

Strategic Action.

Sustainability Report 2016

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Message from the Chairman of the Managing Board of NORD/LB

G4-1

Sustainability, or corporate social responsibility, means continuing to conduct business for the benefit of customers, employees and society even when times are tough. The global shipping crisis intensified dramatically again in 2016. NORD/LB responded with another massive new allocation to risk provisioning for ship finance. That is particularly true for our subsidiary Bremer Landesbank, which we have meanwhile fully acquired and will completely merge with NORD/LB in 2017.

But NORD/LB is comprised of more than just ship financing. All other business segments are performing in a sustainably profitable manner. The segments Energy and Infrastructure, with a particular focus on renewable energies, are especially worth mentioning in this regard. The segments Commercial Properties, Corporate Customers as well as Private and Commercial Customers are performing well, too. We are working hard on what is right in front of us, while actively shaping a sustainable, solid future and looking ahead with optimism. This report will provide you more information in that regard and show how we integrate environmental and social criteria into everything that we do.

As part of our stakeholder dialogue, it was our pleasure to host a particularly special event: the CSR Strategy Forum in August 2016. NORD/LB partnered together with CSR Arena Hannover and imug Beratungsgesellschaft für sozial ökologische Innovationen mbH to welcome more than 70 guests from commercial banks, savings banks, companies, universities and associations, who came together to learn about the latest trends in sustainability reporting and to build new networks.

This report is based on the G4 guidelines of the Global Reporting Initiative. In addition, it also contains a progress report in accordance with the requirements of the UN Global Compact.

I am pleased to see that you are interested in NORD/LB's activities related to sustainability, and wish you informative reading.

Yours faithfully

A handwritten signature in blue ink, appearing to be 'T. Bürkle', with a long horizontal line extending to the right.

Thomas Bürkle
Chairman of the Managing Board

Declaration concerning the report

G4-3 G4-5 G4-17 G4-28 G4-29 G4-30 G4-32 G4-33

NORD/LB Norddeutsche Landesbank – Girozentrale – based in Hanover, Brunswick and Magdeburg (hereafter “NORD/LB” or the “bank”) 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.

NORD/LB has prepared this report based on the guidelines of the Global Reporting Initiative (GRI) in the GRI G4 version in accordance with the “Core” reporting option, including the sector-specific requirements of the Financial Services Sector Disclosures. The Managing Board of NORD/LB approved the report at its meeting on 11 July 2017. It was not audited externally.

The report covers the 2016 reporting period and updates the report for 2015. It is published annually. In addition, it also contains a progress report in accordance with the requirements of the UN Global Compact. Unless specified otherwise, the figures contained herein relate to the financial years 2014, 2015 and 2016 (1 January until 31 December).

NORD/LB publishes its financial figures every year in consolidated financial statements prepared in accordance with the provisions of 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. The term “NORD/LB Group” refers to NORD/LB including the Group companies included in the IFRS consolidated financial statements. For further information, please refer to the financial reporting (IFRS).

In order to improve the comparability of NORD/LB and the other Group companies, all key figures were determined based on IFRS accounting principles.

The IFRS consolidated financial statements do not include Investitionsbank Sachsen-Anhalt and Landesförderinstitut Mecklenburg-Vorpommern. The business of these two enti-

ties is not conducted in the name of or on behalf 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.

In order to make the report easier to read, only the male form is used. 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 on 31 December 2016, the NORD/LB Group employed 6,427 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 envy. (Association for Environmental Management and Sustainability in Financial Institutions, VfU).

The personnel figures of NORD/LB and the 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.

The following changes occurred during the reporting period: The environmental key figures presented in the banking operations section of the report correspond to the values of

the respective financial years for the NORD/LB Group's locations in Germany. The foreign branches are no longer taken into account since 2016. The figures for 2015 were restated

accordingly. The environmental key figures for 2015 and 2016 cover at least 90 per cent of the employees of the NORD/LB Group.

Materiality analysis

G4-18 G4-19 G4-20 G4-21 G4-22 G4-23 G4-24 G4-25 G4-26 G4-27

The materiality analysis is an integral part of the GRI guidelines in the G4 standard.

NORD/LB applied these guidelines for the first time in the 2015 reporting year, and for this reason conducted a materiality analysis in the period between November 2015 and January 2016. The materiality analysis remains valid for the 2016 reporting year.

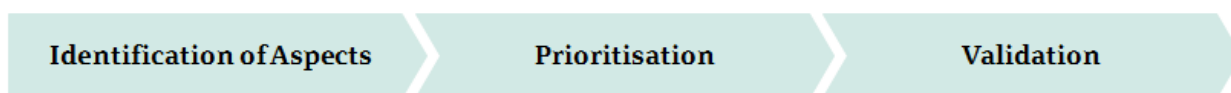
The aim of this materiality analysis is to identify, prioritise and validate the key issues (hereafter “aspects”), including their economic, so-

cial and environmental implications or their impact on the assessments and decisions of stakeholders.

In conducting the materiality analysis, NORD/LB applied the following principles of the GRI Guidelines:

- Stakeholder inclusiveness
- Materiality
- Sustainability context
- Completeness

Chart 1: Steps of the materiality analysis



The stakeholders

G4-24 G4-25 G4-26

NORD/LB considers its stakeholders to be all persons and organisations directly or indirectly affected by its business activities or able to influence its business performance.

NORD/LB believes that stakeholders have a wide-ranging interest in the bank, be it a gen-

eral 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.

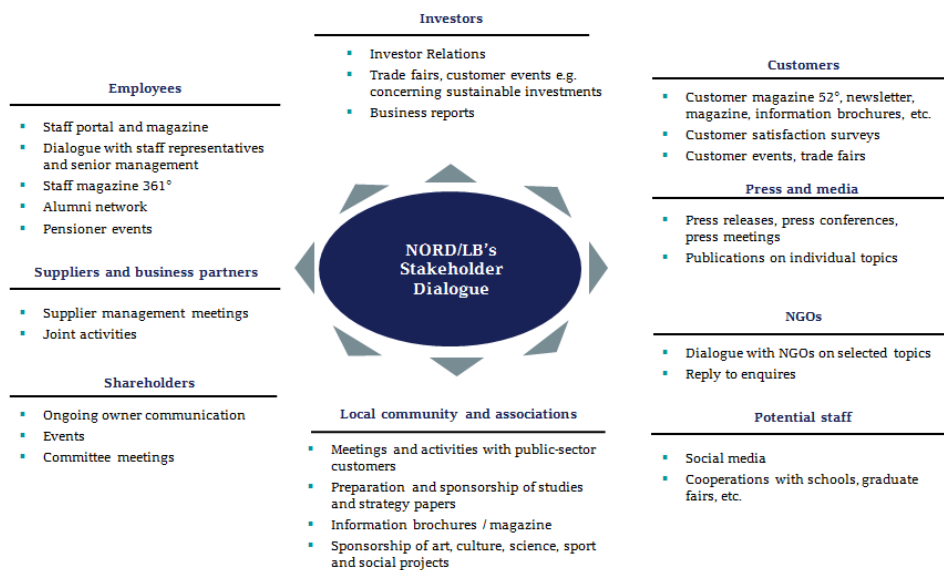
Stakeholder dialogue

G4-27 G4-37

Businesses should recognise the requirements of their interest groups early on so that they can react appropriately and quickly to these expectations. Systematically addressing stakeholder needs is essential for NORD/LB in order to achieve its long-term corporate success. NORD/LB therefore uses established discussion formats with the various social groups to exchange views on sustainability issues and obtain ideas for its own corporate social responsibility (CSR)-oriented actions and further development. NORD/LB and its subsidiaries have been in contact with sustainability rating agencies for many years and support them actively with their sustainability ratings. In

2013, the Managing Boards of NORD/LB and Bremer Landesbank therefore adopted and implemented a guideline for dealing with interest groups in order to achieve open and substantively consistent communication with their stakeholders concerning sustainability trends. This guideline also aims to strengthen their own position as companies that are aware of their responsibility towards society and the environment. Further stakeholder dialogues and the obligations entered into relating to the UN Global Compact (UNGC), the UNEP Finance Initiative (UNEP FI) and this extensive Sustainability Report are also consequences of the dialogue with stakeholders.

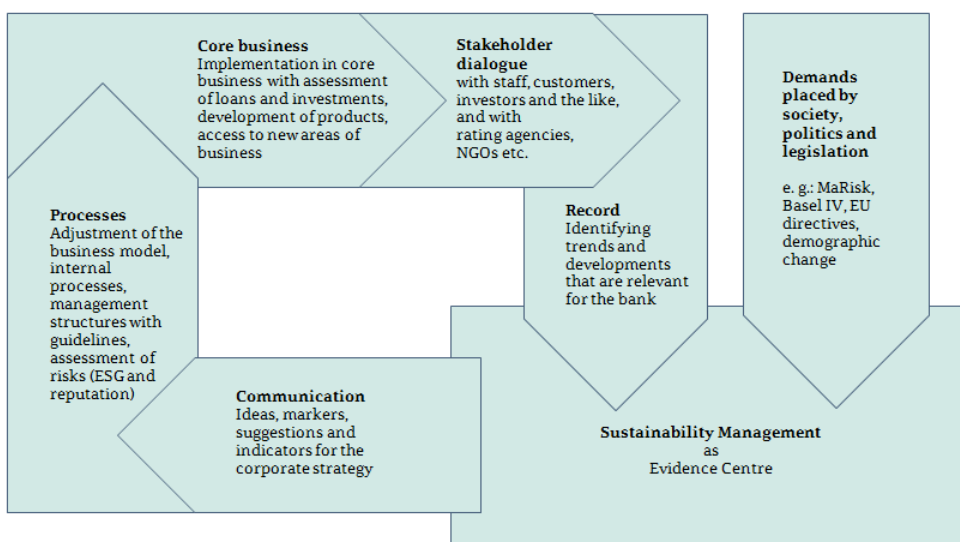
Chart 2: Overview of stakeholder dialogue



Issues such as digitalisation, demographic change, climate change, energy consumption, sustainability and the future viability of a company are also a component of stakeholder dialogue. Sustainability Management plays a major role in securing jobs and remaining competitive, not only in the present, but also in the future. It is in constant communication

with NORD/LB's stakeholders and monitors important social and business issues which have an influence on the bank and therefore need to be considered in its business activities. Sustainability Management not only records important information, it also passes it on so that NORD/LB's processes are continually optimised.

Chart 3: Process flow for NORD/LB's Sustainability Management



Selected examples of stakeholder dialogue

- NORD/LB capital market conference / July 2016:**
NORD/LB, together with imug

Beratungsgesellschaft für sozial ökologische Innovationen mbH, made a keynote presentation providing in-

formation on the requirements applicable for issuers of sustainable capital market products.

- **1. CSR Strategy Forum / August 2016:** NORD/LB, together with CSR Arena Hannover and imug Beratungsgesellschaft für sozial ökologische Innovationen mbH, welcomed more than 70 guests, including experts from commercial banks, savings banks, companies, universities and associations, to inform them first-hand about the latest

trends in sustainability reporting.

- **UNEP FI / VFU Roundtable / December 2016**
Subject of the UNEP FI / VFU Roundtable 2016 was “Closing the Gaps – How Sustainability can be Embedded Even More in Core Business”. Representatives of NORD/LB, Bremer Landesbank and Deutsche Hypo participated actively at the event in several working groups and discussion forums regarding the issues of materiality analysis and stakeholder dialogue.

Identification of the aspects

G4-18 G4-19

In order to identify the aspects, all of the topics clearly related to sustainability were first compiled internally in workshops and in discussions with staff from different departments. These included, for example, all of the aspects of the GRI G4 standard, previously published sustainability reports of the bank and other published public-relations information.

Next, the list of aspects was supplemented with issues that interested stakeholders during the

year under review. These include questions from and communication with rating agencies as part of the rating process, published interpretations of GRI guidelines or discussions thereof by stakeholders, enquiries from non-governmental organisations or other CSR-related questions concerning the business model or individual transactions of NORD/LB.

The following aspects with the following interpretation were identified in NORD/LB:

Chart 4: Overview of aspects (in alphabetical order)

Anti-corruption/fraud Implementation and compliance of standards	Data protection Protection of customer data	Health of staff Maintenance of human capital, social responsibility, maintenance of employability	Resource management Environmental reporting	Work-Life balance Employee satisfaction, working time model
Training and education Maintenance of human capital and employability, lifelong learning	Diversity No discrimination, equal opportunities	Integrity Liability, transparency and credibility	Risk management Prevention of ESG risks	Profitability Responsible corporate governance as a corporate citizen
CO ₂ reduction CO ₂ Avoidance according Germanys sustainability strategy	Sponsorship of culture, art, science and social products	Respect for human rights Engagement for compliance with human rights in the whole value chain process	Strengthening the region Significant employer in the north of Germany and lender of credits for SMEs	Sustainability Adjustment of terms within NORD/LB according to demographic change
Compliance Implementation and compliance of standards	Comprehensive advice Looking at customer needs in its entirety	Sustainable products Products with significant relevancy for societal, social or economical benefits	Environmental impact of the investment and credit portfolio Consideration of environmental effects within NORD/LB's business activities	

Prioritisation

G4-20 G4-21

In order to prepare the prioritisation of aspects and stakeholders, NORD/LB participated in various external sector-specific and institution-specific workshops and working groups on the materiality analysis. The bank learned in these workshops about the aspects that fundamentally exist for companies in the financial sector and the effect of these aspects. The aspects were also rated to what extent they are fundamentally applicable for companies in the financial services sector compared to manufacturing companies. This also included whether the variance in the business model to manufacturing companies results in other factors that should be evaluated. These aspects include, for instance, the supply chain or the use and protection of natural resources (water consumption or biodiversity), as the impact of financial services companies on these aspects is generally rather low. Aspects were also rated on the basis of institution-specific characteristics, for example the perception of the savings bank and landesbank function or of a public mandate.

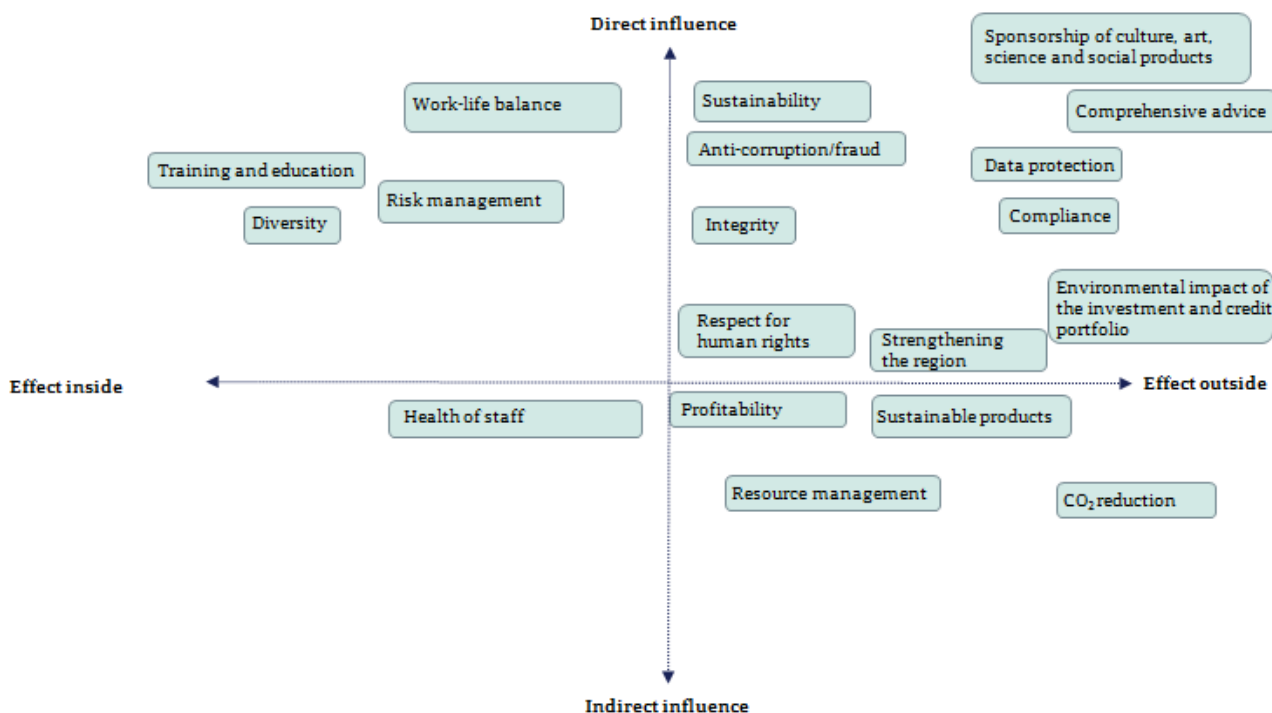
The lessons learned from the external events were used in the prioritisation of the aspects and stakeholders. This knowledge was discussed internally in cross-departmental workshops within NORD/LB and in cross-company workshops within the Group.

Initially, the aspects were prioritised in terms of whether NORD/LB has the possibility to influence them either directly or indirectly. There is a direct influence if the aspects can be influenced directly by NORD/LB with action or prevention and they have a significant impact in direct relation to NORD/LB.

In contrast to a direct influence, an influence is indirect if aspects can be handled or prevented by NORD/LB, but these are so interwoven in society or are so varied that any action or non-action by NORD/LB concerning this point would be very difficult to measure, or could not be discerned at all.

In addition, a distinction is made as to whether the aspects have an impact inside or outside of NORD/LB, i.e. whether their effect is stronger on the company or society.

Chart 5: Overview of significant aspects and their effect



The report is structured so that each aspect is referred to in one or more of the chapters.

Besides the aspects, a list of all the bank's stakeholders was compiled and they were classified into two defined groups – key stakeholders and other stakeholders.

The bank's stakeholders can be differentiated by the extent to which the aforementioned aspects influence the stakeholders in their actions, or by the extent to which the aspects are influenced by them. This differentiation includes, for instance, whether stakeholders:

focus on and adhere to international and national ESG guidelines; measure the value they contribute to society; implement ESG-oriented financing guidelines in their core business; minimise the reputational risk due to the rejection of ESG-critical transactions; or report all aspects relating to corporate social responsibility (CSR) in an overall transparent manner.

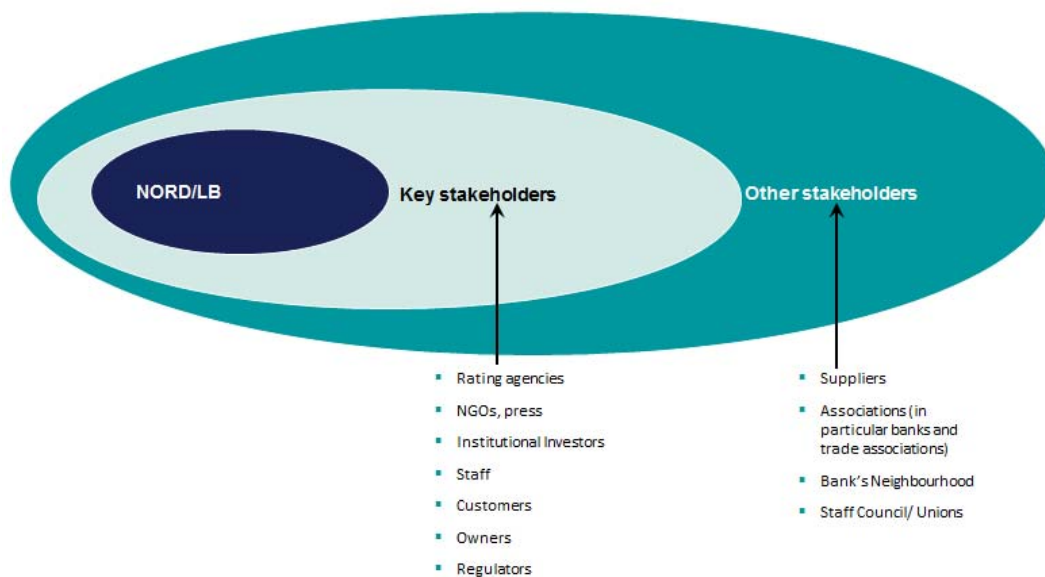
Stakeholders who are influenced by at least six of the aspects listed on page 11 were classified internally as key stakeholders.

The following picture shows the results:

Chart 6: Overview of aspects (in alphabetical order)

	Profitability	Sustainability	Integrity	Risk management	Compliance	Communication to stakeholders	Strengthening the region	Environmental impact investment and credit portfolio	Sustainable products	Data protection	Comprehensive advice	Training and education	Health of staff	Work-life balance	Diversity	Respect for human rights	CO ₂ reduction	Resource management	Amount
Rating agencies			X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	15
Employees	X	X	X			X	X			X		X	X	X	X	X			11
NGO, press			X	X	X	X	X	X		X						X	X		9
Institutional investors	X	X	X	X		X		X	X							X	X		9
Owners	X	X	X	X	X	X	X												7
Regulators	X	X			X	X	X					X							6
Customers			X			X	X		X	X	X								6
Staff council / unions						X						X	X	X	X				5
Associations			X			X	X												3
Bank's neighborhood						X	X												2
Suppliers / Service providers			X				X												2

Chart 7: Overview of the classification of key stakeholders and other stakeholders



Validation

The aspects and stakeholders were then validated in three steps.

The results of the materiality analysis were initially discussed and assessed in an externally-led workshop. The conclusion was then pre-

sented to the Sustainability Committee. The bank's Managing Board made the final validation. The conclusion of this analysis was approved in a meeting of the Managing Board in May 2016 and confirmed in July 2017.

NORD/LB at a glance

G4-3 G4-5 G4-7 G4-9 G4-13 G4-EC1 G4-EC4

Norddeutsche Landesbank – Girozentrale – is a registered public institution (AöR) based in Hanover, Brunswick 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 Brunswick Local Court (Amtsgericht Braunschweig) under HRA 10261 and with the Stendal Local Court (Amtsgericht Stendal) under HRA 22150.

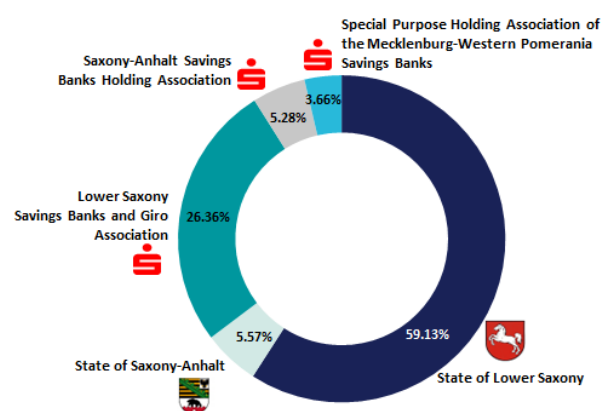
The bank's statutes in their current version are based on the State Treaty of 22 August 2007 on Norddeutsche Landesbank – Girozentrale between the federal state of Lower Saxony, the federal state of Saxony-Anhalt and the federal state of Mecklenburg-Western Pomerania in the version of the Amendment to the State Treaty of 12 July 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 Hannoversche 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.

Chart 8: Ownership structure



NORD/LB does not receive any government grants.

For further information on G4-9 and G4-EC1, please refer to the corresponding details in the bank's financial reporting (IFRS, HGB).

For further information on G4-13, particularly regarding the integration of Bremer Landesbank, please refer to the Economic Report starting on page 87 and explicitly on page 96 of the bank's financial reporting (IFRS).

For further information on risk management, please refer to the bank's financial reporting (IFRS) on pages 59 ff and 121 ff.

NORD/LB Group

G4-17

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 bundles service offerings.

The NORD/LB Group comprises, among others,

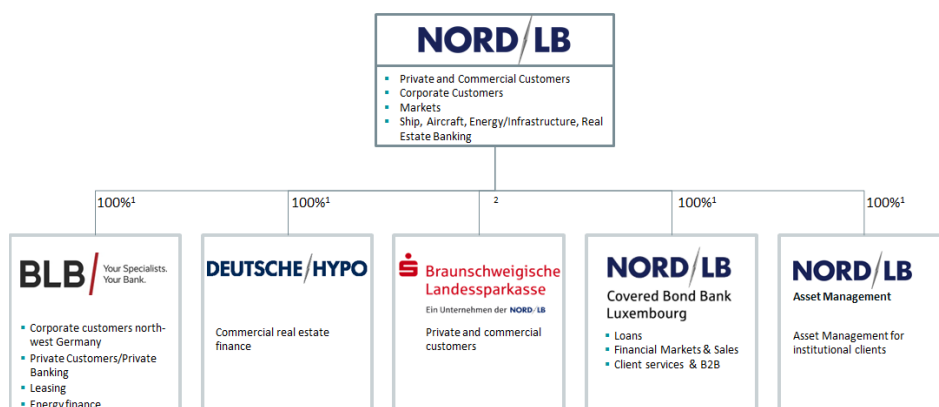
- Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen (referred to below as: BLB);

- Deutsche Hypothekenbank (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 Luxembourg);
- NORD/LB Vermögensmanagement, Luxembourg-Findel (until 31 December 2016);

- NORD/LB Asset Management AG, Hanover (referred to below as: NORD/LB Asset Management); and
- Braunschweigische Landessparkasse as an institution having partial legal capacity of NORD/LB.

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

Chart 9: NORD/LB subsidiaries and affiliated companies



¹ NORD/LB ensures that the companies mentioned in the Annual Report 2016 note (75) and Bremer Landesbank (since 4 January 2017) are able to meet their obligations

² Incorporated under public law with partial legal capacity

BLB

BLB is a regional commercial bank with a supra-regional specialist business. In addition, it is the landesbank of the federal state of Bremen and the central institution for the savings banks in its business region in Lower Saxony and Bremen. In 2017 BLB will fully merge, subject to the approval of the owners, with NORD/LB.

Deutsche Hypo

Deutsche Hypo conducts the business with commercial real estate customers in Germany, the United Kingdom, France, Benelux and Poland, providing structured financing for office and retail real estate, hotels, logistics and multi-storey residential blocks.

Braunschweigische Landessparkasse

Braunschweigische Landessparkasse, as an institution having partial legal capacity within NORD/LB, performs the function of a savings bank in Brunswick and in those parts of the former Duchy of Brunswick which today be-

long to the federal state of Lower Saxony. In this function Braunschweigische Landessparkasse provides all kinds of banking and financial services, and positions itself as a savings bank with the competence of a universal bank.

NORD/LB Covered Bond Bank

NORD/LB Luxembourg Covered Bond Bank is a specialist bank and issuer of Pfandbriefe under Luxembourg law ("Lettres de Gage"). The bank has its own market presence on the international money and capital markets, and is exclusively responsible for the Group's sales of fixed income and structured products in other European countries. The bank's focus in the lending business is on variable-rate loans, short-term fixed-rate loans, bilateral credit lines and complex syndicate financing arrangements, taking on facility agent functions.

NORD/LB Asset Management

NORD/LB Asset Management is an asset manager that offers special and public funds for institutional and private investors.

Promotional business

Investitionsbank Sachsen-Anhalt and Landesförderinstitut Mecklenburg-Vorpommern are

Investitionsbank Sachsen-Anhalt

Investitionsbank Sachsen-Anhalt is the development bank of the federal state of Saxony-Anhalt. It focuses its promotional activities on economic development, including business-oriented research and business-oriented municipal infrastructure, real estate promotion, environmental promotion and measures to reduce CO₂, as well as the promotion of culture and education.

The development volumes are largely determined by the amount of funding provided by the federal state government, the federal government and the European Union. The programme quotas depend to a large extent on the financial resources of the public budgets.

not included in the IFRS consolidated financial statements (see explanations to the report).

Landesförderinstitut Mecklenburg-Vorpommern

Landesförderinstitut Mecklenburg-Vorpommern is the central development service provider of the federal state of Mecklenburg-Western Pomerania to promote investments and modernisation initiatives in business and infrastructure. It implements numerous promotional programmes on behalf of the federal state government using grants and development loans, focusing on the economy, housing and urban development, infrastructure, agriculture and forestry as well as the environment and energy.

Value chain

G4-12

The five main sectors that significantly influence 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.

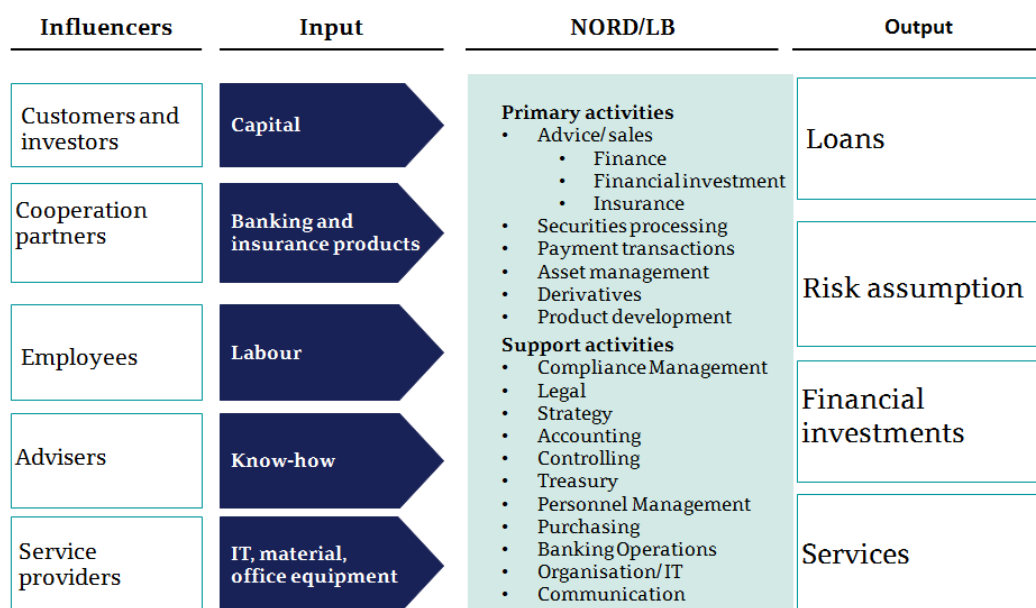
Banks, in their capacity as financial intermediaries, enable investments, which are essential for the success of businesses, by removing barriers between savers and businesses in need of finance. They therefore act as a broker between the two market participants. Short and medium-term funds from savers 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 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 interests regarding duration
- Risk transformation: the assumption of risks from savers

The importance of banks in a national economy is therefore more than just putting money into circulation; they also enable 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 economy. 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.

Chart 10: The value-adding process of the NORD/LB Group (product related)



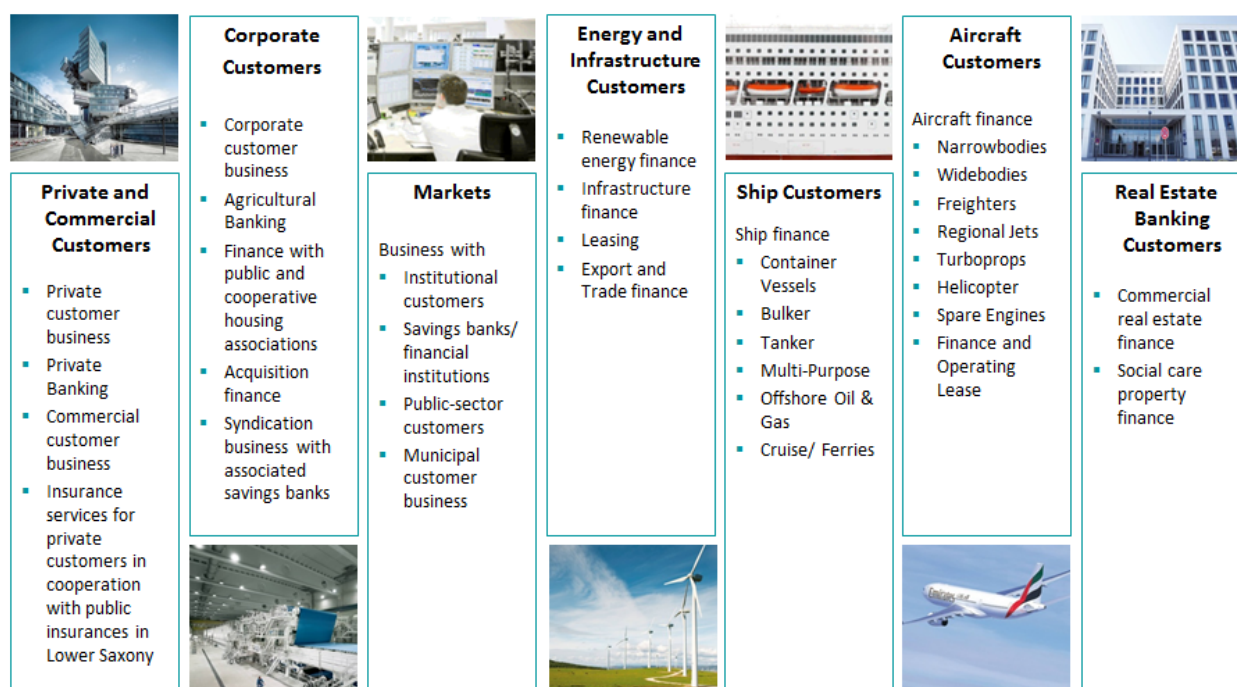
NORD/LB Group's business segments

G4-4

The following chart provides an overview of the business segments of the NORD/LB Group. For detailed information on the business seg-

ments, Group management and the reconciliation between them, please refer to the financial reporting (IFRS) starting from page 50.

Chart 11: NORD/LB Group's business segments



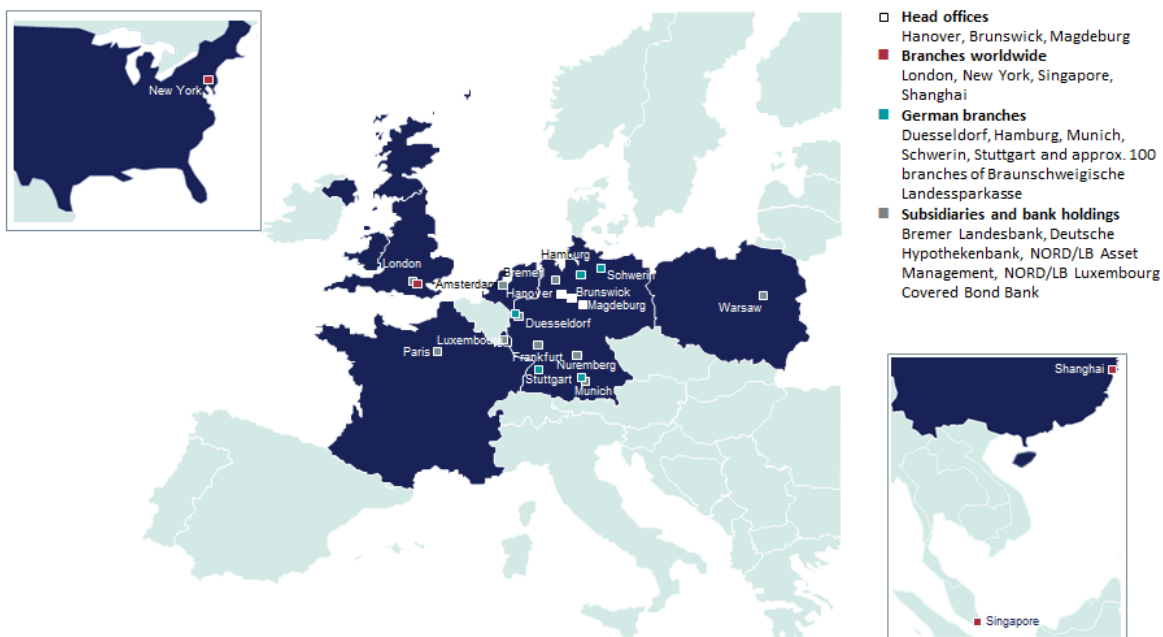
Business locations of the NORD/LB Group

G4-6 G4-8 G4-EN11 G4-EN12 G4-EN13 G4-EN14

The NORD/LB Group is represented in the north of Germany and beyond its core region with branches in Dusseldorf, Frankfurt, Hamburg, Munich, Nuremberg and Schwerin, as well as in Amsterdam, London, Paris, New

York, Shanghai, Singapore and Warsaw. Due to the inner-city locations of its offices and the limited impact of the branch operations of the Braunschweigische Landessparkasse, the indicators G4-EN11, G4-EN12, G4-EN13 and G4-EN14 are not considered to be significant.

Chart 12: Geographical spread of the NORD/LB Group's locations



Executive bodies

G4-34 G4-38 G4-39 G4-40 G4-41

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. Between 1 January 2016 and 31 March 2017, the Managing Board of NORD/LB comprised the following members:

- Dr Gunter Dunkel
Member of the Managing Board from 1 January 1997 until 31 December 2008
Chairman of the Managing Board from 1 January 2009 until 31 December 2016
- Thomas Bürkle
Member of the Managing Board from 1 January 2014 until 31 December 2016
Chairman of the Managing Board since 1 January 2017
- Ulrike Brouzi
Member of the Managing Board since 1 January 2012
- Christoph Dieng
Member of the Managing Board since 3 February 2017
- Eckard Forst
Member of the Managing Board from 1 January 2007 until 31 October 2016

- Dr Hinrich Holm
Member of the Managing Board since
1 February 2010
Deputy Chairman of the Managing
Board since 1 January 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.

The Extended Group Managing Board advises the Managing Board of NORD/LB regarding the management of the NORD/LB Group. It consists of the members of the Managing Board of NORD/LB and the respective Chairs of the Group companies BLB, NORD/LB Luxembourg and the Spokesperson of the Managing Board of Deutsche Hypo.

The resolutions adopted by the Extended Group Managing Board are forwarded for formal adoption to the responsible executive body of the affected Group institution.

The Supervisory Board has the task of advising the Managing Board and monitoring its management of the business. It may also form additional committees.

NORD/LB's Supervisory Board has 18 members, 12 of whom represent the owners. The remaining 6 members represent the staff and are elected by the employees of the bank in accordance with the German Staff Representation Act of Lower Saxony (NPersVG). The Chairman of the Supervisory Board is the Finance Minister of the federal state of Lower Saxony.

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) and website of the bank.

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

Governance

Business model and strategic direction

G4-4 G4-EN28

NORD/LB is a commercial bank, landesbank (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 important 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 the federal state bank for Lower Saxony and Saxony-Anhalt, NORD/LB is responsible for fulfilling the functions of a central bank for the savings banks (giro centre). The bank also handles promotional business on behalf of the federal states through Investitionsbank Sachsen-Anhalt – part of Norddeutsche Landesbank Girozentrale – and through Landesförderinstitut Mecklenburg-Vorpommern, a business di-

vision of Norddeutsche Landesbank Girozentrale.

NORD/LB acts as a central bank 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 the savings banks require for their activities.

The structures and specific circumstances of the economy in northern Germany shape the bank's core business. 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 with respect to concentrations and cycles are managed.

Based on the bank's business activity, the indicator G4-EN28 is not considered to be significant.

Business strategy

G4-42

The business model of NORD/LB and its subsidiaries is based on compliance with all applicable legal regulations. § 25a para. 1 of the German Banking Act (KWG) stipulates that banks must have a proper business organisation that ensures compliance with both the legal regulations which the institution must adhere to as well as applicable business management requirements. The basis documented in § 25a KWG is, in turn, specified in the German Minimum Requirements for Risk Management (MaRisk AT 4.2), which sets out that a company's management must define a sustainable business strategy and a correspondingly consistent risk strategy. NORD/LB and all significant Group units have corresponding, institu-

tion-specific strategy documents in compliance with the respective legal requirements.

§ 25a para. 1a sentence 1 KWG and MaRisk AT 4.5 stipulate that the aforementioned requirement to determine a sustainable business strategy and a correspondingly consistent risk strategy also applies to institution groups for which the management of the parent company is responsible. NORD LB, in its capacity as the parent institution of the NORD/LB Group, has therefore also adopted a Group business strategy and a Group risk strategy, which are implemented in the business models of the individual institutions.

The Group's business and risk strategy as well as the individual business strategies of

NORD/LB and its significant Group units are analysed in detail, adjusted if necessary, and approved by the Managing Board during an annual strategy and planning process. This process takes into account the Group risk strat-

egy, the individual risk strategies and other individual factors. The outcome is made known to the Supervisory Board and discussed with it. When needed, a review and update of the business strategy takes place.

Mission Statement

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 as the result of dealing with 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 sci-

ence, culture and sport in order to achieve lasting success

- Sustainability as our belief that the 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, respect diversity and shape the future
- Performance as a requirement for success

Ethics, integrity and adherence to the law

G4-56 G4-S07 G4-S08

When individuals or companies violate laws or behave in a corrupt or unethical manner, they harm society and its members in many ways. As a part of society, the NORD/LB Group believes it is important to avoid and prevent this type of harm to the greatest extent possible.

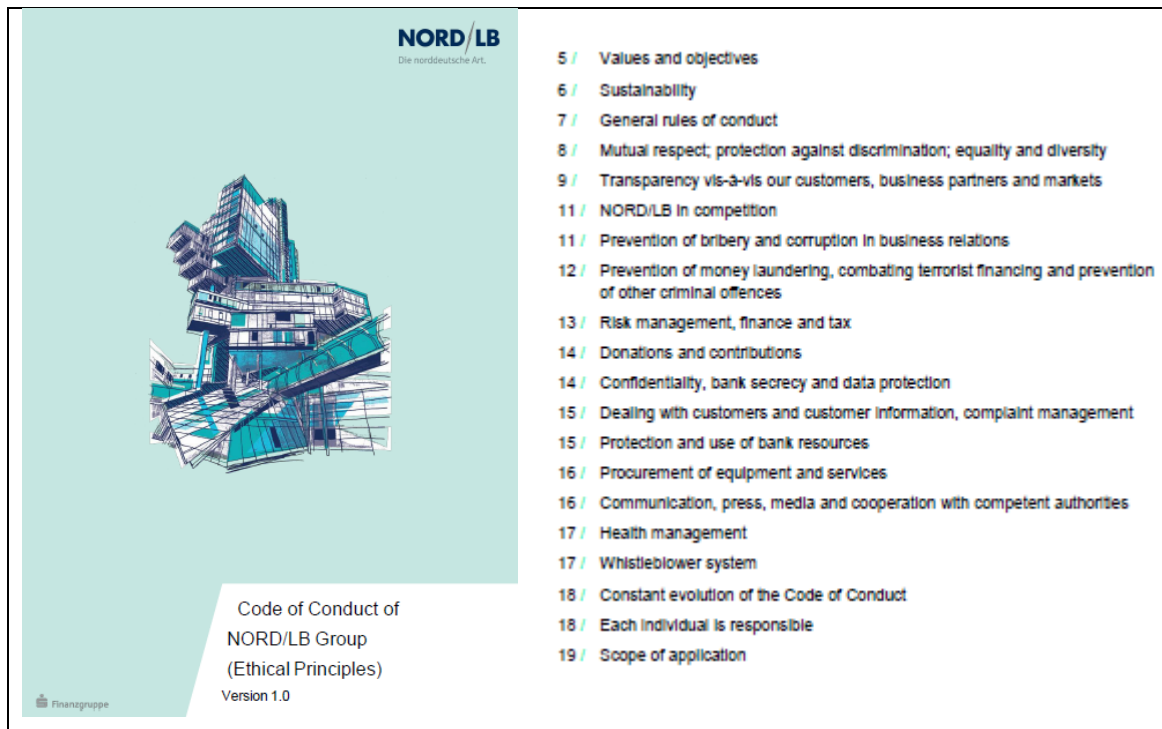
At the same time, the Group's own reputation and the trust of its customers and business partners are the greatest asset for the Group's institutions and are a key to their success. Violations of the law and unethical behaviour can permanently endanger this success. It is therefore vital not only to comply with the law when conducting business, but equally to behave in an ethical manner.

In order to combine the bank's demands for compliance with the law with ethically correct

behaviour and thus to link entrepreneurial success with social responsibility, NORD/LB in the spring of 2017 published a new Code of Conduct for the NORD/LB Group. The Code of Conduct is available in German and English in NORD/LB's intranet and also available to the public at NORD/LB's website. It sets out the framework for moral, values-oriented and fair behaviour and is binding on the members of the Managing Board, managers and employees.

The subsidiaries of the NORD/LB Group were called upon to adapt their own principles of behaviour to the Code of Conduct. NORD/LB Luxembourg has meanwhile done this. At BLB and Deutsche Hype, the ethics principles that have applied there until now and govern comparable issues, will remain in place until the Code of Conduct is incorporated there.

Chart 13: Code of Conduct



The NORD/LB Group operates internationally and offers products and services at important financial centres. Its global activities are therefore subject to a wide variety of country-specific and international legislation. If in that respect contradictory requirements or stricter or more comprehensive laws and regulations exist, the stricter provisions must be applied.

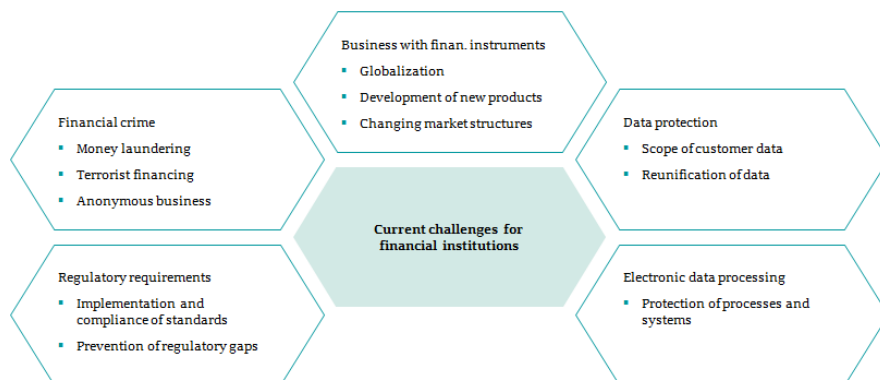
By adhering to applicable legal regulations and measures to protect the environment, every individual employee should act in the corpo-

rate 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.

G4-SO7 und G4-SO8: NORD/LB has not been notified of any legal action for the reporting year due to anti-competitive behaviour, anti-trust and monopoly practices.

Current challenges for financial services institutions

Chart 14: Current challenges for financial services institutions



In the business with financial instruments and in times of increasing financial crime and regulatory requirements, banks around the world are particularly challenged and equally at risk.

They must take the utmost care and prudence when conducting customer transactions and their own transactions as well as when developing and issuing financial instruments. This is necessary to preserve the trust and confidence of customers and market participants in the proper conduct of the banking business, and to protect themselves and their employees from material or non-material damage.

They are also required to implement all legal and normative regulations and to ensure the corresponding compliance. The complexity of banking transactions and the diversity of products, structures, processes and systems mean that numerous regulations and requirements are applicable for the NORD/LB Group. These include not only the requirements of “traditional” banking regulatory law, but also requirements under civil and tax law at the German, European and international level. The risk of not adequately meeting significant regulatory changes grows with the size and complexity of a company’s business activities. The financial damages (e.g. from liability payments or fines) and the consequences from reputational damage can be enormous for the institution.

In addition, financial institutions are exposed to the inherent risk of being misused for purposes of money laundering and terrorist fi-

nancing, or for promoting the anonymity of business relationships and transactions. Ever new methods are used in attempts to “wash” funds and assets resulting 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 and technologies in order to obscure their true origin. Terrorists also try to provide and collect legal or illegal money at banks in order to finance terrorist purposes.

While there is no absolute protection that a financial services institution and its employees are always behaving in accordance with the law in all business activities, there are appropriate strategies and safeguards to reduce the risk. By establishing a Code of Conduct and Ethical Principles for the institutions of the NORD/LB Group, the Managing Board has defined the essential rules and principles for legally correct and responsible behaviour by members of the governing bodies, managers and all other employees.

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

Moral and legally compliant behaviour ensure the long-term viability of the bank, and therefore also safeguard jobs. A commitment made

by 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. At the same time, this also pro-

vides employees with certainty that they work for a company which complies with laws and operates with integrity, for which they gladly render their work services without ethical concerns.

Compliance management system

G4-57 G4-58

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

The NORD/LB Group employs a range of measures in its compliance management to protect society by preventing criminal activity as much as possible. To that end, the Extended Group Managing Board of the NORD/LB Group has imposed on the employees of all Group companies the obligation to be 100 per cent compliant, and has underscored this requirement by establishing a Corporate Compliance Policy.

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

The issues of regulation, compliance, avoidance of money laundering / financing of terrorism / fraud or other criminal acts as well as compliance with financial sanctions / embargoes are the responsibility of the Compliance Officer, who works towards their adherence, and of NORD/LB'S Compliance organisation.

The responsibilities include not only advising the departments regarding the implementa-

tion and compliance with all legal and regulatory rules and obligations in the overall bank, but also the rigorous implementation and monitoring of processes within the bank.

All relevant banking supervision regulations are identified in the Compliance departments of the NORD/LB Group so that the Managing Board and the departments of the bank concerned can be regularly informed about new and amended rules and regulations.

The respective Compliance Officers and Money Laundering Officers (including fraud) have been registered with BaFin or the comparable foreign institution.

In addition, appropriate 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 which might benefit white-collar crime or facilitate anonymous transactions. If there is any indication of suspicious transactions, the suspicious activity must be reported.

Employee awareness of this issue is raised with regular internet-based learning programmes, classroom training, newsletters and information letters.

Managing conflicts of interest

G4-41 G4-56 G4-57 G4-58

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 Board of the NORD/LB Group has commissioned the respective Compliance departments, via the respective company managements, to monitor and prevent conflicts of interest.

For the particularly sensitive area of securities and 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 compliance with the statutory regulations concerning the avoidance of conflicts of interest and the strict separation of different departments with access to sensitive customer data and information (Chinese walls), as well as with the requirement that such information may be forwarded to other departments only with the approval of the Compliance department.

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. In the event of unavoidable conflicts of interest, which might occur because the customer and bank have different information, care will be taken to ensure that the customer orders are executed in a transparent manner while duly protecting the interests of the customer. In this respect, the Compliance departments ensure that recommendations by the institutions of the NORD/LB Group or their employees are made honestly, fairly and in compliance with all legal requirements, taking into account the appropriate disclosure of risks.

All employees are also required to avoid situations in which their personal interests conflict with the interests of the bank or give the impression that they might conflict. The risk of conflicts of interest and an increased potential for abuse arise particularly in situations in which employees are given power of attorney for customers and/or accounts. A potential conflict of interest can also exist if employees have a personal relationship, beyond the banking relationship, with the customer being served. Such situations are to be avoided and discontinued; Compliance has defined other disclosure and approval processes in staff guidelines.

G4-41: For further information, please refer to the corresponding details in the bank's financial reporting.

Executing and reviewing staff transactions

G4-56

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 requirements for the behaviour of employees with regard to employee transactions are stipulated in § 33b of the German Securities Trading Act (WpHG), Article 3 para. 1 no. 26 of the German Market Abuse Regulation (MAR) and in the country-specific regulations prevailing in the countries where the subsidiaries and branches are located. The

institutions of the NORD/LB Group must adhere to these requirements.

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 rules are laid out in the "Guidelines for Employee Transactions" and in corresponding working instructions. These documents must be signed and acknowledged as binding by all employees.

With this framework in mind, employees may carry out private securities transactions only

Prevention of insider trading

The staff of the NORD/LB Group, through their work, might obtain access to information which is not available to other persons and which 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.

in keeping with their financial situation.

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 forwarding the information within the bank; it is permitted to forward the information to other staff only if they need to know the information in order to perform their work duties and they have formal authorisation to receive the information.

Staff members who typically have access to insider information of listed companies or have such access due to a special reason are also recorded by Compliance in an insider register and monitored separately.

Prevention of money laundering and the financing of terrorism

G4-56 G4-57 G4-58 G4-SO3 G4-SO4

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

The prevention of money laundering and of the financing of terrorism is a high priority for the NORD/LB Group. The institutions of the NORD/LB Group have either created a central office for the prevention of money laundering, terrorist financing and for protection against other criminal offences (fraud), or have outsourced this responsibility to NORD/LB. The central office is implemented under the management of the Compliance Officer, who is registered with BaFin as the Anti-Money Laundering Officer (incl. fraud). This function in NORD/LB Luxembourg has been assumed by the Chief Compliance Officer.

Besides the responsibility to prevent money laundering, the financing of terrorism and other criminal acts, the central office also monitors the 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, for example, the provisions set out 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.

An annual risk analysis provides the foundation for the prevention of money laundering and the financing of terrorism. The scope of this analysis includes both NORD/LB and the Group's significant affiliated companies. Specific measures to reduce risk are derived from the risk analysis. Potential measures include, for example, deriving a risk-based monitoring plan, creating a training concept and measures to implement the "Know Your Customer" business policy.

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.

Suspicious facts must then be forward to the Anti-Money Laundering Officer, who reviews all suspicious facts provided to determine their relevance. The Anti-Money Laundering Officer is also available to respond to queries.

Prevention of other criminal acts (fraud)

G4-56 G4-57 G4-58 G4-SO3 G4-SO4

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 its 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). The managing boards have instructed the respective Compliance departments to implement these requirements operationally in NORD/LB and all subsidiaries.

The Group-wide risk analysis includes an investigation of department-related risk scenarios regarding corruption and other criminal acts as defined in §25h para. 1 sentence 1 of the German Banking Act (KWG), and an evaluation of their criticality using external statistics and internal assessments. This analysis is then reconciled to the existing preventive measures

in order to determine the remaining residual risk and develop additional prevention measures. The Board of Managing Directors is informed about the significant findings in the annual risk report.

As a member of the German Association of Public Banks (VÖB), NORD/LB and BLB also use damage events from other institutions to constantly check their risk of suffering damage through corruption, and to make adjustments, if necessary several times a year, to their preventive measures. If events occur in the Group involving greater 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. As this methodology is meanwhile used to assess risk throughout the entire NORD/LB Group, the findings are comparable Group-wide.

Prevention of corruption and bribery

G4-56 G4-57 G4-58 G4-SO3 G4-SO4 G4-SO5

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. When requested, this documentation must be provided to the Compliance departments.

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

In 2016 there were no corruption-related damages thanks to the Group’s extensive prevention measures.

Integrity check

G4-56 G4-58 G4-SO3 G4-SO4

The process to accept 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 catalogue 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 indications 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.

Whistleblower system and ombudsman

G4-41 G4-57 G4-58

NORD/LB is required by law to take appropriate measures to protect against criminal acts committed internally or externally. The effective protection against damage and the prevention of damage from such acts is an important part of the bank’s risk management. The bank does everything it can 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. Any attempt to commit prosecutable and criminal acts and to act dishonestly will be con-

demned by the bank as a serious and intolerable offence.

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

In appointing an ombudsman, NORD/LB is also complying with the guidelines set out in the German Corporate Governance Code.

The role of the ombudsman 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 evidence given to the responsible contact in the bank. This contact is responsible for taking the necessary additional internal steps.

Furthermore, the ombudsman can additionally 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 is subject to 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.

Every member of staff also has the option of reporting the relevant matters to their manager, the responsible member of the Managing Board, the Personnel Department, the Legal Department, Internal Audit and Compliance.

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.

Data protection

G4-56 G4-57 G4-PR8

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 a key responsibility for a bank. Accordingly, the confidential sensitive handling of customer data has the utmost priority in the NORD/LB Group. The statutory obligations and data protection requirements that are to be considered are particularly important in this regard. This applies for 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 regulations 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 persons 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, Braunschweigische Landessparkasse, Deutsche Hypo and NORD/LB Luxembourg impose on all internal and external employees who have access to personal data the obligation¹ 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 employment contract. The data protection policy of the NORD/LB Group is set out in data protection guidelines, which are valid throughout the bank in the respective institutions.

Data Protection Officers are responsible in the institutions of the NORD/LB Group for monitoring, advising, regular training and raising awareness to ensure that data protection re-

quirements are met. NORD/LB, BLB and Deutsche Hypo each have their own Data Protection Officer. NORD/LB Luxembourg has a Data Protection Officer officially authorised by the National Data Protection Commission (CNPD) of the Grand Duchy of Luxembourg.

In order to ensure the 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.

In order to ensure and monitor the compliance, appropriateness and effectiveness of all requirements related to data protection, 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 Data Protection Officer of the NORD/LB Group so that the audits can be performed simultaneously and the findings reported to the General Managing Board.

The data-protection incidents or complaints identified during the reporting period were analysed, and solutions with appropriate preventive measures were developed.

In addition, no data-protection incidents became known that required NORD/LB, in its capacity as the data controller, to make a notification pursuant to § 42a BDSG.

Training on compliance-related issues

G4-56 G4-HR2 G4-SO4

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 operating areas to conduct their own training events.

The objective is to increase the staff's understanding of compliance-related issues and thus improve their awareness in day-to-day operations.

Overall, a distinction must be made between regular mandatory training that is the responsibility of the Compliance function and partially performed by it, and specific measures.

The training includes legally required training based on the German Securities Trading Act (WpHG), the German Anti-Money Laundering Act (GwG), the German Data Protection Act (BDSG), the German Minimum Requirements for Risk Management (MaRisk) and the resulting standards (this applies in corresponding form for the similar legislation applicable for the foreign branches), such as training in connection with issues related to information security.

The legally required training is conducted regularly in web-based training and/or classroom training. In addition, ad hoc training and measures to raise awareness are also performed.

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

- establish a (uniform) basic understanding for 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; and
- explain the whistleblower system (ombudsman), raise awareness about it and show how it can be used.

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

Sustainability in NORD/LB

NORD/LB in its main economic region is closely connected with the business locations of Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania. The economic profiles and business locations of the federal states, such as ship and aircraft construction, renewable energies and agriculture, have a direct impact on NORD/LB's business model, which deliberately focuses its business segments on these focal points.

As a lending bank, NORD/LB is closely linked to the real economy and it finances businesses in all sectors of the economy. It helps to maintain

innovation and preserve jobs in its business region, which is characterised by a strong presence of small and medium-sized businesses.

NORD/LB, which is part of the savings bank network, cooperates closely with the regional savings banks to supplement their product and services offerings and create comprehensive solutions for small and medium-sized businesses. Besides the provision of credit and the syndicate business, this involves in particular access to the capital market and capital market products.

Sustainability Management

G4-34 G4-35 G4-36 G4-42

Significant issues are handled by the Extended Group Managing Board of NORD/LB.

The Chairman of the Managing Board is chiefly responsible for sustainable development in NORD/LB and reports the results to the owners. Organisationally, Sustainability Management is located in department 3 – Financial Markets.

The Managing Board is supported in its duties by the Sustainability Officer and the Sustainability Committee. The Sustainability Committee consists of Sustainability Management and representatives of individual departments.

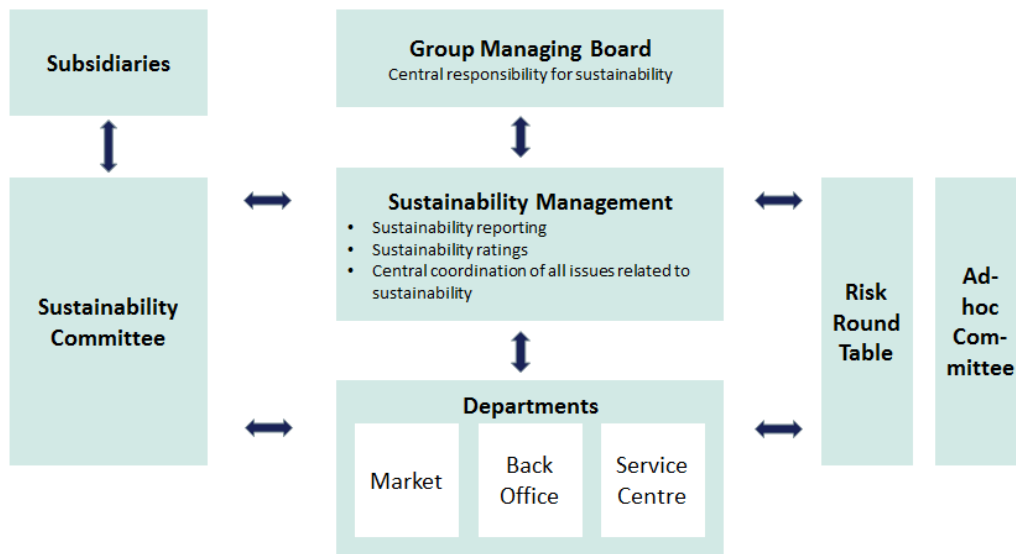
The members of the Sustainability Committee and Sustainability Management analyse requirements in the individual departments, develop objectives and action plans, and submit them as proposals to the Managing Board for implementation. Concurrently, they im-

plement these action plans in their respective areas of responsibility.

The work with the Group subsidiaries is handled as follows: proposals from the parent company or the Sustainability Committee, together with current focal points and issues, are discussed, deliberated and proposed for implementation.

When doing so, the Sustainability Committees involve all levels of management in the discussion and decision processes, and also make their own proposals. Sustainability, as a corporate value, is established organisationally at the senior management level, and the management committees have a profound base of knowledge about sustainability issues in their areas of responsibility. This knowledge is continuously updated through internal communication measures and consultations on individual sustainability issues.

Chart 15: Organisational structure of Sustainability Management



Sustainability Strategy

G4-42

Chart 16: Sustainability Strategy

Corporate Sustainability Strategy 2020 NORD/LB supports its customers to manage global change	
How we see ourselves	<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 that arise can be realised efficiently and risks can be managed responsibly. Under this strategy the bank pursues the following fundamental directions:</p>
Strategic direction:	<p>The customers of the NORD/LB Group must, in varying degrees of intensity and urgency, take account of long-term trends regarding issues such 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 in their decisions the shifts resulting from global change; this contributes 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 of 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 with 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 activities of 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>Governance</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, which has already been established. 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 direction of sustainability activities.</p>	<p>Customers</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 so 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 the focus of the strategy process.</p>
<p>Employees</p> <p>Employees are the future of the NORD/LB Group and ensure its corporate 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 offerings, the NORD/LB Group promotes and raises the awareness of sustainable business and makes it possible for these skills to be used.</p>	<p>Society</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>Environment</p> <p>The NORD/LB Group organises its environmental activities based on ISO 14001. Every year it creates an environmental programme to systematically optimise the effects on the environment resulting from its business activities. 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>	

The ten principles of the UN Global Compact

NORD/LB has signed the UN Global Compact and has therefore undertaken to incorporate into its business activities the ten internationally recognised principles of the UN Global Compact relating to human rights, labour conditions, environmental protection and corruption. 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.

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.

Chart 17: The ten principles of the UN Global Compact

Human rights	1. Businesses should support and respect the protection of internationally proclaimed human rights.	NORD/LB has a guideline on human rights and labour standards. After the signing of the UN Global Compact in May 2013, human rights clauses were included in our supplier management and the ten principles were integrated into our purchasing guidelines and supplier contracts. This obliges vendors and service providers to also act in accordance with the principles (referred to below as the “Sustainability Clause”). Breaches of the Sustainability Clause have not been brought to notice. Indirect risks are highlighted by, among other things, the ESG guidelines, particularly the guideline for hydroelectric power and ESG requirements for project financing. The guideline for hydroelectric power prescribes adherence to international standards, such as the recommendations of the World Commission on Dams and UNESCO’s Guidelines on Integrated Water Resources Management at the River Basin Level.
	2. Businesses should make sure that they are not complicit in human rights abuses.	
Labour standards	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Due to the bank’s structure, the NORD/LB Group’s activities do not represent a risk of potential restriction of freedom of association. NORD/LB has incorporated this principle into its supplier management system by including a Sustainability Clause in its master contracts. Breaches of the Sustainability Clause have not been brought to notice. Indirect risks are highlighted by, among other things, the ESG guidelines and the Mission Statement.
	4. Businesses should support the elimination of all forms of forced and compulsory labour.	Due to the bank’s structure, the NORD/LB Group’s activities do not represent a risk in respect of child labour or forced labour. NORD/LB has incorporated this principle into its supplier management system by including a Sustainability Clause in its master contracts. Breaches of the Sustainability Clause have not been brought to notice. Indirect risks are highlighted by, among other things, the ESG guidelines.
	5. Businesses should support the elimination of child labour.	
	6. Businesses should support the elimination of discrimination in respect of employment and occupation.	By signing the Diversity Charter, NORD/LB supports the initiative to advance the recognition, respect and inclusion of diversity in Germany’s corporate culture. Indirect risks are highlighted by, among other things, the ESG guidelines.

Environmental protection	<p>7. Businesses should support a precautionary approach to environmental challenges.</p> <p>8. Businesses should undertake initiatives to promote greater environmental awareness.</p> <p>9. Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>	<p>To optimise the environmental impact of its business activities, in September 2013 NORD/LB adopted the Guideline for the Environmental Impact of Business Activities. Its objective is to largely avoid or reduce both the direct and indirect environmental impact of business activities. The direct impact is measured, assessed and managed by the bank's Corporate Environmental Management function based on the ISO 14001 environmental management standard. The system also includes suppliers. The Sustainability Clause in NORD/LB's standard and master contracts specifies the bank's own requirements for vendors and service providers in the areas of environmental protection, minimising environmental impacts, improving internal environmental protection systems and the use of environmentally friendly products.</p>
Anti-corruption	<p>10. Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>The bank has defined specific anti-corruption standards and included these in its Ethical Principles. They contain specific and clear rules on how to behave correctly and professionally in cases of conflict of interest and in combating corruption and bribery. Special attention is devoted to policies on receiving and giving benefits and gifts.</p>

Further expressions of commitment

G4-15



As a member of UNEP FI, a global partnership in the financial sector, NORD/LB undertakes to pursue sustainable development, forward-looking environmental management and open communication about its promotion of environmental aspects.



NORD/LB prepares an annual Group Sustainability Report based on the guidelines of the Global Reporting Initiative (GRI).



NORD/LB undertakes to observe the German Sustainability Code, a standard for transparency regarding sustainability management at companies.



charta der vielfalt

By signing the Diversity Charter, 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.

Management of ESG risks

G4-EN27

ESG risks are risks relating to environmental, social or governance aspects that could arise in a business transaction or relationship. These risks might include, for example, special environmental damage or damage to society resulting from the potential financing and implementation of a project. The NORD/LB Group carries out a review of its ESG risks in order to identify, mitigate or eliminate such risks.

NORD/LB examines its business exposures from an ESG perspective in order to identify business and reputational risks at an early stage in the interest 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 basis for assessing and valuing the risk potential is the technical skills and experiences of employees, the specific ESG guidelines and the underlying rules of the guidelines. Each and every employee is primarily responsible for preventing reputational risks. In addition, external information on the environmental risks of some industries is also included. References to appropriate information sources are continually updated and made available.

One consideration that is closely associated with the ESG risk review is the definition of controversial areas of business. NORD/LB defines controversial businesses and business practices to be business areas or activities which groups in civil society – particularly non-governmental organisations (NGOs) – and other interest groups of the bank view in a critical light either in general or in connection with the activities of NORD/LB.

These issues cover not only the legally required subjects already covered by Compliance, such as money laundering, white-collar crime, corruption and bribery; they also include issues such as controversial environmental or social

behaviour with negative effects on the natural environment (environmental damage) as well as on human and labour rights and the rights of indigenous peoples; activities in industries such as pornography, the sex trade, the arms and defence industry (conventional weapons as well as weapons of mass destruction), etc.; and sectors that specific interest groups consider to be controversial, such as tobacco, alcohol, palm oil, gambling, animal welfare, embryo research and aspects of power generation including coal, nuclear power as well as oil and gas.

When necessary, or if indications appear 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 the Compliance departments then reviews such unclear ESG questions. Any additional checks are carried out by a committee, which adopts a resolution that sets out the next steps. In the previous reporting year, Sustainability Management / Compliance investigated 20 enquiries about potential controversies; the committee was convened twice. In ten cases, an implementation occurred after the investigation. In five cases an implementation occurred with conditions, and five cases were denied.

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).

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

ESG guidelines

G4-EN27

Besides the existing guidelines applicable for NORD/LB and the NORD/LB Group to implement and observe the requirements of “traditional” banking supervision law as well as the requirements under both civil and tax law at the German, European and international level, there are additional guidelines for business activities that govern and deal with the growing attention to be paid to environmental, social and governance aspects (ESG approach).

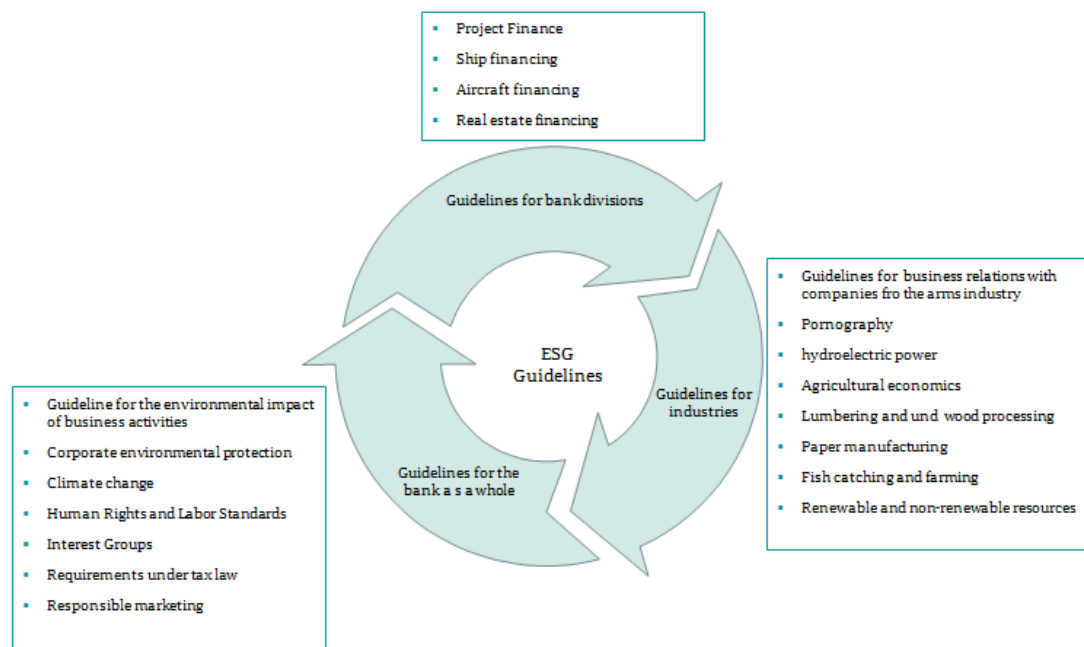
The ESG guidelines supplement existing guidelines and principles of strategy and governance, thus enabling comprehensive management of the portfolio. The guidelines are dealt with by the Extended Group Managing Board and, if relevant for the business, are largely applied by the subsidiaries. BLB and Deutsche Hypo report accordingly in their sustainability disclosures and on their websites. All ESG guidelines are approved by the Managing Board and are binding for all employees. An external audit does not take place.

The ESG guidelines for the bank’s departments and the individual industries are always developed together with employees from the departments. Measures to raise staff awareness of the ESG guidelines have taken place in the relevant departments.

An annual quality review is performed during which the implementation of the ESG guidelines, including any potential optimisation measures, are discussed with the departments. If necessary, processes are refined and adjusted to take account of current developments. Written voting policies on environmental and social issues in the companies in which NORD/LB has invested do not exist.

Regarding information and training on ESG-related issues, the intranet contains a detailed section on sustainability with all relevant information, explanations, guidelines and current developments.

Chart 18: ESG guidelines



Guidelines for the bank as a whole

G4-EN27 G4-EC2

Business activities

With this guideline, NORD/LB complies with the three principles of the UN Global Compact for the consideration of environmental aspects 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 system 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

This guideline 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 signification of the ongoing climate change and the role which the financial industry plays in the transition to a lower-CO₂ economy as one of the most important current and future challenges. The "Guideline on Climate Change" adopted in 2013 provides the framework for achieving the climate objectives defined by the German Federal Government in 2010 and the climate policy implementation strategy of Lower Saxony that was adopted in 2013. By applying this guideline, NORD/LB is able to take into account climate change for the market partners and society, to focus the market partners on the opportunities and risks, and to create transparency for further enhancement as well as for assessment, analysis and monitoring.

NORD/LB's guideline on climate change sets out the bank's commitment to its engagement in renewable energies and the modernisation of energy generation. At the same time, the guideline precludes NORD/LB from financing the construction of nuclear power plants and conventional coal power plants.

Human rights and labour standards

NORD/LB under this guideline complies with the six principles of the UN Global Compact for 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 considerations are taken into account in complaints management.

The application of the guideline supports the operational implementation of the Ethical Principles. In addition, the guideline supplements overall guidelines that already exist, such as sector policies regarding weapons and defence aspects or the guideline on the management of ESG requirements in project finance.

Interest groups

This guideline is the foundation for the 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 on dealing with tax requirements is NORD/LB's commitment to comply with the duty to establish appropriate processes and controls to ensure compliance with tax legislation, to promote the bank's social reputation and to strengthen the relationships with government agencies, tax authorities and customers.

Marketing

The guideline NORD/LB has implemented regarding responsible marketing ensures that the Group integrates sustainability into its marketing activities. This guideline focuses on the ICC Consolidated Code of Advertising and Marketing Communications Practice, as published by the International Chamber of Commerce (ICC).

Guidelines for the individual business segments

G4-EN27 G4-EC2

Project finance

The guideline governs the financing of customer projects in which significant ESG risks exist as a result of the project's structure and scope. It 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.

When project finance is involved with a total cost of more than USD ten million outside of financially-strong OECD countries, and NORD/LB intends to provide the finance as a syndicate leader or on its own, customers are required to prove separately that they manage ESG project risks safely. To that end, NORD/LB uses the requirements and procedures suggested by the Equator Principles.

NORD/LB provides partial finance for projects outside of financially-strong OECD countries only if the finance syndicates are led by banks which ensure that they comply 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

Specific guidelines for the business segments govern how technological, environmental and social standards are taken into account.

Guidelines for the individual industries

G4-EN27 G4-EC2

Weapons and defence

This guideline governs the structure of the business relationship with companies in the defence industry. NORD/LB has placed this business under strict conditions. These require that NORD/LB maintain business relationships only with companies that do not violate any embargoes of the United Nations, the European Union or the Organisation for Economic Cooperation and Development, as well as with companies in the defence industry that adhere to the Global Principles of Business Ethics for the Aerospace and Defence Industry.

Pornography

This guideline precludes business relationships with companies that produce and trade pornography as well as companies related to this sector.

Hydropower

This guideline precludes financing to construct dams and hydroelectric power stations in areas that are particularly worthy of protection.

Agriculture, forestry and wood processing, paper production, as well as fishing and fish-breeding

The NORD/LB Group has established appropriate guidelines so that when financing economic activities, the Group's decisions consider whether its customers deal correctly with the statutory requirements related to environmental, planning, animal welfare and nature protection law. In addition,

NORD/LB takes into account the corresponding national and international environmental and social guidelines and standards for these industries.

NORD/LB also operates as the Eurex clearing house for agricultural products when it conducts its business activity as a financial institution. 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 the possibility to react to price changes and to hedge price risks. The prices on the commodity futures markets are also used as a reference price for physical trading and serve as an orientation 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.

Commodities

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 removal of metals, minerals, precious and semi-precious stones, as well as building and road materials (this includes: exploration, mine planning (including modelling of the ore reserve, mine layout, planning), mine development and operation (construction of mining infrastructure, extraction of ore) and mine closure (decommissioning, dismantling)). In addition, these also include all activities related to oil and gas production in the exploration phases (including seismic surveys and drilling), oil field development (including infrastructure development), production (including drilling, separation, compression and drainage), refining (primary separation by distillation, secondary conversion – “cracking”) and transport (through pipelines above or below the ground or on the ocean floor, by ship, on the road) and storage. Additional investigations must be undertaken if the business transactions take place outside high-income OECD countries or the European Union.

Critical voices

Recycling of ships

In 2015, NORD/LB’s business with ship finance was brought in connection with an accident that occurred in India during the scrapping of a ship which it had previously financed.

NORD/LB deeply regrets the tragic accident that resulted in the loss of life. Nevertheless, it should be noted in this regard that NORD/LB acts exclusively as a financier of ships, and in this capacity, is solely the holder of collateral rights. It is not the owner of the ships and does not attain this status if, for example, the collateral is liquidated as part of an insolvency. This applies to both direct sales by the ship owners, by the insolvency administrator and also in the case of a sale in a compulsory auction. It is important to note that in the latter case in particular, NORD/LB does not have the ability to influence the course of events, e.g. the further utilisation of the ship, because in this regard the

insolvency administrator must comply with the strict requirements of German insolvency law.

NORD/LB is also only a provider of capital in the case of the ship financings to be consolidated in NORD/LB’s balance sheet in accordance with accounting principles. In these cases, it is neither an owner of a ship, nor a shareholder in an ownership partnership (KG) or in an investment limited liability company (GmbH). The ship’s final owner has the sole discretion to decide to which shipyard and at what conditions the scrapping order is to be awarded. Here, too, NORD/LB, in its capacity as a former lender and lien creditor, has no legal capacity and also no preferential information rights vis-a-vis the contractual parties in comparison with other interested third parties.

At the time of the scrapping, NORD/LB is also no longer a contractual party, i.e. a lender to the owner of the ship. Consequently, it is also

the case that the proceeds of the scrapping are not used to repay loans.

Asset management

NORD/LB performed asset management activities which brought it into connection with investments in controversial industries. The criticism that was raised related to the investment behaviour of so-called index funds. These did not belong to NORD/LB's own portfolio, rather they were part of the customer-oriented offering as an investment possibility provided by NORD/LB's subsidiary NORD/LB Asset Management.

NORD/LB Asset Management is a capital management company with an offering of public and special funds. It manages total assets amounting to € 16.4 billion, of which public funds account for only € 1.1 billion. In its capacity as a capital management company, it manages the special assets for investors on a fiduciary basis. The investor determines the investment strategy, including the investment guidelines, and is protected against the loss of their fund units if the capital management company becomes insolvent. A capital management company therefore has only a limited influence on the investment criteria selected by the investor, e.g. adherence to sustainability concerns or negative lists when selecting securities and issuers.

Fundamentally, an index fund (see above) aims to track precisely the performance of an under-

lying index and, in this case, the index in its original composition, i.e. also actively taking into account companies considered to be from controversial industries. The investor or also external fund rating agencies will measure the skill of the asset manager specifically on whether the tracking error is held as small as possible. The fund company does not make its own active investment decisions, rather it replicates the underlying indices. Deliberately excluding certain securities based on sustainability aspects while adhering to the required tracking error cannot be assured, particularly in the case of higher capitalised companies in the index. As the investor aims to obtain a low-cost investment that participates fully in the performance of the index (minus costs), the fund management acting in the best interest of the investor must prioritise the achievement of the lowest-possible tracking error.

Besides index funds, NORD/LB Asset Management also offers traditional funds as well as additional products and management approaches that take into account sustainability principles. These are a fixed component in the bank's external communication. NORD/LB Asset Management also maintains its own internal guidelines, which includes a blacklist with six issuers.

Financing and investment activities in brown coal

NORD/LB participated in a study on the financing and investment activities of German banks and was asked about its financing and investment activities in brown coal.

NORD/LB has outlined its sustainability activities in a Sustainability Strategy for both NORD/LB as an individual institution and for the NORD/LB Group. In addition, a number of guidelines have been adopted to exclude ESG risks (ESG guidelines), including the guideline for climate change. Under these guidelines, NORD/LB precludes the possibility of new financing for nuclear and coal power plants.

NORD/LB takes a systematic approach to ensure that the necessary sustainability aspects are considered in the decisions on its business activities.

To that end, the NORD/LB Group is guided by the principles of the UNEP FI and the principles of the UN Global Compact. The deployment of ESG guidelines and the assessment of sustainability aspects in the customer lending process also make it possible to review key components of the Sustainability Strategy independent of the commercial aspects. A framework for the aforementioned ESG guidelines establishes the

link between the individual transaction and the relevant specific sustainability standard from the perspective of the NORD/LB Group.

Shareholdings in gambling

NORD/LB and TLN Beteiligungsgesellschaft mbH & Co. KG each hold 49.85 per cent of the shares in Toto-Lotto Niedersachsen GmbH (TLN), which was acquired from the federal state of Lower Saxony. The remaining shares are held by the Niedersächsischer Fußballverband e.V. (Lower Saxony Football Association) and the LandesSportBund Niedersachsen e.V. (State Sports Federation of Lower Saxony). NORD/LB's position as a shareholder means that TLN's public ownership, which is required by law, is maintained. BLB holds an interest in Bremer Spielcasino GmbH & Co. KG (Bremer Spielcasino); it holds the shares in Bremer Spielcasino on behalf of the federal state of Bremen. Both shareholdings are in an industry which might be considered to be controversial by stakeholders.

NORD/LB is well aware of its responsibility towards individual persons and society as a whole. For this reason, NORD/LB rejects every form of uncontrolled or even illegal gambling and has no involvement therein whatsoever. In the case of TLN and Bremer Spielcasino, however, these are state-licensed companies. State-licensed gambling differs from unlicensed gambling, primarily in its orientation, design and objectives.

State-licensed gambling supports the regulatory mandate of the federal states to minimise the negative impact on people and society, and to provide a sufficiently attractive, responsible and respectable gambling service.

State-licensed gambling companies therefore maintain a continuous dialogue with the regu-

This makes it possible to manage sustainability on an individual basis and in a targeted manner.

latory authorities. They must also adhere to strict requirements regarding data security and data protection, proper and transparent conduct of the games, reliability of the devices and the security of the money flows. In addition, state-licensed gambling companies have extensive social concepts to curtail problematic gaming behaviour. They aim to avoid the development of addiction to gambling and betting through a range of preventive offerings and anti-addiction assistance. These include, for example, identity checks, the possibility of barring oneself or others, training of employees to recognise problematic gaming behaviour and the arrangement of counselling. At the same time, the population's natural urge to play should be kept within reasonable and monitored boundaries. This includes, first, rigorous measures to protect young people and gamblers, and second, actions to counter the development and spread of unlicensed gambling. State-licensed gambling also protects gamblers against fraudulent activity and any consequential or accompanying crime related to unregulated gambling.

State-licensed gambling therefore provides an important and legally-based contribution in order, for example, to protect players from potential exploitation by the gambling establishment and to limit illegal gambling. The basis for this is provided by the gaming laws of the federal states and the current version of the German State Treaty on Gambling (GlüStV) in Germany.

NORD/LB as an employer

Employment

G4-9 G4-10 G4-11 G4-LA1 G4-LA4 G4-HR4 G4-HR12

An increasingly more complex regulatory environment as well as ever faster changes in markets and the financial sector have an impact on the entire NORD/LB Group. This environment and other drivers of change, such as demographic change and digitalisation, make it particularly important that the NORD/LB Group's personnel policy is able to manage the increasing requirements placed on the bank's employees. In 2016 there was particular emphasis on

- skills;
- performance orientation;
- leadership; and
- flexibility.

Personnel-related activities are based on a personnel strategy derived from the NORD/LB Group's business and risk strategy. NORD/LB's strategic parameters also provide a framework to guide the activities of the NORD/LB Group. In 2016, there was a focus on managing the

- number of staff, i.e. allocating available resources and capacities in a value-added manner as well as securing and retaining jobs;
- costs, i.e. ensuring market-oriented and performance-based compensation via a strategic compensation model;
- staff quality, i.e. increasing motivation and productivity by creating clarity regarding duties, competencies and responsibilities; and
- transformation, i.e. the ability of staff to deal with change.

In addition, the ongoing income and cost pressure on the NORD/LB Group had an impact on the overall personnel work in 2016: it was necessary to ensure investment flexibility while also achieving cost objectives. In the challenging environment that 2016 presented, the NORD/LB Group used all of the personnel tools available to it to retain, develop and create jobs.

At the end of 2016, the NORD/LB Group employed 6,427 people (compared to 6,343 people in 2015). Thus, the NORD/LB Group's headcount increased only slightly by 1.3 per cent. Seasonal fluctuations in employment do not occur because of the type of business activity.

The mix of women and men within the NORD/LB Group is balanced and has remained stable for many years with limited fluctuations. The percentage of women in the workforce amounted to 49.4 per cent (2015: 49.6 per cent). The NORD/LB Group uses temporary staff only in exceptional cases to bridge extraordinary circumstances.

The fluctuation rate in the NORD/LB Group, which has been higher than the bank average in Germany, fell slightly in 2016 to 9.0 per cent (2015: 10.4 per cent). The fluctuation rate was lower among female employees in particular, falling from 10.4 per cent in 2015 to 7.7 per cent in 2016, whereas it remained unchanged among male pay-scale employees. This is evidence of active personnel work to secure value-adding jobs.²

Table 1: Fluctuation

	2014	2015	2016
Fluctuation (in %)	8.3	10.4	9.0
By gender as % of total workforce:			
male	7.9	10.3	10.3
female	8.7	10.4	7.7
By age as % of total fluctuation:			
up to 30 years	39.6	33.4	41.5
31-50 years	31.3	33.8	41.0
from 51 years	29.1	32.8	17.5
By region as % of total fluctuation:			
Germany	85.3	81.5	82.8
Europe, Asia, USA	14.7	18.5	17.2

The NORD/LB Group complies with all legal requirements prevailing in the countries where the Group has business operations. In Germany these include, for example, the requirements under labour and co-determination laws. Staff representatives are informed at an early stage of any major changes to the business. In particular, NORD/LB has an obligation to inform the Staff Council or the Works Council (Deutsche Hypo) in good time and in detail about intended measures so that they can perform their responsibilities. This obligation is in accordance with the German Staff Representation Act of Lower Saxony (NPersVG), the German Works Constitution Act (BetrVG) (at Deutsche Hypo) and the German Staff Representation Act of Bremen (Brem-PersVG). The NORD/LB Group traditionally attaches great importance to co-determination. There is regular communication based on trust between the General Staff Council, the local staff councils, the Works Council and the Managing Board. The staff and works councils also represent the non-pay-scale portion of the staff.

In addition to being informed by the Staff Council, staff are also regularly informed of important issues by Corporate Communica-

tions in the form of staff news releases via the intranet or e-mail. Staff who do not have access to an e-mail account are informed by their manager.

All employees of the NORD/LB Group in Germany are represented by the ver.di union. All employees of the NORD/LB Group have the option and the right to organise themselves in unions. They also receive strike pay. All staff members also have the right to freedom of assembly.

The staff are informed regularly and in detail in staff and works meetings. The time spent attending the staff and works meetings counts as working time. Additionally they have the option of holding partial staff meetings, if necessary. The Staff and Works Council inform employees regularly via information letters. Representatives of ver.di attend every NORD/LB staff meeting and report to the staff as a standing agenda item. ver.di also updates them via separate information letters.

G4-HR12: The Group is not aware of any complaints concerning labour practices and inhumane employment.

Table 2: Total workforce by employment type, employment contract as well as gender and region

	2014	2015	2016
Employees (total)	6,597	6,343	6,427
Permanent employees (total)	6,110	5,940	6,008
of which male	–	3,014	3,061
of which female	–	2,926	2,947
Permanent full-time employees	4,784	4,642	4,684
of which male	–	2,906	2,944
of which female	–	1,736	1,740
Permanent part-time employees	1,326	1,298	1,324
of which male	–	108	117
of which female	–	1,190	1,207
Temporary employees (total)	487	403	419
of which male	–	188	197
of which female	–	215	222
Temporary full-time employees	462	381	393
of which male	–	183	189
of which female	–	198	204
Temporary part-time employees	25	22	26
of which male	–	5	8
of which female	–	17	18
Apprentices and trainees	291	262	284
of which male	–	121	132
of which female	–	141	152
Total workforce by region (in %)			
Germany	92.5	92.6	92.2
Europe, Asia, USA	7.5	7.4	7.8

Diversity and equal opportunities

G4-LA12 G4-HR3

The Y and Z generations, the increasing number of older employees, greater demands for mobility and mounting digitalisation lead to a wide variety of growing demands for the employees in the NORD/LB Group – and as a consequence for the Group's work to promote diversity.

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 experience for the benefit of the company.

The framework for this diversity management is provided by the Group's fundamental values. The Ethical Principles of the NORD/LB Group and the commitment it has undertaken as a signatory of the Diversity Charta (NORD/LB and BLB since 2013, Deutsche Hypo made the commitment in 2014) explicitly exclude in the NORD/LB Group any form of discrimination or harassment on the basis of gender, age, disability, ethnic origin, religion and belief, sexual identity, political views or union activity. In this regard the NORD/LB Group has a protection function for the workforce. A violation of this principle may result in disciplinary consequences, including dismissal. Potential dis-

crimination can be reported to a complaints office. The Group is not aware of any incident of discrimination in 2016.

The NORD/LB Group is explicitly committed to diversity and equality of opportunity. Diversity management therefore also contributes to corporate culture. The diversity of the Group's employees is part of its corporate identity. To that end, mutual respect is the basis for the values of cooperation within the NORD/LB Group. The behaviour of employees – and thus of the company – is guided by mutual respect, openness, honesty and mutual understanding of trustworthy cooperation. By acting in this manner, the NORD/LB Group would also like to contribute to acceptance and openness in society.

The NORD/LB Group's active work in the area of diversity focuses on the benefits of heterogeneity within the bank in the positive sense, i.e. using differing perspectives, experiences, approaches and values for the benefit of the company. This results in good development prospects and opportunities for all employees. In addition, the management potential of women is promoted systematically with targeted measures, for example in NORD/LB via a target quota for women as a framework for the job recruitment process.

Confidants and representatives of severely disabled staff members are selected to support and protect severely disabled and disabled people and people at risk of disability. The share of persons with disabilities in the NORD/LB Group totalled 2.7 per cent in 2016.

Regarding the issue of demographic change and age structure, BLB is constantly enhancing its age-group-specific working conditions under its "Age-appropriate Working" concept launched in 2013.

The diversity figures for the NORD/LB Group show that women account for 49.4 per cent of the staff (2015: 49.6 per cent), that the proportion of women in management positions is 19.0 per cent (2015: 18.8 per cent) and that the share of women members in supervisory and administrative boards totalled 17.0 per cent (2015: 20.8 per cent). These figures have remained stable for many years with limited fluctuations. The share of women among the members of the Managing Board of the NORD/LB Group has grown to 8.7 per cent (4.6 per cent in 2015).

In 2016, the bank's employees came from 34 different countries (2015: 26 countries).

Chart 19: Workforce (total) by gender

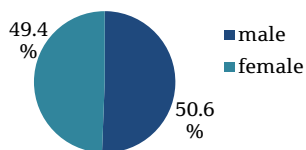


Chart 20: Managers by gender

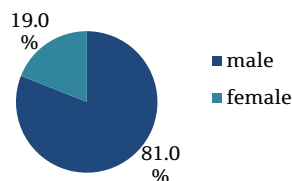


Chart 21: Directors/management by gender

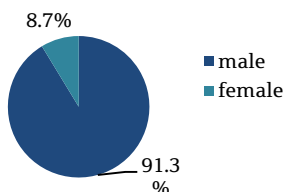


Chart 22: Supervisory and administrative board by gender

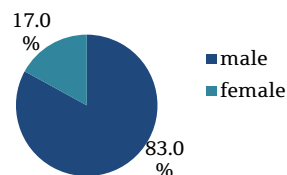


Chart 23: Workforce (total) by age

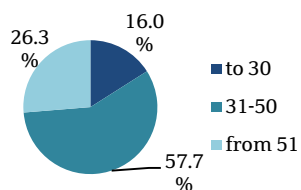


Chart 24: Age (in years) of staff

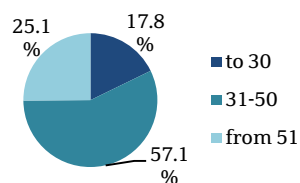


Chart 25: Age (in years) of managers

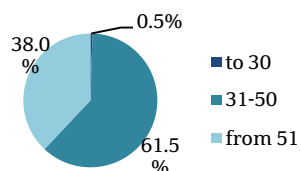
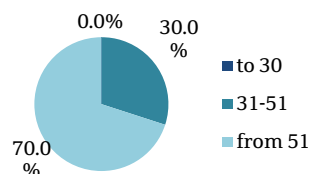


Chart 26: Age (in years) of directors/management



Remuneration

G4-11 G4-51 G4-52 G4-54 G4-55 G4-EC3 G4-EC5 G4-LA2
G4-LA13

NORD/LB is a major institution as defined by the German Remuneration Ordinance for Institutions (InstitutsVergV). NORD/LB's remuneration system is therefore subject to the specific requirements of the InstitutsVergV. NORD/LB also has a disclosure obligation in accordance with § 16 of the InstitutsVergV (IVV) in conjunction with Article 450 of Regulation (EU) No.

575/2013, and prepares an annual Remuneration Report, which is available on its website.

The remuneration of pay-scale employees in the NORD/LB Group is based on the collective agreement for the private banking sector and public banks. The jobs are rated on a task-related basis and not on a job-holder-related basis; this guarantees a minimum level of remuneration for the sector regardless of race,

ethnic origin, gender, religion or belief, disability, age and sexual orientation, based on the employee's qualifications, duties, role and professional experience.

All non-pay-scale jobs are allocated to so-called career bands, first of all for NORD/LB with its locations in Germany. As a result, the very different requirements in the various fields of employment can be reflected more easily and more transparently.

The NORD/LB Group's permanent staff is entitled to receive a company pension under the pension scheme applicable for the respective institution. Different occupational pension schemes are in place in the NORD/LB Group. In addition to pension commitments, the present value of defined benefit obligations in the amount of € 2.62 billion includes allowance payments in the amount of € 246 million. The defined benefit obligation is broken down as at the balance sheet date into amounts for defined benefit plans totalling € 2.11 billion which are not financed through a fund, and into amounts from defined benefit obligations totalling € 515 million which are either fully or partially financed through a fund. This information and further details can be found on pages 226 ff of the 2016 financial reporting (IFRS).

There are also extensive social benefits in the NORD/LB Group, such as contributions to capital formation, continued payment of wages in case of illness, special leave for special events, payment of a jubilee allowance after 10, 25 and 40 years of service, marriage and maternity allowances, subsidies for lunch, subsidised use of public transport, subsidised participation in external sporting events, and group accident insurance. Almost all company social benefits, such as additional preventive health care measures, parental leave and the company pension, are available to permanent full-time and part-time employees and to employees with temporary contracts.

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.

NORD/LB grants a defined-benefit company pension to the members of the Managing Board employed by the end of 2013.

The Managing Board, for its part, is responsible for ensuring that the design of the remuneration systems for the reporting levels below the Managing Board, the so-called Direct Reports, is appropriate. Direct Reports are remunerated as contract employees of NORD/LB above the pay scale. The remuneration 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.

Direct Reports employed by the end of 2013 receive a defined-benefit company pension plan, while Direct Reports who joined from 2014 receive a defined-contribution pension plan. 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.

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 2016, the consulting services of a personnel consultancy were used in the design of remuneration systems.

For further information regarding remuneration and on the indicators G4-54/G4-55/G4-EC5, please refer to the 2016 financial reporting (IFRS), particularly pages 117 ff, 234 and 286 as well as the Remuneration Report.

Chart 27: Overview of pay-scale and non-pay-scale employees (in per cent)

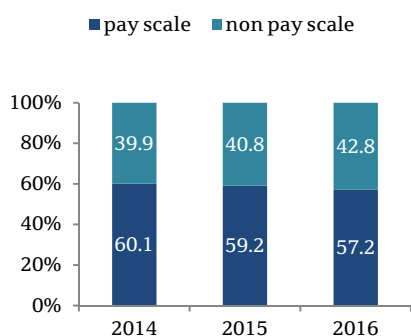


Chart 28: Overview of non-pay-scale employees by gender (in per cent)

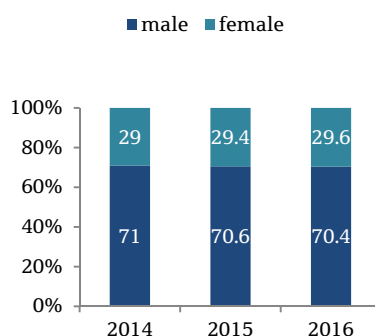
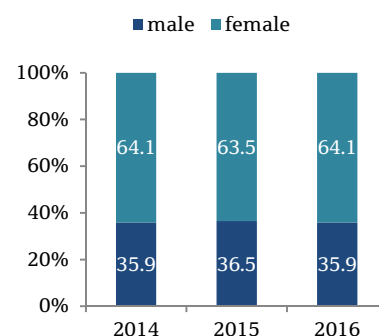


Chart 29: Overview of pay-scale employees by gender (in per cent)



Staff recruitment

G4-EC6 G4-LA1

Most of the NORD/LB Group's main locations, which account for over 92.2 per cent of staff, are located in Germany.

Staff is primarily recruited in Germany, while management positions are filled on a national and international basis.

In Luxembourg, potential candidates from the whole region are targeted for vacant staff jobs and management positions, whereby many employees, regardless of their nationality, live in Germany.

Chart 30: New staff

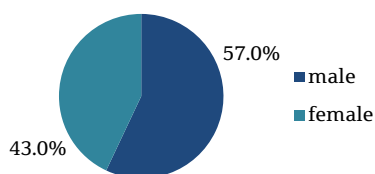


Chart 31: New staff (in years) by age

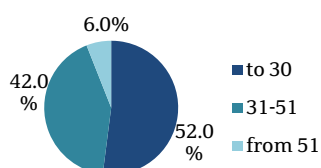
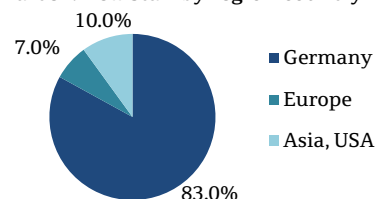


Chart 32: New staff by region/country



Apprenticeships

NORD/LB offers attractive and high-quality apprenticeships. They comprise primarily commercial professions, in some cases as dual studies or as different trainee programmes. Since 2013, BLB has trained half of its junior staff in a business administration dual study programme focusing on banking & finance (B.A.) at the IT & Business School Oldenburg, in which the commercial banking training is also included. After the trainees complete their dual studies programme, they also have the opportunity to pursue various academic continuing education programmes. In 2015 Deutsche Hypo added, in cooperation with Leibniz FH Hanover School of Business, a Bachelor of Arts degree in Financial Services (B.A.) to the range of training programmes it offers.

In contrast to the industry trend, the number and quality of applicants for apprenticeships with the NORD/LB Group was above the previous year's level due to structured trainee recruitment campaigns and stable partnerships with universities. A new apprenticeship campaign specifically targeting college dropouts enabled the recruitment of new target groups.

Regionally, NORD/LB cooperates in particular with the following colleges: Leibniz University

of Hanover, Hanover Centre of Finance e.V. (HCF), Leibniz FH Hanover School of Business and the Leuphana University of Lüneburg. The partnerships have helped to strengthen the commitment of junior staff to the bank.

Increased performance requirements and the mobility and flexibility of junior staff amid simultaneous cost and resource optimisation require a holistic approach to working with junior staff in the NORD/LB Group. The targeted management of the training and development of junior staff ensures that the NORD/LB Group's short and medium-term personnel needs are covered in a qualitative and quantitative sense with a pool of qualified young professionals who precisely meet the needs of the bank.

Despite the Group-wide need for efficiency improvements, a positive trainee rate of 4.4 per cent was maintained close to the previous year's level (4.1 per cent in 2015) in the NORD/LB Group. With its good training ratios, together with high retention rates, the NORD/LB Group this year has again acted in keeping with its social and economic position and in accordance with its educational mandate.

Training

G4-EC8 G4-LA2 G4-LA9 G4-LA10 G4-LA11

The potential-oriented personnel policy makes a valuable contribution to ensuring that the NORD/LB Group remains viable for the future. The management of staff qualifications, i.e. enabling the staff to undergo necessary change and improve their willingness to lead and perform via needs-based personnel development,

defined NORD/LB Group's personnel development policy in 2016.

The dominant development career paths in the NORD/LB Group, including management, expert and specialist career paths, were emphasised across the Group in 2016. Seminars in the NORD/LB Group traditionally support staff in their technical and managerial competence, in

their social and methodological expertise, and in their personal skills.

In order to increase flexibility and innovation in NORD/LB, the Design Thinking approach of the Hasso Plattner Institute was again used in 2016. For example, the disseminators who were trained in 2015 conducted department-specific training courses based on the Design Thinking method set.

The necessary training is controlled and validated in the NORD/LB Group using regular, structured development meetings between management and staff.

The number of managerial training opportunities for managers declined slightly, in part because the managers attended specialist seminars and also because the competence models stabilised. On average, employees spend 1.4 working days per year attending classroom training events. This is a value that supports the quantitative dimension of the Group's potential-oriented personnel policy.

NORD/LB's competence model, which defines tasks, attitudes and competences uniformly in terms of performance, change, action and leadership skills, gradually determined the focus of NORD/LB's whole training programme in 2016. It also provided the basis for greater standardisation of the bank's knowledge and succession management. There was no need to change BLB's established competence model in 2016.

With its competence models, the NORD/LB Group ensures the long-term employability of its workforce through, for example, development programmes and tools at the management level. The bank, for example, actively manages its succession plans at the highest management levels. A certified training format was also implemented in 2016 for that purpose, focusing on key issues for overall bank management. The bank cooperated with the Frankfurt School of Finance & Management to develop suitable employees from upper management in a condensed, practical and profound executive education programme. At the same time, this format was used to comply with the statutory obligation to obtain continuing professional education, e.g. pursuant to § 25c para. 1 and 4 of the German Banking Act (KWG).

At BLB, for the first time an initial qualification and development program for refugees was created. Its practical building blocks not only included bank specific vocational schooling but also German courses. This programme ensured that the refugees were able to continue with the bank apprenticeship or be hired by the bank.

The training offering is equally available to the same extent for all employees, irrespective of any factors (e.g. age, gender, working-time model, tariff group, fixed-term/unlimited employment contracts, etc.).

Table 3: Classroom seminars³

	2014	2015	2016
Managers (in working days)	1,227	1,790	2,075
of which male	–	1,493	1,668
of which female	–	2.97	407
Employees (in working days)	8,147	7,137	9,360
of which male	–	3,565	4,666
of which female	–	3,572	4,694
Average working days	2.4	2	1.4
Percentage of training days for managers	13.0%	20.0%	18.1%
Percentage of training days for employees	87.0%	80.0%	81.9%
Number of hours for managers	9,570.6	13,962	16,183
Number of hours for employees	63,546.6	55,668.6	73,007

Annual appraisals and assessments

G4-LA10 G4-LA11

During the appraisal meetings that are held annually in the NORD/LB Group for nearly all managers and staff, their performance and skills are also discussed together with a development discussion that includes development planning.

The development discussion and planning support the targeted exchange of information between managers and staff to discuss their strengths, areas for development and the next development steps.

Managers in the NORD/LB Group receive regular feedback on their management behaviour and constructive suggestions on how to develop their potential.

To that end, the Group successfully continued with the 360-degree performance feedback process, which was launched in 2015, and thus advanced the initiative to determine the status quo and development of all managers. Knowledge gained from coaching discussions led to individually agreed development measures and the adjustment of targeted personnel development tools, which resulted in an increase in staff skills.

In order to establish the principle of lifelong learning and the importance of staff development as a managerial responsibility, the development discussion was continued as part of the annual appraisal in Deutsche Hypo in 2016.

Work and family

NORD/LB supports the workforce with personnel-policy measures to ensure that the best possible balance between paid work and family life is achieved. These include, for example, home offices, which are aimed in particular at staff with small children or relatives in need of care, thereby enabling them to spend a portion of their working hours in the home office.

NORD/LB also provides, for instance, a range of care services during the school holidays for

schoolchildren whose parents work for NORD/LB. In cooperation with an external parent service, NORD/LB can also ensure that relatives in need of care are looked after.

The measures aimed at achieving a work-life balance also include flexitime and part-time working models and the option of opening long-term working time credit accounts.

This commitment was also recognised in a survey conducted by Eltern (parents) magazine, which for the first time ever chose the most family-friendly employers in Germany. 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

Corporate Health Management

G4-LA5 G4-LA8

Corporate health management and the health of staff is a social issue. A low sickness rate makes it easier to have a social life, achieve a balance between paid work and family life, and ease the burden on social systems.

The management approach of personnel work in the NORD/LB Group is rounded off with qualitative health management, which aims to ensure that all staff remain healthy and fit for work.

The health of its employees is a corporate value-adding factor for the economic success of the NORD/LB Group. There are interdependencies between the operational working conditions and the performance of the workforce. These interdependencies are managed in NORD/LB, Deutsche Hypo and BLB by optimising working conditions and strengthening personal resources via a company health management programme. The objectives of health management are set out in guiding principles with high quality standards.

Corporate Health Management focuses on the promotion of personal and corporate health potential. Corporate Health Management 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 involve changes in the work organisation (structures and procedures), the restructuring of work responsibilities or an improvement in communication structures.

A targeted improvement in working conditions and the work organisation can improve the personal performance of staff and solve or re-

duce health problems. The quality of employees' work improves due to

- fewer health complaints;
- improved well-being and a better quality of life;
- healthier behaviour at work; and a
- better atmosphere at work.

The benefits for the bank are due to

- higher productivity;
- a lower sickness rate;
- higher job-satisfaction levels;
- better corporate communication; and an
- improved image for the company.

The successful promotion of health is characterised by meeting and implementing the following sub-goals:

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

The active participation of staff is just as important for successful corporate health management as the credible commitment of managers, the Staff Council and the Works Council.

In 2016, the services offered in Corporate Health Management continued to focus on

increased awareness-raising, training and qualification measures for managers about advisory services. Managers must motivate and enable the staff to recognise the measures and tools of Corporate Health Management as a benefit and to use them in a targeted and purposeful manner.

Health management in the NORD/LB Group companies includes both proactive and preventive support measures, for example,

- annual flu vaccinations;
- back fitness courses;
- business yoga to improve the handling of stressful situations;
- partnerships with fitness clubs in the region; and
- health checks for staff and managers.

In 2016, NORD/LB and Deutsche Hypo continued with the concept they developed for mental-health risk assessment, demonstrating that NORD/LB acts as a responsible employer in the sense of legal requirements.

Occupational safety and health protection

G4-LA5 G4-LA6 G4-LA7 G4-LA8

In Germany, the German Occupational Health and Safety Act (ASiG), the German Labour Protection Act (ArbSchG) and the German Accident Prevention Regulations “DGUV regulation 2” govern aspects related to occupational safety and health protection. In addition, occupational safety matters are now also strongly influenced by European legislation. There are uniform minimum standards for occupational safety and health protection applicable for EU Member States.

As employees of a financial services provider, the NORD/LB Group’s staff do not perform activities that are particularly dangerous or harmful to health.

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.

Occupational safety and health protection also include addressing issues such as possible violence against or threats to employees, especially if they are in direct contact with customers. The bank distinguishes 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 ses-

sions at the workplace are held in accordance with the German Statutory Accident Insurance Association (DGUV) Regulation 25 (German Accident Prevention Regulations (UVV)). Web-based training with a proof of performance is also provided.

If potential risks have been identified, direct instruction is given to the employees concerned by the Occupational Safety Officer, a representative of the police prevention centre, and the manager.

If a corresponding event occurs in spite of all the preventive measures, psychological after-care is provided by the crisis intervention team (KIT) and social counselling. This ensures that, depending on the specific circumstances, an expert counsellor takes care of the affected employee.

A challenge for health protection, which is also found in other industries, is the increase in mental illnesses and skeletal muscle disorders. Neutral external social counselling is available for all staff with work-related or psychosocial problems.

NORD/LB’s Health and Safety Committee (HSC) is responsible for all issues concerning occupational safety and accident prevention. The HSC represents the matters concerning the employees of the bank, including Braunschweigische Landessparkasse, Landesförderinstitut and Investitionsbank Sachsen-Anhalt. It normally meets four to five times a year and comprises,

in accordance with legal requirements, the following members:

- One employer representative
- Two members of the Staff Council
- One company doctor
- Two specialists for occupational safety
- Several safety representatives

In addition, representatives of Corporate Health Management, Braunschweigische Landessparkasse and the confidant of severely disabled staff also sit on the Health and Safety Committee. BLB and Deutsche Hypo have similar committees, which likewise meet 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 formally agreed with the staff representatives.

Beyond the legal requirements concerning occupational safety and company medical services, NORD/LB offers all of its staff a range of advisory services. In addition, 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. In addition, several Group locations have early defibrillation devices.

The bank has a corporate reintegration programme under which it takes individual measures to try to reintegrate staff with long-term or chronic illnesses.

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

Despite the increasingly dynamic demands being placed on employees, the measures to maintain and promote employee health under the health management programme in the NORD/LB Group helped to stabilise the staff sickness rate in 2016 at 4.7 per cent (2015: 4.7 per cent). The number of accidents at work fell further (versus 2014: 57 and 2015: 36). The accident report outlines the policy for accidents at work.

G4-LA6: There are no noticeable regional differences, and there have been no fatal accidents at work.

Table 4: Overview of days lost to sickness and accidents at work

	2014	2015	2016
Accidents at work (number)	57	36	34
of which male	–	17	19
of which female	–	19	15
Accidents at work (working days)	822	475	419
of which male		153	208
of which female		322	211
Deaths due to accidents at work	0	0	0
Days lost to sickness (working days)	70,481	71,458	69,231
of which male	–	29,849	29,608
of which female	–	41,609	39,623
Planned working days	1,666,825	1,521,455	1,469,137
of which male	–	792,160	765,897
of which female	–	729,295	703,240
Accidents at work as a percentage of headcount	0.9%	0.6%	0.5%
Accidents at work as a percentage of days lost to sickness	1.2%	0.7%	0.6%
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)	4.2%	4.7%	4.7%

First aiders and fire safety assistants

NORD/LB is required by law to train five per cent of its staff in first aid and in extinguishing incipient fires.

A review of the ratios as at 30 November 2016 produced the following result: 6 per cent of employees received training as first aiders and

4.3 per cent as fire safety assistants (domestically).

The departments that did not meet or only partly met the ratios were required to train appropriate staff in 2017.

Customers and products

Legal framework

G4-PR1 G4-PR2 G4-PR3 G4-PR4 G4-PR6 G4-PR7 G4-PR9

The laws governing financial products require that banks fulfil extensive obligations regarding information and transparency, for example, maintaining minutes of consultation meetings, defining and allocating customers and products into risk classes, rendering advice suitable 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 consultation processes.

There is a systematic process in place regarding the provision of investment advice, with corresponding documentation requirements. Staff members who provide investment advice have the required qualifications in accordance with the German Investor Protection Act (AnsFuG) and are accordingly registered with the German Federal Financial Supervisory Authority (BaFin). To ensure that their 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.

NORD/LB's and BLB's own issues are sold on the basis of the applicable laws, e.g. in Germany pursuant to the German Securities Prospectus Act (WpHG). 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 with the audit of procedures and by Internal Audit.

For the year under review, NORD/LB was not made aware of any case of non-compliance with laws and regulations concerning information about the labelling of products and services as well as the provision and use of products and services.

The indicators G4-PR1, G4-PR2 and G4-PR6 are not considered to be relevant because of NORD/LB's business activity.

Customer satisfaction

G4-PR5

NORD/LB regularly conducts Group-wide customer satisfaction surveys every two years on behalf of the NORD/LB Group 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 advisor
- 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 they 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. To do that, 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.

As another management system, a standardised complaint management system has existed in the Group units for many years. A strategic complaint management system aims to do more than just improve customer satisfaction. It also provides a basis to obtain important ideas from customers in order to identify specific possibilities for improvement. This helps the bank to achieve its strategic goals of "quality leadership" and "market leadership". Each feedback is taken seriously and answered accordingly.

Comprehensive advice

NORD/LB focuses its advisory services on the objectives and needs of customers. 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 continuously on its use. For example, all 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 com-

missions to their staff at the end of 2012 and therefore follow the current practice in the savings bank sector.

BLB has also changed its incentive systems and, for example, has discontinued the use of product sales targets for its advisors. Advisors and their teams are now remunerated based on the overall income of the bank and qualitative activity targets, such as customer satisfaction. In 2014, the bank also discontinued making direct commission payments when BLB employees sell products from Landesbausparkasse (LBS), BLB Immobilien as well as Öffentliche Versicherungen Bremen (ÖVB) and VGH Versicherungen.

Private and commercial customers

G4-EC8 G4-FS13 G4-FS14

The Private and Commercial Customers segment comprises the following customer segments, primarily in northern Germany:

- Service customers
- Branch consultancy customers
- Retail corporate customers

- Private banking customers
- Corporate customers

In Brunswick and in the parts of the former Duchy of Brunswick that are today part of Lower Saxony, Braunschweigische Landessparkasse operates in NORD/LB as an institution with partial legal capacity. In this function, Braunschweigische Landessparkasse provides all kinds of banking and financial services. BLB operates its private banking business to a considerably smaller extent in Bremen and Oldenburg.

The product range in the retail segments is based on customer-specific savings bank finance concepts, and comprises all of the banking services and products for lending business and investment business, including investment products, insurance, real estate brokering and home loan savings.

In order to enable people with a difficult financial background to make cashless payments, Braunschweigische Landessparkasse and BLB also offer a citizen/basis account (Bürger-/Basiskonto), which is maintained solely on a credit basis. As at 31 December 2016, 7,631 customers at Braunschweigische Landessparkasse were using citizen accounts and 997 basis accounts; at BLB there were 139 citizen/basis accounts.

Braunschweigische Landessparkasse's public mandate also involves the special responsibility of introducing current accounts and payment transactions to refugees. To that end, brochures have been published in Arabic, English and French. In addition, a multi-language presentation has been developed which can be used, for example, in German lessons or in integration programmes.

Braunschweigische Landessparkasse is represented in 93 locations throughout the business region so that customers can be provided with financial services across the region. These include 45 branches in which the local advisory competence has been strengthened. All of the branches have either a conventional or a self-service cash point. 18 locations are operated jointly with Öffentliche Versicherung Braunschweig as finance centres. The locations are supplemented by 30 self-service points. All of the locations have self-service facilities, such

as cash machines, self-service terminals and account statement printers. BLB has two branches in Bremen and Oldenburg.

In order to offer a better service to customers with impaired vision, 76 cash machines with a deposit function at Braunschweigische Landessparkasse and 10 devices at BLB have voice guidance. This provides these customers with independent access to cash services at 65 locations. In addition, alternative access methods were created and expanded with the telephone and online branch. 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 content of the online branch.

Besides the private customer business, the extended services of the NORD/LB Group in the high-end customer segments comprise the asset management and corporate banking activities of BLB, the tandem support for corporate customers of NORD/LB, and support for customers with international investments by NORD/LB Vermögensmanagement Luxembourg S. A.

In Private Banking and in the Corporate Customers segment, the NORD/LB Group positions itself in the respective locations as the first choice in the market. Asset and portfolio management in capital market business and with asset management is a centre of competence in the NORD/LB Group.

An internally developed concept, called the Systematic Investment Process SIP®, is used at BLB. This concept supplements the personal discussion with a systematic approach. This concept, which takes the relevant data available from around the world, makes it possible to determine an optimal investment strategy for the customer, selecting investments from up to 50 asset classes – and when doing so, in an understandable and neutral manner based on an individual risk-reward profile.

BLB's asset management was the first asset management firm in Germany to be recognised by the neutral Institute für Vermögensschutz (Institute for Wealth Protection), which highlights the focus of its activities on a sustainable customer relationship and the re-

sponsibility towards customers. BLB's foundation management features not just offerings for sustainable investments; BLB also supports potential benefactors with their inheritance considerations in order, for example, to promote educational issues, social institutions, etc. over the long term and to raise customers' awareness of these issues. At the end of 2016, BLB served more than 100 independent and several dependent foundations. The vast majority of these foundations pursue a social or sustainability purpose.

Corporate customers

NORD/LB is fundamentally a lending bank and financier of small and medium-sized businesses. It stands by its customers as a trustworthy partner in order to be perceived as a competent, long-term-oriented financing partner in this time of rapid market changes. This strategy is also reflected in the bank's customer portfolio, which is characterised by long and longer-term customer relationships. Customised and needs-based solutions allow excellent consulting in customer business.

Every risk assessment of a loan involves not only the financial risks but also the environmental and social risks associated with the companies. If NORD/LB's customer advisers are asked by corporate customers for an assessment of their sustainability activities, they pass

When making product recommendations, BLB and Braunschweigische Landessparkasse always use the product portfolio of NORD/LB Research. Customers interested in sustainable products can choose the NORD/LB AM Global Challenges Index Fund P and the Ökowied Ökowied Classic A.

If private banking customers are interested in investing more than € 500,000, NORD/LB and BLB also offer individualised asset management focused on sustainability.

on this request when needed to NORD/LB's Sustainability Management so that it can provide its expert assessment.

As a full-service provider, the NORD/LB Group provides its corporate customers with an extensive range of traditional banking products and services. The services include transaction management, tailored business financing, management of interest and currency risk, and complex financing solutions. Professional liquidity and risk management, structuring of equity measures and innovative financing instruments supplement the product portfolio.

As NORD/LB's customer portfolio crosses all industries, it therefore finances companies in all economic sectors.

Structured finance customers

G4-EN27

In the business segments Energy and Infrastructure Customers, Ship and Aircraft Customers and Real Estate Banking Customers, traditional lending products, innovative products and financial engineering are generally offered irrespective of the particular industry. This primarily concerns financing for specific purposes, which is related to a specific project or asset and is tailored to the respective individual customer need. The structure of such financing is developed taking into account the respective political and economic risks, legal and tax factors, social and societal determi-

nants, and optimal equity structures. The aim is to tailor project requirements and cash flows to the respective customers.

In order to help customers to manage the impact of project finance, NORD/LB has issued guidelines for environmental and social issues and for corporate management thereof, and implemented these in its existing business processes. These ESG guidelines take into account not only the environmental, social and economic aspects, but also the impact of projects on the respective communities.

Renewable energies

G4-EC2 G4-EN27

In order to counter the effects of climate change and the shortage of resources, since the start of the 1990s the NORD/LB Group has invested in projects in the area of renewable energies, which stimulate their development.

The NORD/LB Group is one of the leading financiers of renewable energies in Germany and Europe. It has project-finance expertise resulting from more than 7,700 MW in project volume, including multiple mandates as lead arranger and banking syndicate leader. Many projects do more than just promote the expansion of renewable energies. They also contribute to greater energy efficiency, for example by expanding existing installations for energy generation.

Table 5: Financing volume – renewable energies

	2014	2015	2016
Wind (in € million)	6,055	7,088	8,553
Solar (in € million)	1,275	1,305	1,710
Biogas (in € million)	911	886	1,299
Total (in € million)	8,240	9,715	11,562
Estimated power consumption (in megawatts) ⁴	5,493	6,477	7,708

The NORD/LB Group also helps its customers to cut back CO₂ emissions when producing energy by supporting the financing or expansion of plants for renewable energy. Overall, the NORD/LB Group realised € 2.6 billion in new business for renewable energies in 2016, and in doing so contributed to the generation of an estimated 1,729 MW in renewable energy capacity. In purely arithmetic terms, this will allow savings of around 1.98 million tonnes of CO₂ equivalents compared to energy production from coal and gas.

The investments made by NORD/LB contribute to the expansion of alternative, more environmentally-friendly forms of energy production and supply, and simultaneously support structural change in rural areas. At the same time, support is given to small and medium-sized companies, commercial customers and private property owners to help them realise energy-saving and resource-friendly property concepts.

Financing and development programmes

In addition to their own offerings, NORD/LB, Braunschweigische Landessparkasse and BLB 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, the bank 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 foundation and financing of companies. In particular, the bank brokers development programmes offered by the German Reconstruction Credit Institute (KfW).

Products and services with a social benefit

G4-FS7

The calculation of the monetary value of products and services with a social benefit takes into account the direct and indirect contributions that the core business generates for customers and society. To that end, the effect on social sustainability was depicted by recording lending business with customers whose business activities are of particular public interest. Based on the industry code of the German Central Bank (Bundesbank), the following industries were identified:

- Crop and animal production, hunting and related service activities
- Forestry and logging

- Fishing and aquaculture
- Real estate activities
- Public administration
- Manufacture of food and feed products
- Education
- Healthcare activities
- Residential care activities
- Social work activities
- Libraries, archives, zoological gardens and museums

The financing volume which the NORD/LB Group has committed to in these industries totalled approx. € 32 billion as at 31 December 2016.

Products and services with an environmental benefit

G4-EN27 G4-FS8

Lending business with an environmental benefit was identified in a manner similar to the social benefit for the following industries:

- Water supply
- Waste water disposal
- Waste management
- Clean-up of contaminated sites

The percentage of “green technology” financed in other industries was also estimated. For this purpose, the GreenTech shares of global market volumes of selected industries as calculated by the German Federal Environment Minis-

try were used.⁵ The GreenTech shares of the following industries were considered:

- Automotive industry (GreenTech share 2 per cent)
- Chemicals industry (6 per cent)
- Electrical industry (12 per cent)
- Machinery and plant engineering (20 per cent)

The financing volume which the NORD/LB Group has committed to in these industries totalled approx. € 1.6 billion as at 31 December 2016.

Other products with a social, environmental or economic benefit

G4-EN27

The financial volume for renewable energies committed by NORD/LB and BLB includes development loans with a social, ecological or economic benefit granted by the German Reconstruction Credit Institute (KfW) to private persons (hereafter “KfW promotional loans”), the KfW programmes:

- 124/134 KfW-Wohneigentumsprogramm (home ownership programme)
- 148 IKU-Investitionskredit Kommunale und soziale Unternehmen (investment loan for municipal and social companies)
- 159 Altersgerecht Umbauen KREDIT (loan to help convert properties so that they are suitable for the elderly)
- 234 IKU-Barrierefreie Stadt (loan to help transform buildings, transport facilities and public spaces so that they are suitable for the disabled)
- 037 / 047 KfW-Unternehmerkredit (investment and working capital loan)
- 058 ERP-Kapital für Gründung (loan providing capital to set up and operate a business)
- 067 ERP-Gründerkredit Startgeld (loan providing capital to set up and operate a business)
- 068/ 073/ 074/ 075/ 076 ERP Gründerkredit Universell (loan for business founders, business successors, freelancers and young businesses)
- 062 / 072 ERP-Regionalförderprogramm (development loan for investment in regional development areas in Germany)
- 044 / 046 Unternehmerkredit plus (loan for innovative middle market companies and freelancers)
- 151, 152, 153, 167, 270 / 274, 271 / 272 / 281 / 282 and 275 (energy-saving measures and modernisation of properties in private ownership)
- 219, 240 / 241, 242 / 243 / 244 (energy-saving measures and modernisation and for properties of businesses and municipalities)

Chart 33: KfW development loans approved - new business (number)

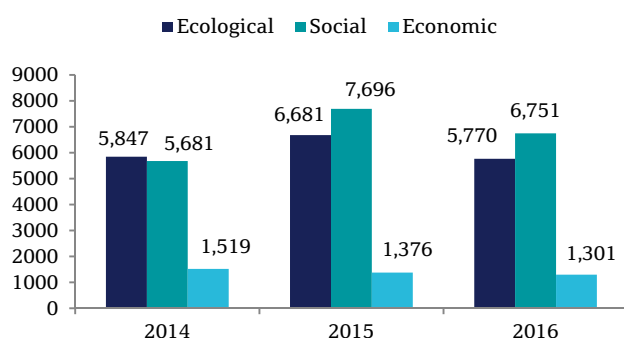
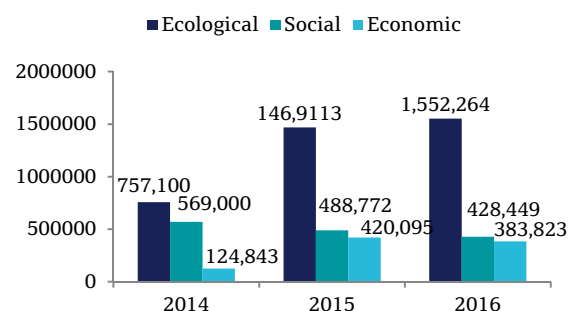


Chart 34: Volume of KfW development loans approved - new business (in € thousand)



Sustainable own business

NORD/LB has a trading strategy in accordance with the requirements of the Capital Requirement Regulation subject to the EU Regulation No. 575/2013, Article 102 ff. This regulation requires that banks with trading book positions as defined by this law can prove, based on a trading strategy approved by management

and clearly-written guidelines on the active management and monitoring of the bank's trading book positions, that the trading intent is consistent with the bank's trading strategy.

The internal guidelines, processes and strategies are reviewed regularly and in a manner appropriate for the type, scale and complexity

of the transactions. Lending business in securities comprises, besides operational liquidity management, primarily investments in accordance with regulatory requirements (liquid-

ity buffers, collateral with central banks, Eurex etc.) and the management of the Pfandbrief cover pool.

Asset management

Sustainable investments are a development engine for companies which realise their economic success in an environmentally and culturally friendly manner.

NORD/LB Asset Management offers institutional investors an index fund which particularly takes into account environmental and social aspects. The NORD/LB AM Global Challenges Index Fund (GCX) with its unit class I and EDG tracks the Global Challenges Index of the Hanover Stock Exchange nearly 1:1. This index combines the shares of 50 companies from the EU and G7 countries. These companies, which must meet the defined sustainability criteria, are selected using strict positive and exclusion criteria, and are reviewed twice a year. To do that, the Hanover Stock Exchange, together with oekom research AG, a sustainability ratings agency, selects the leading companies from each industry regarding their long-term economic, environmental and social criteria.

In March 2014, a retail tranche of the Global Challenges Index Fund was launched – unit class P. Private investors who value ethical and environmental criteria are now able for the first time ever to benefit from the excellent performance of the GCX by making an investment of at least EUR 100 via purchases of the fund directly on the exchanges in Hamburg and Hanover, where the fund is listed, or via their banking advisor.

The GCX has achieved top rankings in fund ratings by analyst firms (e.g. first place in the European Fund Trophy 2016 in the category “Best Risk/Return Profile over the Last Four Years in International Equity Funds”), underscoring that sustainability and return are not in contradiction.

In order to expand the sustainable focus of their portfolio, many institutional investors frequently link the fund with its counterpart on the bond side, the NORD/LB AM Global Chal-

lenges Corporate Bonds Fund. The debt securities included in this public fund must meet minimum sustainability requirements. For example, bonds are purchased only from an investment universe consisting of issuers that have been classified by oekom as sustainable and additionally meet the sustainability criteria of the Evangelical Church in Germany (EKD). This sustainable investment universe is regularly reviewed by oekom and an independent advisory council.

Since 2014, NORD/LB Asset Management, together with imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH (imug), a new sustainability partner, has further expanded the offering of sustainable investments. One analysis focus is on the assessment of covered bonds, such as öffentliche Pfandbriefe, Hypothekendarlehenpfandbriefe and Schiffspfandbriefe. Every covered bond type is given an individual rating, which involves examining both the sustainability management of the issuer of the bond and the sustainability of the underlying collateral of the covered bond. These two components, taken together and weighted individually, result in a rating for each bond. A similar sustainability rating applies for agencies.

Using this method, NORD/LB Asset Management has, for example, set up the entire special AIF (special alternative investment fund) for a long-standing customer based on the social, ecological and economic criteria the customer selected. The imug sustainability rating applied in this example individually covers the relevant environmental, economic and social aspects in the customer’s total portfolio. NORD/LB Asset Management offers this opportunity to all of its customers.

**Table 6: Assets of the sustainable investment funds of
NORD/LB Asset Management**

(in € thousand)	2014	2015	2016
Global Challenges Index Fund	143,955	143,968	155,668
Global Challenges Corporate Bonds	29,418	28,246	28,476
Sustainability Spe- cial Fund – Spezial AIF	267,004	270,861	279,307
Total	440,377	443,075	463,451

Social commitment of NORD/LB

G4-SO2

Social commitment in the business environment is a key issue for the NORD/LB Group.

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 are no less important for the staff recruitment of the next generation. The bank also obtains from the region many of the services it uses.

The institutions of the NORD/LB Group therefore 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 make the region attractive and worth living in:

- as a partner of industries and municipalities, and as a promoter of the arts, culture and science;
- as a supporter of social projects;
- as a donor 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 funding 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 exist. 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.

G4-SO2: NORD/LB is not aware of any activities which might have a negative impact on local communities as a result of its activity as a financial services provider.

Table 7: Overview of donations⁶

(in € thousand)	2014	2015	2016
Social	549	431	391
Culture	1,510	1,610	1,404
Environment	12	5	10
Sport	598	363	315
Research, business and science	631	387	215
Others (incl. bonus savings)	422	325	417
Total	3,721	3,120	2,751

Culture

G4-EC1 G4-EC7 G4-SO1

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 2016 a total of € 584,000 was awarded to 48 projects. Funds were awarded in particular to educational projects in the areas of contemporary fine arts and music, for example the exhibitions in Hanover's Sprengel Museum or the "Kloster unser lieben Frauen" museum 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, BLB's "Kontakte zur Kunst" (contacts to art) cultural programme has concentrated on exhibitions of contemporary international art in cooperation with museums in Bremen and Oldenburg. The bank also enables concerts and music theatre projects in partnerships with Bremer Theater, the Oldenburgisches Staatstheater (Oldenburg public theatre) and the Musikfest (music festival).

Academics

G4-EC1 G4-EC7 G4-SO1

NORD/LB has a social responsibility as a landesbank 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. (Brunswick association of universities).

BLB also participates in supporting academics by helping to finance a foundation professorship for the European Medical School at the University of Oldenburg.

In 2015 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

G4-EC1 G4-EC7 G4-SO1

NORD/LB promotes the preservation and teaching of values in society by funding institutions and organisations which are involved in the education and training of disadvantaged children and young people as well as people with a difficult social background. This aims to enable them to improve their living conditions.

NORD/LB provides financial support, for example, for the work of institutions which take in and provide therapy for abused children, for daycare facilities for children in deprived areas, and for learning projects in schools with a high number of children with a migration background. NORD/LB also supports numerous projects in information centres for disadvan-

taged people and people with special social difficulties.

Furthermore, NORD/LB provides migrants with the possibility to become acquainted with everyday working life in a bank via internships, thereby expanding their initial work experience and improving their knowledge of German.

Braunschweigische Landessparkasse has 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 (Brunswick Foundation Run). In addition, many usually smaller clubs and initiatives between Holzminden and Helmstedt were sponsored as well. 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 the first current account 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 called on young entrepreneurs to submit their business idea and compete for the Brunswick Founder Award. “Inspirational business people” are sought here. Creative ideas and the courage to found your own 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.

A long-standing focal point of BLB’s social commitment has been to develop the skills of children and young people. In 2016, several individual projects were sponsored, including the Hermann Hildebrand Haus, the outpatient Kinderhospiz Jona (Jona Childrens Hospice), Aktion Hilfe für Kinder (Initiative to Aid Children), Förderverein Wildwasser (Wild 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). Furthermore, BLB also supported the charitable association “pro connect - Integration durch Bildung und Arbeit” (pro connect – integration through education and work experience), which offers a joint point of contact and coordination centre for immigrants seeking jobs and employers. By enabling a networked combination of supply and demand, this initiative closes an important gap in the social integration of immigrants.

Politics

G4-S06

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 (DCGN), the Finance Initiative UNEP FI, the Association for Environmental Management and Sustainability in Finan-

cial Institutions (VfU), the German Association of Savings Banks and Girobanks (DSGV), and the Association of German Public Sector Banks (VÖB).

The NORD/LB Group’s guidelines do not allow contributions to political parties and organisations related to political parties.

Banking operations

G4-14

Against the backdrop of negative environmental developments at the global level, including climate change, water and resource scarcity, deforestation and threats to biodiversity, business and society are called upon to contribute to the protection of the natural environment. In the awareness that the battle against the negative effects of climate change has meanwhile become one of the greatest social challenges of the 21st century, the NORD/LB Group has actively supported the protection of the environment for years.

In general, the NORD/LB Group takes into account the precautionary approach in accordance with Principle 15 of the “Rio Declarations on the Environment and Development”. As a non-producing company, rather a firm active in the financial services industry, the NORD/LB Group estimates, however, that the risk is low that its own direct business activity may be directly involved in irreversible environmental damage.

Nevertheless, the NORD/LB Group employs more than 6,000 employees in offices, which are heated and supplied with drinking water, and which must also be equipped with IT hardware and office equipment. In addition, the activities of the NORD/LB Group require mobility for the Group’s employees so that they can perform one of the key services of a financial services company, rendering advice for customers.

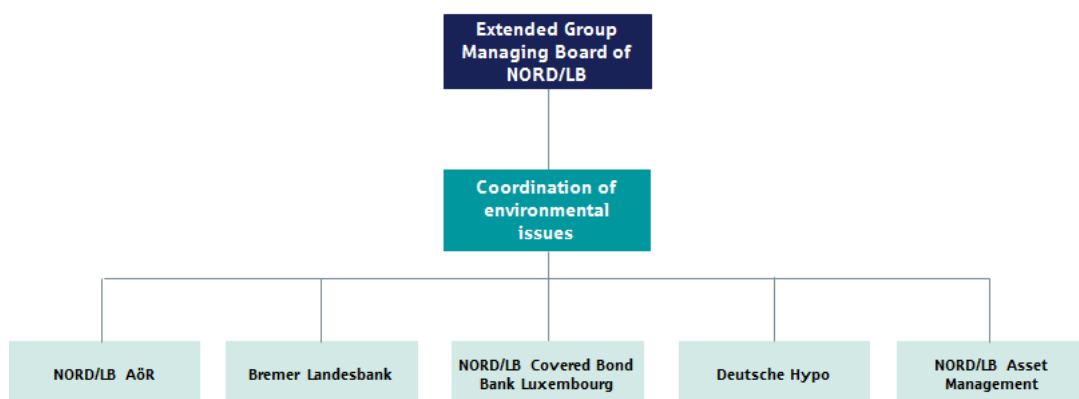
The NORD/LB Group has determined that the protection of the environment is an essential aspect of the Group’s Sustainability Strategy. The goal defined therein is to systematically increase the Group’s eco-efficiency by saving resources, energy and emissions. In addition, the NORD/LB Group currently sees the continuous reduction of CO₂ emissions as a key moment in light of climate change.

Corporate Environmental Management

The Group’s environmental management system, which is based on the international standard ISO 14001, tracks, manages and evaluates all aspects of operational environmental protection, including purchasing management, the equipping of buildings and the design of

workplaces, 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.

Chart 35: Environmental management system



In the search for potential energy savings, the Group focuses its attention 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.

In 1991 NORD/LB established its Corporate Environmental Management as a process of continuous improvements. The efficient use of energy, paper and water as well as the prevention and recycling of waste are important drivers for resource management and core activities for corporate environmental protection.

Energy

G4-EN3 G4-EN6 G4-EN7

One of the greatest environmental impacts of a bank is energy consumption, particularly for IT hardware. To manage its energy consumption, NORD/LB using the following standards for workstations equipped with computer screens:

- TCO standards
- EnergieStar 5.0 or EnergieStar 6.0
- REACH
- RoHS Guideline 2002/95/EG
- RoHS2 Guideline 2002/95/EG
- WEEE Guideline
- Ecodesign Guideline 2009/125/EG

In 2015 and 2016, several measures were established and implemented, which also led to and

In this way, the Corporate Environmental Management function also focuses on the implementation of key areas such as, for example, the optimal exploitation of technical conditions, their adaptation to constantly changing needs and times of use, as well as corresponding internal awareness campaigns and suggestions for use.

Recyclable materials are recycled as far as possible. All staff are encouraged to always separate waste. To do that, for example, bins for biowaste, packaging and residual waste have been placed at central points in NORD/LB's locations in Germany.

will continue to result in a reduction in energy consumption, such as the elimination of physical servers in favour of virtual servers, growing use of workplaces with energy-efficient thin clients, and administrative requirements regarding energy-efficient options in standard settings of end devices.

In 2016, the bank's total energy consumption amounted to 167,144,814 MJ, compared with 169.21.646 MJ in the previous year (a reduction of around 1 per cent).

Electricity from renewable energy is used throughout NORD/LB, including at Braunschweigische Landessparkasse, Deutsche Hypo, NORD/LB Luxembourg and BLB's Oldenburg location.

Emissions

*G4-EN3 G4-EN4 G4-EN6 G4-EN7 G4-EN11 G4-EN15
G4-EN16 G4-EN17 G4-EN19 G4-EN20*

Activities in 2016 concentrated on the efficient heating and power supply of buildings, because this is where the NORD/LB Group has the greatest potential to further reduce CO₂ emissions and costs. Overall, heating-energy consumption for corporate buildings decreased in 2016 by around 4 per cent to now 24,792 GJ.

The Corporate Environmental Management function continued to realise a wide range of

optimisations in 2016. These included in particular, in addition to new-building projects, adjustments to systems technology, new multi-function devices and switching the lighting to LED technology (including outdoor advertising structures). Over the past three years, CO₂ emissions in the NORD/LB Group have declined by around 23 per cent from 12,523 t to 9,658 t.

Table 8: Direct energy consumption by primary energy source

(in GJ)	2014	2015	2016
Natural gas	27,759	25,562	24,496
Heating oil	1,298	212	296
Emergency generator fuels (petrol, diesel)	83	275	159
Petrol consumption for vehicles	3,906	607	677
Diesel consumption for vehicles	22,359	23,805	23,351

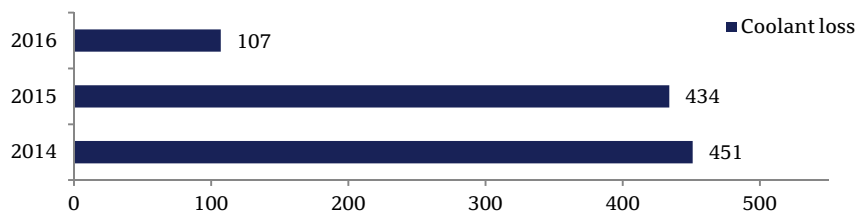
Table 9: Indirect energy consumption by primary energy source

(in GJ)	2014	2015	2016
Electricity	87,862	88,753	82,588
District heating	52,406	54,410	61,439
Total	140,268	143,163	144,027

Table 10: Greenhouse gas emissions using the Greenhouse Gas Protocol method

(in t CO ₂)	2014	2015	2016
Scope 1: Direct CO ₂ emissions			
Natural gas	1,565	1,408	1,349
Heating oil	97	17	23
Emergency generator fuels	6	22	13
Petrol (service vehicles)	308	45	50
Diesel (service vehicles)	1,690	1,792	1,758
Refrigerant leakage	451	434	223
(Scope 1 subtotal)	(4,117)	(3,718)	(3,416)
Scope 2: Indirect CO ₂ emissions			
District heating	1,584	1,517	1,699
Electricity	2,601	2,431	341
(Scope 2 subtotal)	(4,185)	(3,948)	(2,043)
Scope 3: Indirect CO ₂ emissions by third parties			
Electricity	297	422	297
Heating	750	846	880
Passenger and goods transport (e.g. business travel)	2,471	2,220	2,275
Paper	404	347	350
Water	70	55	54
Waste	228	372	344
(Scope 3 subtotal)	(4,220)	(4,262)	(4,200)
Total	(12,523)	(11,927)	(9,658)

Chart 36: Emissions of ozone-depleting substances / loss of coolants (in kg)



Materials consumption and waste

G4-EN1 G4-EN2 G4-EN22 G4-EN23

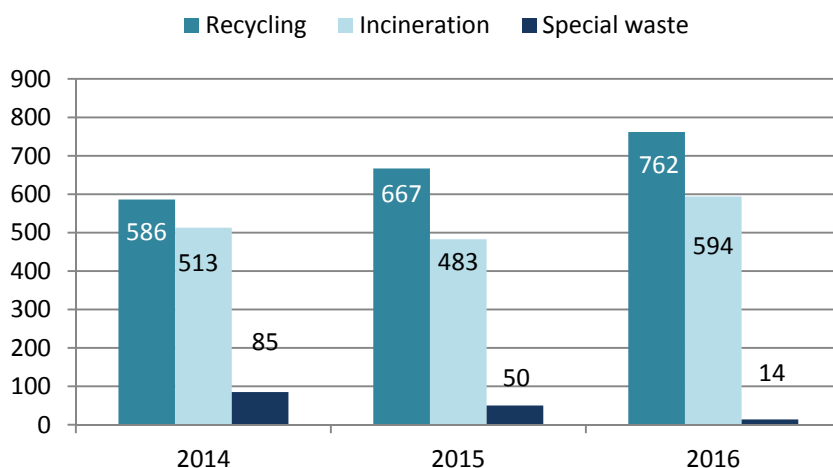
The share of recycled paper was around 11 per cent. When fresh fibre paper is involved, paper from sustainably-managed forests with the Forest Stewardship Council (FSC) seal is primarily used for printer and copier paper. The default setting for printers is double-sided printing.

Overall, the NORD/LB Group has achieved a recycling rate of around 56 per cent. Special waste is disposed by waste management companies via the legally-prescribed methods.

Table 11: Materials used by weight or volume and share of recycled materials

	2014	2015	2016
Paper consumption (in t)	336	305	299
– of which recycled paper	31	40	33
– of which virgin fibre paper (ECF and TCF)	293	265	265
– of which virgin fibre paper, chlorine bleached	13	0	0
Percentage of paper with sustainability label	98%	82%	80%
Paper consumption per employee (in kg)	51	49	48

Chart 37: Total weight of waste by type and disposal method (in t)



Water and waste water

G4-EN8 G4-EN9 G4-EN10 G4-EN22 G4-EN24 G4-EN25
G4-EN26 G4-EN29

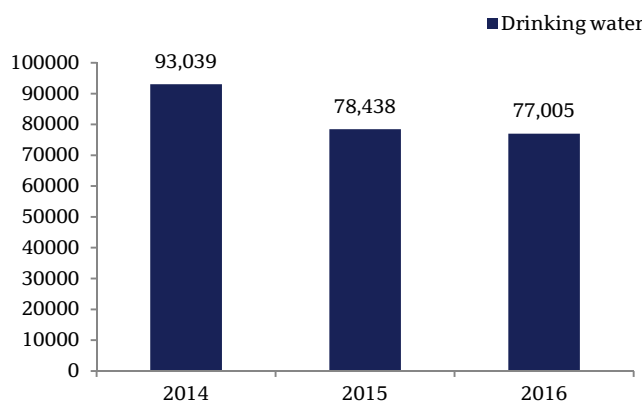
The NORD/LB Group obtains most of its drinking water from regional suppliers for its locations in Germany and abroad.

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 Brunswick, drinking water is primarily obtained from the Ecker and Grane

reservoirs in the Harz. The offices in Bremen obtain their water from the waterworks Wildeshausen, Liebenau and Schneeren. The drinking water of the city of Oldenburg is obtained from the Donnerschwee, Alexandersfeld and Sandakrug waterworks. The foreign branch in Luxembourg obtains its drinking water from the Esch-Sauer reservoir.

The catchment areas of the waterworks are designated as water protection areas.

Chart 38: Total water withdrawal by source (in m³)



The indicators G4-EN24, G4-EN25 and G4-EN26 are not considered to be significant because of the business activity.

G4-EN29: NORD/LB has not been notified of any fines or non-monetary sanctions for the year under review due to non-compliance with environmental laws and regulations.

Transport

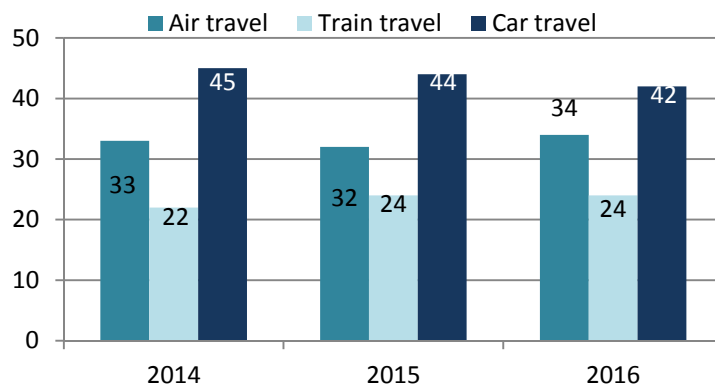
G4-EN30

The banking sector is very reliant on personal contact with its customers and coordination among staff. Business travel is therefore a key factor in the area of transport. NORD/LB's staff is 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 more preferable than using a car. 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 2016 increased by 4 per cent to 23,303,564 km compared with the previous year. While trips by train were around 7 per cent higher at 5,691,661 km, and air travel rose by about 11 per cent to 7,818,520 km, business travel by car decreased by about 1 per cent to 9,793,383 km. At around 42 per cent, business travel by car still accounts for the largest share of total business travel.

Chart 39: Overview of the methods used to transport staff (rounded in per cent)



As a company which employs more than 6,000 people, the daily commute of its employees to work is a potential area of action for the NORD/LB Group to save or avoid emissions. For this reason, the NORD/LB Group at its major locations in Hanover, Bremen, Oldenburg and

Brunswick provides its employees with the opportunity to acquire job tickets so that they can travel by public transport. In 2016, around 39 per cent of the NORD/LB Group's staff took advantage of this offer.

Supplier management

General

G4-12 G4-13 G4-EC9 G4-EN34 G4-SO10

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 from 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.

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 did not have an effect on the locations or the relationships with suppliers. 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 the main suppliers and service providers. Significant actual or potential effects did not occur and are not expected. In addition, NORD/LB has not been notified of any complaints relating to the impact on the environment for the year under review.

Procurement process

G4-EN32 G4-HR10

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 procurement 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 additionally introduced sustainability-oriented office items in its electronic catalogue for its locations in Germany in order to highlight environmentally friendly and fairly-produced products. BLB's electronic catalogues since 2010 include products with a special environmental identification. This makes it possible for employees to select sustainable, environmentally friendly products.

Additional contractual provisions and checks

G4-EN33 G4-LA14 G4-LA15 G4-LA16 G4-HR1 G4-HR2 G4-HR3 G4-HR4 G4-HR5 G4-HR6 G4-HR9 G4-HR11 G4-HR12 G4-SO4 G4-SO9 G4-SO11

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

NORD/LB, BLB, NORD/LB Luxembourg and Deutsche Hypo have issued the "Guideline on Human Rights and Labour Standards", accord-

All procurement processes at NORD/LB and BLB are also performed taking into account and in compliance with the following overriding documents, which the working instructions explicitly refer to:

- 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 in both banks additionally prescribe separate integrity checks when annual order volumes exceed a predefined amount.

Due to their size, Deutsche Hypo and NORD/LB Luxembourg 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 Luxembourg obtain multiple offers and issue requests for tenders when the volume in question exceeds a certain limit. The purchasing guideline of Deutsche Hypo refers explicitly to the 10 principles of the UN Global Compact.

ing 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.

All contracts issued by NORD/LB and BLB, 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. NORD/LB Luxembourg is currently implementing this. All general terms and conditions include a comprehensive Sustainability Clause, which quotes the content of 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 have a zero-tolerance policy regarding corruption and bribery, and expect this from its service providers and suppliers as well.

All general terms and conditions or contracts that relate to activities performed by people in NORD/LB and BLB also include a contractual clause under which the contractor undertakes to pay at least the minimum wage defined by law or collective agreement. NORD/LB Luxembourg is currently implementing similar regulations. Relevant contracts concerning the awarding of services in the low-wage sector were recently tendered and corresponding contractual provisions (cleaning, security, personnel services) were included in the agreements.

The contractor must ensure that all environmental, social and ethical requirements specified are also met by its sub-contractors and

service providers. In the event of any breach of the Sustainability Clause, NORD/LB and 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 anyway applies. 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.

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

The bank believes that additional measures regarding the indicators G4-EN33, G4-LA15, G4-HR2, G4-HR4, G4-HR5, G4-HR6, G4-HR9, G4-HR11 were not necessary, also because of its locations and business activity.

External security personnel and security control centre

G4-HR7

Security personnel from a security services provider are employed in the security of buildings and in the transport of cash. The security personnel are bound by the regional laws applicable for the respective location. Only trained (regularly and specific) security personnel are used.

NORD/LB's foreign branches in London, New York, Shanghai and Singapore are located on

floors and in rooms leased in existing office complexes. The hiring of security personnel is covered by the overall lease agreement. In these cases, there are no individual contracts between NORD/LB and the security companies.

There were no separate training courses on human rights violations. The indicator G4-HR7 is not considered to be significant.

Memberships in associations and interest groups

G4-16

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

Organisation	Elected representative	Interest group	Position
Altenheimstiftung Lot-to Niedersachsen	Christoph Schulz	Advisory Board	Chairman
Braunschweigischer Hochschulbund	Dr Gunter Dunkel Christoph Schulz	Presidium	Member
Bundesverband Öffentlicher Banken Deutschlands (VÖB)	Dr Gunter Dunkel	Managing Board	President
	Dr Hinrich Holm	Committee for Capital Markets	Chairman
	Eckhard Forst	Member of the Committee for International Business	Member
	Thomas Bürkle	Committee for Risk Management and Accounting	Member
Deutscher Sparkassen- und Giroverband (DSGV)	Dr Gunter Dunkel	Presiding Committee Giro Centre Conference Head	Deputy Member Deputy Chairman
	Ulrike Brouzi	Business Management Committee (BWA)	Member
		Card, Electronic and Mobile Payment Control Team	Member
	Christoph Schulz	Committee for Private Customer Business	Member
		Central Advertising Committee	Member
		Sparkassen Stiftung für internationale Kooperation	Member
	Thomas Bürkle	Monitoring Committee for the Security Reserve for Landesbanks and Giro Centres	Member
Deutsches Komitee der AIESEC	Dr Gunter Dunkel	National Advisory Board	Member
Die Braunschweigische Stiftung	Dr Gunter Dunkel Christoph Schulz	Advisory Board Managing Board	Chairman Deputy Chairman
Förderkreis der Niedersächsischen Landesgalerie	Eckhard Forst	Managing Board	Member
Forschungszentrum für Sparkassenentwicklung	Dr Hinrich Holm	Advisory Board	Member
Freunde der Herrenhäuser Gärten	Dr Hinrich Holm	Advisory Board	Member
Gesellschaft der Freunde der Herzog August	Christoph Schulz	Advisory Board	Member

Bibliothek			
Gesellschaft für Risikomanagement und Regulierung	Thomas Bürkle	Managing Board	Member
Hannover Center of Finance (HCF)	Dr Hinrich Holm	Advisory Board	Deputy Chairman
ICC International Chamber of Commerce	Eckhard Forst	Main Committee	Member
Industrie-Club Hannover	Eckhard Forst	Council	Member
Industrie- und Handelskammer Hannover	Eckhard Forst	Industry Committee	Member
Institut der Norddeutschen Wirtschaft (INW)	Dr Gunter Dunkel	Advisory Board	Member
Institut für Mathematische Stochastik Gottfried Wilhelm Leibniz Universität	Dr Hinrich Holm	Advisory Board	Member
Kestnergesellschaft	Dr Hinrich Holm	Advisory Board	Member
	Eckhard Forst	Managing Board	Member
Kinder von Tschernobyl - Stiftung des Landes Niedersachsen	Ulrike Brouzi	Advisory Board	Member
Kulturstiftung NORD/LB	Dr Gunter Dunkel	Managing Board	Chairman
	Thomas Bürkle		Member
Kurt-Weill-Gesellschaft	Dr Hinrich Holm	Advisory Board	Member
Niedersächsische Börse zu Hannover	Dr Hinrich Holm	Exchange Council	Chairman
Niedersächsisches Landesarchiv	Christoph Schulz	Advisory Board	Member
Niedersächsische Sparkassenstiftung	Christoph Schulz	Foundation Board	Member
	Dr Dunkel		Member
Niedersächsisches Institut für Wirtschaftsforschung (NIW)	Dr Gunter Dunkel	Advisory Board	Member
Sparkassenstiftung für internationale Kooperation	Christoph Schulz	Advisory Board	Member
Sparkassenverband Niedersachsen (SVN)	Dr Gunter Dunkel	Managing Board	Member
Stifterverband für die Deutsche Wissenschaft	Dr Gunter Dunkel	State Advisory Board Lower Saxony	Member
Stiftung Niedersachsen	Dr Gunter Dunkel		Vice President
Stiftung für Fotografie und Medienkunst mit Archiv Michael Schmidt	Dr Gunter Dunkel	Advisory Board	Chairman
Unterstützungskasse der NORD/LB	Dr Gunter Dunkel	Managing Board	Chairman
	Christoph Schulz		Deputy Chairman
Verein der Freunde des Sprengel-Museum	Ulrike Brouzi	Managing Board	Member

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Final notes

- ¹ 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.
- ² The fluctuation rates take into account socially-acceptable early retirements, retirements and special early retirement.
- ³ The classroom seminars in 2015 included for the first time ever banking-related training measures, such as web-based training courses, long-term training programmes, on-the-job training and mentoring in the NORD/LB Group's range of training programmes.
- ⁴ Change in the conversion factor in 2016.
- ⁵ German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB): GreenTech "Made in Germany 3.0" 2012.
- ⁶ Correction of the figures for 2014. Figures supplemented to include the bonus savings of NORD/LB.

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