent) and the consumption of heating energy (43.2 per cent). Because of the overwhelming use of green energy, the share of total emissions is very small at 7.2 per cent.

At 4,153 t, most emissions are in scope 3 (40.5 per cent), with most caused by the consumption of energy and business travel.

At 3,950 t, or 38.5 per cent, scope 1, which includes emissions caused by refrigerant losses in addition to heating energy and the bank's own fleet of vehicles, has about the same amount of emissions. In third place is scope 2, at 21 per cent, or 2,149 t of emissions, with more than 75 per cent of these emissions from the procurement of heating energy and 22.4 per cent from the procurement of electricity.

At 259 t (2.5 per cent), waste accounts for as small a share of emissions as paper consumption, at 3.2 per cent (331 t). The smallest share is water consumption, at 51 t or 0.5 per cent.

Figure 20: Environmental footprint



## Supplier management

### Supplier relationships

UNGC  
102-9

A: 204-1

A: 308-2

A: 414-2

The institutions of the NORD/LB Group are service companies. Their core business is the brokering of, providing advice on and selling of banking products. For this reason, banks are not affected by the traditional supply chain risks of manufacturing companies, such as risks associated with the supply of raw materials and supplies.

Nevertheless, the institutions of the NORD/LB Group are reliant on the supply of goods and services, and on their providers, in order to conduct and maintain their business. The following goods and services are bought:

- Software and IT components
- Building and office equipment
- Consumables and forms
- Electricity, heating and water
- Food for the staff restaurant
- Other technology
- Manpower

Long-term business relationships are established with service providers and suppliers. Due to environmental reasons and as a contribution to the regional economy, the institutions of the NORD/LB Group always invite local and regional suppliers to tender for contracts to supply goods and services.

102-10

There were no significant changes during the reporting period regarding the size or structure of the institutions of the NORD/LB Group. NORD/LB'S acquisition of the shares of BLB in the reporting period and the full merger as at 1 September 2017 did not have any effect on the locations or the relationships with suppliers. In addition, procurement processes continued to be managed separately during the reporting period; they were switched to the NORD/LB process as at 1 February 2018. There have been no changes in the locations, suppliers and service providers, nor in the structure of the supply chain or in the choice of main suppliers and service providers.

A: 414-2

There were no significant negative environmental or social effects, real or potential, with respect to the supply chain, and based on the bank's business activities none are expected. Separate assessments are not planned.

### Procurement process

UNGC

A: 308-1

A: 414-1

The procurement process in the NORD/LB Group is currently decentralised and therefore managed in the individual subsidiaries.

The procurement process for NORD/LB (and BLB) is broken down into centralised and decentralised purchasing. The procurement process is set out in corresponding working instructions. Decentralised purchasing is primarily conducted via electronic catalogues and procedures, and is generally limited to means of travel (via a travel agency), approved office materials, forms, advertising materials (via a contract partner) and small-value transactions. Centralised purchasing is performed by organisational units that have been specifically entrusted with pro-

curement management/purchasing activities. This combination of centralised and decentralised activities not only promotes a needs-based and economical purchasing process, it also ensures that all new service providers and suppliers are selected in accordance with the corporate and sustainability principles of both institutions, and that proof of this can be provided. These requirements include meeting criteria for environmental protection, human rights and labour practices.

At the end of 2013, NORD/LB added sustainability-oriented office items to its electronic catalogue for its locations in Germany in order to highlight environmentally friendly and fairly produced products. The former BLB's electronic catalogues since 2010 include products with special environmental labelling. This means that employees can select sustainable, environmentally friendly products.

All procurement processes at NORD/LB also take account of and comply with the following overriding documents, to which the working instructions make explicit reference:

- Fraud Prevention Policy
- Code of Conduct and Ethical Principles
- Sustainability Principles
- Guideline on Human Rights and Labour Standards
- Data Protection Policy

The procedures for awarding and obtaining tenders are precisely defined based on the volume of the order. Requests for quotes are made when the volume exceeds a predefined limit. When drawing up contracts, the bank uses standard and master contracts. Contracts that differ from standard contracts are examined by the Legal Department. Special requirements regarding money laundering prevention also prescribe separate integrity checks when annual order volumes exceed a predefined amount.

Due to their size, Deutsche Hypo and NORD/LB CBB procure considerably fewer products and services. The responsibilities for procurement are governed by corresponding purchasing guidelines. Similar to the procedures at NORD/LB (and BLB), Deutsche Hypo and NORD/LB CBB obtain multiple offers and issue requests for tenders when the volume is above a certain amount. Deutsche Hypo's purchasing guidelines and NORD/LB CBB's framework agreements explicitly refer to the ten principles of the UN Global Compact.

## Additional contractual provisions and checks

UNGC

A: 308-1

A: 407-1

A: 408-1

A: 409-1

A: 414-2

The selection of service providers and suppliers takes into account not only economic questions but also environmental and social issues.

NORD/LB, BLB (until September, and then NORD/LB), NORD/LB CBB and Deutsche Hypo have issued the "Guideline on Human Rights and Labour Standards", according to which they undertake to apply the principles one to six of the UN Global Compact for 100 per cent of their employees. This is equally expected of service providers and suppliers.

At NORD/LB, the provision of IT hardware and the related components and software is governed by service agreements and is therefore not subject to the procurement process. Of the products that are supplied, IT hardware has the greatest potential impact with respect to the violation of human rights. At the same time, the use of IT components is essential for the banking sector. For this reason, NORD/LB sets requirements for its IT service providers in terms of compliance with anti-corruption and sustainability regulations by including an annex in the framework agreement; the provisions covering sustainability include the ten internationally recognised princi-

ples of the UN Global Compact. At Deutsche Hypo, the purchasing guidelines apply and at NORD/LB CBB the framework agreements, both of which refer to the UN Global Compact.

In addition, all other contracts prepared by NORD/LB, the former BLB and NORD/LB CBB, depending on the subject matter of the contract, are accompanied by or include additional contractual provisions that regulate, among other things, environmental and social aspects.

All “General Framework Conditions” include a comprehensive sustainability clause, which also lists the ten internationally recognised principles of the UN Global Compact and imposes on the service providers and suppliers the contractual obligation to comply with these. All institutions of the NORD/LB Group also have a zero-tolerance policy regarding corruption and bribery, and expect this from their service providers and suppliers too.

All general terms and conditions or contracts that relate to activities performed by people in NORD/LB, BLB and NORD/LB CBB also include a supplemental contractual clause under which the contractor undertakes to pay at least the minimum wage defined by law or collective agreement. Relevant contracts concerning the awarding of services in the low-wage sector were recently tendered and corresponding contractual provisions were included in the agreements (cleaning, security, personnel services). The client must ensure that all environmental, social and ethical requirements specified are also met by its suppliers and service providers. In the event of any breach of the Sustainability Clause, NORD/LB and the former BLB reserve the right to extraordinarily terminate the contract. They are also entitled to demand corresponding proof from their service providers and suppliers.

The service providers and suppliers of the NORD/LB Group are not exposed to any specific physical risks due to the Group’s activities as a service company. As most of the NORD/LB Group’s locations are in Germany, a high level of legal protection is in any case applicable. This includes both the legal provisions regarding occupational and health safety issues and compliance with human rights and the prohibition of child and forced labour.

We are not aware of any complaints concerning labour practices and inhumane employment, any information on actual and/or potential negative environmental or social impact, or any cases of discrimination or corruption in connection with the supply chain of NORD/LB and its subsidiaries.

A: 308-2      A: 407-1      A: 408-1      A: 409-1      A: 414-1      A: 414-2

From the bank’s perspective, additional measures related to disclosures 308-2, 407-1, 408-1, 409-1, 414-1 and 414-2 were not required, in part because of the locations and the bank’s activities.

# GRI Content Index

102-55

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In addition to compliance with the disclosures reported in full in connection with the GRI standards: core option, NORD/LB also publishes selected additional information about individual disclosures. In the text, these have been marked with an “A” (e.g. “A: 102-17”)

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