

Policy for Environmental and Social Issues

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1 Preamble

1.1 Commitment of the Bank

WestLB¹ (hereinafter referred to as the “Bank”) is committed to the idea of sustainable development. For WestLB, acting in a sustainable way means satisfying the needs of today’s generations without restricting the ability of future generation to satisfy their own needs. In this context, the Bank has adopted a comprehensive set of rules to anchor sustainability in its corporate activity.

Four key requirements for the business activity of the Bank are derived from WestLB’s Sustainability Principles:² First, sustainable activity means that the Bank organizes its activities by actively taking into account and integrating economic, ecological and social aspects. Second, sustainable action is an integral element of the Bank’s entrepreneurial behaviour and is developed further on an ongoing basis. Third, sustainable action means developing sustainable products for the Bank’s clients and encouraging clients to act in a sustainable manner. Fourth, sustainable action means compliance with accepted sustainability standards.

To meet these requirements, any business activity of the Bank is based, in particular, on the fourth Sustainability Principle, i.e. compliance with accepted standards:

- compliance with applicable national and international regulations, directives, etc.³,
- compliance with principles of initiatives and associations to which the Bank has voluntarily committed itself⁴, and
- compliance with internal environmental and social rules, processes and regulations of the Bank.

The Bank-wide Policy for Environmental and Social Issues (hereinafter referred to as the “Policy”) defines the sustainability principles as well as the framework for the Bank’s business activity. They also put the guidelines for environmentally compliant and sustainable development into more concrete terms.

As an international financial institution, the Bank acknowledges the need to contribute to sustainable development especially at an international level. For this reason, the Bank supports international initiatives focusing on the strengthening of framework conditions in developing and emerging regions and will endeavour to bring about a fair balance between economic, social and ecological interests, to the extent possible. The Bank is aware that even gradual changes relating to sustainability will help to improve local levels of prosperity.

1.2 Existing Obligations

Existing (international) obligations to which the Bank has committed itself continue to apply. As a member of the United Nations Global Compact⁵ (UNGC) and the Financial Initiative of the Environmental Programme of the UN⁶ (UNEP-FI), for instance, the Bank has committed itself to complying with human rights and key labour standards as well as to protecting the environment. At the same time, the Bank has accepted obligations for individual product types or sectors. These include voluntary environmental and social standards for project finance⁷ (Equator Principles), which the Bank has developed and continues to refine together with other commercial banks. They are based on the guidelines established by the World Bank and its sister company, International Finance Corporation⁸ (IFC). These also include the Extractive Industries Transparency Initiative (EITI), which sets a global standard for transparency in the oil, gas and mining sector. As a member of the Roundtable on Sustainable Palmoil⁹ (RSPO), the Bank also acknowledges and applies the criteria for sustainable activity in the palm oil sector.

¹ For the scope of application of the Policy, refer to Item 4.1.

² See the WestLB Sustainability Principles in Appendix 1.

³ E.g. Federal Immission Control Act (Bundes-Immissionsschutzgesetz - BImSchG).

⁴ E.g. Equator Principles (EP).

⁵ See <http://www.unglobalcompact.org>; <http://www.unglobalcompact.org/aboutthegc/thetenprinciples/index.html>.

⁶ See <http://www.unepfi.org>; http://www.unepfi.org/fileadmin/statements/fi/fi_statement_en.pdf.

⁷ See <http://www.equator-principles.com>; http://www.equator-principles.com/documents/Equator_Principles.pdf.

⁸ See <http://www.ifc.org>;

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_full/\\$FILE/IFC+PerformanceStandards.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_full/$FILE/IFC+PerformanceStandards.pdf).

⁹ See <http://www.rsपो.org>; <http://www.rsपो.org/sites/default/files/RSPO%20Principles%20&%20Criteria.pdf>.

2 Targets

2.1 Purpose of the Policy

The purpose of the Policy is to assist the Bank and its employees in their commitment to taking environmental and social conditions into account in all business transactions and to helping improve them. The Policy thus relates to the business and transaction level.¹⁰

2.2 Commitment to Compliance

The Policy is designed to support compliance with the general, subject and sector-specific principles outlined in Chapter 3 (hereinafter referred to as "principles"). This does not preclude the requirement to observe additional rules as defined in Item 1.1 of the Policy.

On the one hand, these principles have an appellative character. In the field of climate protection, for instance, the Bank should contribute to a sustainable change in existing economic structures by marketing its existing and newly developed products in a profitable manner.¹¹ In addition, these principles are intended to provide support in responding to environmental and social issues.

On the other hand, these principles have a binding character. They ensure mandatory minimum standards for the business activity and thus guarantee a minimum of social and environmental conditions. They also help reduce the Bank's risk exposure in individual transactions.¹² Here, the Bank follows in particular internationally accepted environmental and social standards, such as those listed in Annex 3, but may also exceed these standards.

The Bank commits itself to complying with the principles as of the day on which the Policy is adopted. This excludes existing transactions (hereinafter referred to as "existing transactions"). Existing obligations from the participation in national and international committees remain valid. The present internal principles of the Bank are designed to complete or specify existing obligations.

3 Principles

3.1 Cross Cutting Issues

3.1.1 Corporate Governance

- a) The Bank has committed itself to adopt the principles of the German Code of Corporate Governance¹³ (DCGK) as the basis for its Corporate Governance on a voluntary basis and integrated them into the Internal Rules of Procedure of the individual governing bodies of the Bank. In doing so, the Bank encourages the dynamic development of Corporate Governance and recognizes its importance for a sustainable corporate development.
- b) The Bank will document any deviations from the recommendations of the DCGK in Corporate Governance in an annual report, thus guaranteeing maximum transparency towards all groups working with the Bank.

3.1.2 Transparency and Corruption

- a) The Bank has committed itself and its employees in line with legal provisions and additional internal regulations (e.g. Compliance Regulation, Code of Conduct) to act in an ethical way in its

¹⁰ The Policy is not designed to interfere in strategic processes or the planning process for business segments. The Bank has specific regulations to identify and assess social and environmental aspects in its plans and to develop appropriate measures.

¹¹ E.g. corporate finance or structured investment products.

¹² E.g. the principles support the Bank in avoiding transactions whose feasibility is influenced by environmental or social aspects from an economic or reputational perspective. This may be the case, for instance, when financing a product plant with high emissions or investing in an infrastructure project that involves resettlements.

¹³ See http://www.corporate-governance-code.de/ger/download/kodex_2010/D_CorGov_Endfassung_Mai_2010.pdf.

business transactions. The Bank does not tolerate any form of corruption in its business relations. All employees are obligated to contact their superior and the responsible colleague of the Compliance unit if any suspicion arises. If required, the Compliance unit reports subsequently to BU Group Audit.

- b) The Bank reviews its existing clients regularly and pursues a step-by-step approval within the framework of its guideline for client acceptance, which may even result in the termination of the business relationship.
- c) The Bank endeavours to contribute to an increase in transparency and the establishment of corruption-free areas by supporting relevant initiatives within the framework of its business activities.¹⁴
- d) The Bank explicitly appreciates if its employees engage actively in creating transparency and preventing corruption.

3.1.3 Reputation

- a) Internal and external stakeholders' perception of the Bank in terms of performance, expertise, integrity and trustworthiness (hereinafter referred to as "reputation") is regarded as an important factor that may have a positive or negative influence on the enterprise value. Any action, including individual transactions that may - directly or indirectly - have an adverse impact on the reputation represents a reputational risk that must be avoided.
- b) The Reputational Risk (RepRisk) Framework of WestLB comprises binding rules for the effective management and controlling of reputational risks within the Bank. WestLB's Bank-wide risk strategy classifies the reputational risk as a "material risk type" as defined in the Minimum Requirements for Risk Management (MaRisk).
- c) An important element in the context of qualitative RepRisk management is the RepRisk process for the assessment of reputational risks arising from clients, new products and business transactions: All client and product units must take reputational risks into account in the financing process and contact the RepRisk Coordination (RRC) unit whenever necessary. The identified reputational risks are assessed by RepRisk specialist units (RRC, Sustainability Management, Compliance, and Communications). The final result is a vote by RRC (approval, approval subject to conditions, rejection). The vote is an integral element of the credit decision-making process.

3.1.4 Commitment

- a) Under its third sustainability principle, the Bank has committed itself to developing sustainable products for its clients and to encouraging clients to act in a sustainable manner. The Bank is aware of its responsibility as a financial institution in managing financial and capital flows. In addition to the application of the Policy and its underlying principles for specific transactions, the Bank will,
 - a. in all transactions in which it actively decides on the execution of the transaction (e.g. granting of loans) and in all transactions executed for its own account, ask the client or the contractual party, prior to closing the transaction, on what environmental and social standards the business activity of the client or the contractual party is based and, if the standards are not consistent with the Policy, do everything possible to encourage the client or the contractual party to apply appropriate standards;
 - b. in all transactions in which it actively decides on the exercise of voting or other shareholder rights (e.g. representation at shareholder meetings), cast a positive vote only if relevant environmental and social standards are observed. If this is not clear, the Bank will abstain from voting. The Bank aims to ensure that standards meeting the requirements of this Policy are also met by third parties;
 - c. in all transactions in which it acts only on behalf of a client (e.g. brokerage, transaction banking), inform the client that compliance with environmental and social aspects has become the market standard and that the respective aspects, such as those outlined in this Policy, must be taken into account.

¹⁴ These include, for instance, the Extractive Industries Transparency Initiative (EITI), which sets a global standard for transparency in the oil, gas and mining sector.

- b) In the context of its obligations, the Bank will document for every transaction that the corresponding information was given or that the client was contacted or that influence was exercised.
- c) As part of a comprehensive commitment policy, the Bank will call for relevant environmental, social and governance information from companies in which it participates and enter into a dialogue with them.

3.1.5 Human Rights

The Bank is committed to comply with human rights pursuant to the Universal Declaration of Human Rights in its activity and its transactions.¹⁵¹⁶ This equally applies to the eight core labour standards of the International Labour Organization¹⁷ (ILO). The Bank will not support business transactions which contravene the Universal Declaration of Human Rights or the ILO core labour standards.

The Bank aims to contribute to the general compliance with human rights and core labour standards in the context of its business activity and by supporting relevant initiatives. This includes, for instance, the Bank's commitment to the United Nations Global Compact.

In addition, the Bank expects its clients to comply with the OECD Guidelines for Multinational Enterprises.

3.1.6 Social and Cultural Aspects

Regarding social and cultural aspects, the Bank pays attention for its business activities to the revised versions of the Policies of the United Nations (UN), the World Bank (WB) and the International Labour Organization (ILO). The respective requirements are defined, for instance, in WestLB's Operational Policies and the ILO standards:

- a) Physical Cultural Resources (WB Operational Manual, Operational Policy 4.11)¹⁸
- b) Child Labour (see Annex 3, especially ILO convention No. 182 and the UN Convention on the Rights of the Child, Article 32.1)¹⁹
- c) Maternity Protection (pursuant to ILO Convention No. 183)²⁰
- d) Forced Labour (pursuant to ILO Conventions No. 29 and No. 105)²¹
- e) Discrimination in Employment (pursuant to ILO Convention No. 111).²² In countries where national law provides for non-discrimination in employment, national law will be complied with. When national laws are silent on non-discrimination in employment or provide for a lower standard, ILO Convention No. 111 will be applied.
- f) Freedom of Association and Right to Organize and Collective Bargaining Convention (pursuant to ILO Conventions No. 87 and No. 98).²³ In countries where national law provides freedom of association, national law will be complied with. When national laws are silent on freedom of association or provide for a lower standard, ILO Conventions No. 87 and No. 98 will be applied.
- g) Involuntary Resettlement (WB Operational Manual, Operational Policy 4.12)²⁴
- h) Indigenous People (WB Operational Manual, Operational Policy 4.10)²⁵

¹⁵ See <http://www.ohchr.org/EN/ProfessionalInterest/Pages/InternationalLaw.aspx>;
<http://www.ohchr.org/EN/UDHR/Pages/Introduction.aspx>,
http://www.ohchr.org/EN/UDHR/Documents/UDHR_Translations/ger.pdf.

¹⁶ This commitment is independent of the customary international law character of the Universal Declaration of Human Rights.

¹⁷ See <http://www.ilo.org/public/german/region/eurpro/bonn/kernarbeitsnormen/index.htm>.

¹⁸ See

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:20970737~menuPK:64701763~pagePK:64709096~piPK:64709108~theSitePK:502184,00.html>.

¹⁹ See <http://www.ilo.org/public/english/standards/relm/ilc/ilc87/com-chic.htm>;

<http://www2.ohchr.org/english/law/pdf/crc.pdf>.

²⁰ See <http://www.ilo.org/ilolex/cgi-lex/convde.pl?C183>.

²¹ See <http://www.ilo.org/ilolex/cgi-lex/convde.pl?C029>; <http://www.ilo.org/ilolex/cgi-lex/convde.pl?C105>.

²² See <http://www.ilo.org/ilolex/cgi-lex/convde.pl?C111>.

²³ See <http://www.ilo.org/ilolex/cgi-lex/convde.pl?C087>; <http://www.ilo.org/ilolex/cgi-lex/convde.pl?C098>.

²⁴ See

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:20064610~menuPK:64701763~pagePK:64709096~piPK:64709108~theSitePK:502184,00.html>.

3.1.7 Pollutants / Limiting Values

In order to protect people and the environment, limits for emissions and immissions, including air and noise, waste water and waste material should be met in all transactions as laid down in the World Bank Pollution Prevention and Abatement Handbook, PPAH 1998.²⁶ Annex 3 includes a list of the pollutants listed in the Handbook.

The Bank will not support transactions for constructing and extending or renovating plants and procedures if the limits fixed are exceeded. This does not apply to existing transactions in the Bank's portfolio that do not involve any extension or renovation.

In the construction and extension or renovation of plants and procedures, the Bank will call for the best-available-technology (BAT)²⁷, while at the same time considering the regional, social and cultural context. If legally determined limits exceed these values, the former are to be met. Should, in isolated cases, the use of BAT be impossible, the Bank will document this for the respective transaction in agreement with the client.

3.1.8 Special Protected Areas

The Bank will not support business transactions which take place in the following listed areas or will directly or indirectly lead to permanent or irreversible damage of those areas:

- a) Listed UNESCO world natural habitats and world heritage properties,²⁸
- b) Areas specifically protected by national law and nature reserves and national parks,
- c) Listed wetlands of international importance pursuant to the Ramsar Convention (International Ramsar Convention on Wetlands, The List of Wetlands of International Importance),²⁹
- d) Designated protected areas³⁰ of categories³¹ I to IV of the United Nations (see Annex 3),
- e) Area, in which the realization of the transaction would result in a permanent transformation or destruction of endangered natural habitats; for a definition of Critical Natural Habitats, refer to WB Operational Manual, Operational Policy 4.04,³²
- f) Areas where deforestation or timber production takes place in a primary forest.

The regulations relating to special protected areas may be ignored,

- 1) if non-compliance with the respective regulation is permissible under applicable national or international law and
- 2) if the transaction in question serves the purpose of environmental or nature protection or the preservation and improvement of the protected areas, and/or
- 3) if the transaction in question serves the development of an adequate and sustainable form of tourism or a recreational area.

With the exception of the facts listed under 1) to 3) above, no amendment to the status of a protected area is permissible.

²⁵ See

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:20553653~menuPK:64701763~pagePK:64709096~piPK:64709108~theSitePK:502184,00.html>.

²⁶ See [http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/p_ppah/\\$FILE/PPAH.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/p_ppah/$FILE/PPAH.pdf);
<http://www.ifc.org/ifcext/enviro.nsf/Content/PPAH>.

²⁷ The Bank's definition of BAT is based on the one applied by the European Union. See also <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31996L0061:EN:HTML>; <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2003:0354:FIN:DE:PDF>;

²⁸ See <http://whc.unesco.org/en/list>.

²⁹ See <http://ramsar.wetlands.org/GISMaps/RamsarSitesinGoogleEarth/tabid/944/language/en-US/Default.aspx>.

³⁰ See http://www.unep-wcmc.org/wdpa/unlist/2003_UN_LIST.pdf. In this connection, please refer to the World Database on Protected Areas (WDPA) (<http://protectedplanet.net/search>).

³¹ See http://www.unep-wcmc.org/protected_areas/categories/index.html;
http://www.iucn.org/about/work/programmes/pa/pa_products/wcpa_categories.

³² See

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:20064757~menuPK:64701763~pagePK:64709096~piPK:64709108~theSitePK:502184,00.html>.

3.1.9 Biodiversity

The Bank will not support business transactions which take place in or affect areas that are livelihoods for species in danger of extinction. These species are named on the Red List of the International Union for Conservation of Nature and Natural Resources (IUCN) as “Critically Endangered” and “Endangered”.³³ The same applies to transactions directly affecting critically endangered species or endangered species.

3.1.10 Climate Protection

The Bank supports the objectives formulated in Article 2 of the United Nations Framework Convention on Climate Change (UNFCCC) and the objectives by the European Union (EU).³⁴ In this context, the Bank accepts its shared responsibility as an enterprise, defines its commitment in the field of climate change by setting target objectives and provides periodic and adequate information to its stakeholders, e.g. in its Sustainability Report. Details are described in a separate Climate Policy³⁵ which will be in agreement with the objectives indicated herein.

The Bank will not execute transactions that are incompatible with the above-mentioned 2-degrees target. In case of doubt, the Bank will ask the client to provide information if it is unclear whether the transaction contradicts the “2-degrees target”. In the context of its business strategy, the Bank is expressly committed to energy-efficient technologies and renewable energies such as photovoltaic, solar thermal plants, wind energy, bioenergy and geothermal energy.

3.2 Sectors

3.2.1 Dams

The Bank recognizes the positive results of the World Commission on Dams (WCD). The Bank will not support business transactions involving dams for which the recommendations of WCD will not be applied as extensively as possible. For this the Bank will require a report from the clients (or their consultants) explaining the extent to which the recommendations of WCD have been fulfilled.³⁶

3.2.2 Arms and Military Equipment

The Bank will not finance business transactions relating to arms and military equipment if their production and/or trade violate applicable national or international law, including the EU Code of Conduct on Arms Export³⁷. Production and trading in A, B, C weapons and land mines and stray ammunition will not be financed under any circumstances.³⁸ Arms transactions are subject to an in-depth review of the client and the recipient of the arms.

3.2.3 Nuclear Power

The Bank is aware of the controversial discussion about the use of nuclear energy as a bridge technology in the context of climate change as well as of the risks inherent in this sector.

Therefore, the Bank will engage in transactions in the field of civil nuclear energy only if they take place in countries that have joined the International Atomic Energy Agency (IAEA)³⁹ and signed the Treaty on the Non-Proliferation of Nuclear Weapons (including Additional Protocol)⁴⁰ and if the transaction does

³³ See <http://www.iucnredlist.org> in categories “CR” and “EN”. In addition, the areas mentioned in 3.1.9 apply.

Additional guidance can be found at <http://www.zeroextinction.org/search.cfm> or <http://www.biodiversityhotspots.org>.
³⁴ UNFCCC pursues the objective of preventing a dangerous change in climate. The EU determines the limit for fixing the global increase in temperature to a level of 2 degrees centigrade compared to pre-industrial times.

³⁵ This will include direct and indirect emissions in industrialized and developing countries and, in addition, shows the business activities related to the reduction of emissions (emissions trading system, Clean Development Mechanism, Joint Implementation) (see also http://unfccc.int/kyoto_mechanisms/items/1673.php).

³⁶ Guidance is given by the checklists of the Sustainability Assessment Protocol of the International Hydropower Association. See http://www.hydropower.org/downloads/IHA_SAP.pdf.

³⁷ See http://ec.europa.eu/external_relations/cfsp/sanctions/codeofconduct.pdf.

³⁸ Irrespective of the unofficial term used, WestLB defines “cluster bombs” in the meaning of Article 2 of the “Convention on Cluster Munitions” (see http://www.clusterconvention.org/downloadablefiles/ccm77_english.pdf).

³⁹ See <http://www.iaea.org>.

⁴⁰ See <http://www.iaea.org/Publications/Documents/Infcircs/Others/infcirc140.pdf>.

not entail significant reputational risks for the Bank. For more details, refer to the Bank's Business Principles for Financing in the Nuclear Energy Sector.

The Bank will not execute any transactions related to the military use of nuclear technology.

3.2.4 Extractive Industries

The Bank recognizes that, due to political, ecological and social sensitivities, special due diligence and precautionary measures should be undertaken in the context of the business activity in the extractive industries. Hence, the bank supports international initiatives in order to strengthen frameworks for the sector.

In particular in the oil and gas and metal and mining sectors, the Bank refers to international conventions and best practice.⁴¹ In these sectors, the Bank regards compliance with the Sector Guidelines of the IFC and the Transparency Guidelines of the EITI as the minimum standard.⁴² In addition and with a view to its own business activity, the Bank will primarily focus on the extractive industries when it comes to developing sector policies and explain and define details in the respective sector policies.

For all transactions related to the extraction of submarine resources, the Bank will rely on international best practice standards and will develop detailed assessment rules in the context of international regulations.

3.2.5 Coal-fired Power Plants

The Bank will engage in transactions related to the energetic use of coal only if high demands on climate protection, greenhouse gas emissions and the efficiency of the technology used are made and fulfilled. For details, refer to the Bank's Policy for Business Activities re Coal-Fired Power Generation.

3.2.6 Forests and Forestry

In the forest and forestry sector (especially timber production, deforestation, forestry) the Bank adopts the revised version of World Bank Standards (WP Operational Manual, Operational Policy 4.36) in all business transactions.⁴³ In particular, the Bank will not support transactions which

- a) relate to commercial timber production in special protected areas (see Item 3.1.9); moreover, the status of a protected area (according to Item 3.1.9) must not be changed for timber production;
- b) concern companies procuring, trading in or processing timber from sources listed under a) or involved in slash-and-burn and uncontrolled felling actions; or
- c) violate local, national or international law, i.e. are illegal.

The Bank will endeavour to engage in business transactions in this sector with clients who are certified by the Forest Stewardship Council (FSC)⁴⁴ or comply with accepted similar standards or trade in or process corresponding products. In addition, the Bank promotes international initiatives encouraging the implementation of relevant standards, e.g. the Global Forest & Trade Network (GFTN)⁴⁵. Details to Item 3.2.6 will be defined in a Policy for Forestry.

3.2.7 Biomass

With its economic activities the Bank supports the production and use of biomass.⁴⁶ It is aware of potential problems in connection with the safeguarding of nutrition, destruction of protected areas (see Item 3.1.8), ecological damages, endangering of species (as defined in Item 3.1.9) and social risks and

⁴¹ Best Practice examples are indicated by the World Bank and Industry Associations in the regional context.

⁴² See <http://www.ifc.org/ifcext/sustainability.nsf/Content/EHSGuidelines> as well as <http://eiti.org/eiti/principles>.

⁴³ See <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:20064668~menuPK:4564185~pagePK:64709096~piPK:64709108~theSitePK:502184,00.html>.

⁴⁴ See <http://www.fsc.org>.

⁴⁵ See <http://www.panda.org/gftn>.

⁴⁶ E.g. from palms (palm oil), soy, maize, sugar cane or grain, but also forest, straw or organic waste.

will regulate details within the framework of a sector policy. Furthermore, as a member of the Roundtable on Sustainable Palmoil (RSPO)⁴⁷ it accepts its criteria for sustainable economic activities in this sector and supports their application as the minimum standard for all companies in the sector.

3.2.8 Maritime

The Bank will not support business transactions which do not comply with the International Marine Organization (IMO)⁴⁸ pertaining to:

- a) shipment of oil or other hazardous substances in tankers, or
- b) large-scale drift net fishing in the deep-sea (pelagial).

For all transactions related to tanker shipping, the Bank calls for a Tanker Management Self Assessment ("TMSA") resulting in the highest or second highest of the four categories.⁴⁹

For all transactions in the fishing sector, the Bank aims to work only with and for clients who have been certified by the Marine Stewardship Council (MSC)⁵⁰ or comply with accepted similar standards or trade in or process corresponding products.

3.2.9 Genetically Modified Organism (GMO)

The Bank will be informed by its clients if they use genetically modified organisms (GMO) and will take account of this information in the risk assessment, especially in the plant cultivation and food and forage plants sectors.

4 Scopes of Application

4.1 General Validity

4.1.1 Contents

In this Policy the Bank defines the social and ecological principles underlying its business activities with clients and those performed for own account as described in Chapter 3.

4.1.2 Scopes of Application

This Policy applies to WestLB AG including its legally dependent branches in Germany and abroad as well as to all subsidiaries that are financial institutions or financial service providers and in which WestLB holds a share of more than 50%.⁵¹ It applies to all transactions with national and international clients and to those carried out for own account.

Unless covered by senior more extensive, detailed regulations or guidelines, this Policy defines the environmental and social standards to be met by a transaction.

4.1.3 Up-to-dateness

The Bank will review the Policy for the up-to-dateness of the underlying regulations on an annual basis. In the event of significant changes to the general conditions of its business activity, but at least at the three-year interval of recertification to DIN EN ISO 14.001, the Bank will update the contents of the policy and involve internal and external stakeholder groups in the context of a consultation process.

⁴⁷ See <http://www.rspo.org>.

⁴⁸ IMO is the United Nations specialized agency responsible for improving maritime safety and preventing pollution from ships.

⁴⁹ See <http://tmsa2.ocimf-tmsa.com/pagesMain/home/default.aspx>.

⁵⁰ See <http://www.msc.org>.

⁵¹ The effectiveness for the respective subsidiaries depends on the approval requirement of the managements of the respective companies.

4.1.4 Purpose of Use

In the context of the due diligence underlying its business activity, the Bank will inquire about the purpose for which the funds provided will be used and, to the extent that this can be identified by reasonable means, check whether environmentally or socially relevant provisions (e.g. national or international law) are adequately taken into account and whether the content of the present Policy are complied with. If the latter is not the case, the Bank will aim to apply the present Policy.

4.1.5 Transactions

Transactions within the meaning of this Policy include all business activities of the Bank, irrespective of the Bank playing a leading role or simply participating in a transaction, e.g. financings, capital market products, equity participations, assumption of advisory functions, payment services, etc. The Policy will apply to all transactions decided after the coming into force of the Policy.

The Bank will take into account that the possibility of exercising influence is more restricted if the Bank simply participates in a syndicated transaction than if it plays a leading role (e.g. as Mandated Lead Arranger). Notwithstanding the above, the Policy will apply as the minimum standard for the execution of the transaction.

4.1.6 Upstream and Downstream Activities

The principles have also to be met if upstream and downstream environmental and/or social influences are to be expected. The same applies to cumulative influences that may result from the execution of several transactions of a similar type.

4.2 Limitation

4.2.1 Disclaimer

The present Policy is an internal framework for the execution of transactions and the related development and implementation of internal guidelines and processes. This Policy does not create any rights or obligations towards third parties. The Bank introduces this Policy on a voluntary and independent basis without assuming any liability or obligation towards third parties.

4.2.2 Opinion of the Bank

To assess aspects of transactions in accordance with the present Policy, the Bank will form an opinion in internal processes - where necessary with support from independent advisers selected by the Bank.

4.3 Dealing with Existing Provisions

4.3.1 Laws and Provisions

The Bank undertakes for all its transactions with clients to comply with the environmental and social laws and provisions of each country to which the transaction or the purpose of use is related substantially. The same applies to the international law that is applicable to a transaction.

Unless covered by standard contractual formulations ("Environmental and Social Covenants") or national or international law, a formal obligation should be included in the term sheets as a basis for contracts, credit agreements or other agreements with clients and third parties to ensure compliance with the principles of the Policy for the respective transaction.

4.3.2 Existing Internal Guidelines

Existing internal and external guidelines or processes for the protection of environmental and social standards are not affected by this Policy, provided that they ensure a higher standard than that required

in the principles. These include, for instance, the provisions for implementation of the Equator Principles.⁵²

5 Publication

5.1 Transmission of Information to the Public

The provision of business information to the public, especially to external stakeholders, is primarily the task of the clients, investors or sponsors responsible for a transaction. The Bank will transmit business information which is not publicly available to third parties only after having obtained the written approval of the parties concerned.

5.2 Publication of the Policy

Following their adoption, the Bank will publish the Policy and the principles it contains in German and English. The internal application rules and the Annexes to the Policy will not be published.

5.3 Public Reports

The Bank will actively promote transparency and public access to information. The Bank will inform the public of the implementation of this Policy in an anonymized summary to be published with a two-year interval as appropriate (e.g. with its sustainability report); in addition an annual update will be provided on its website.

5.4 Inquiries Regarding Implementation

Notwithstanding the fact that no legally binding effect arises from this Policy, relevant external stakeholders may contact the Bank with regard to the application of the Policy for specific transactions if they are in doubt about the correct application or want to make proposals for improved application. Such inquiries/requests must be addressed to the competent persons/units of the Bank pursuant to the German Environmental Information Act (UIG).

An external stakeholder group is deemed to be relevant if they are a contractual party in a transaction (e.g. client) or are indirectly affected by the environmental or social impact of the project. In addition, non-governmental organizations that are based in the country of the Bank's business activity and are considered to be competent in the matter at hand are also deemed to be relevant. The Bank will review justified inquiries/requests and comment on the inquiry/request within a period of four weeks.

⁵² By signing the Equator Principles, the Bank has undertaken to carefully review all project finance requests of its clients as well as corresponding advisory mandates with a view to environmental and social aspects in accordance with the Performance Standards of the International Finance Corporation and not to finance any projects where the borrower will not or cannot comply with the standards and processes mentioned (see <http://www.equator-principles.com>).