Abridged Environmental Statement 2019

Finanzgruppe

BayernLB

Summary of contents

1 Management system and organisation

1.1 Importance

Several years before the world met for the groundbreaking Earth Summit in Rio de Janeiro in 1992, BayernLB had already started to systematically focus on energy and water consumption and other aspects of operational environmental protection. A central aspect from the start was advanced ecological facilities management. This was and still is the foundation of our corporate environmental management policy, which has been continually expanded during the past few decades in the form of ongoing modernisation measures at the Bank's business premises. Environmental guidelines were laid out in the early 1990s and the obligation to comply with these guidelines was strengthened in 1995, when the Bank signed the UNEP FI declaration (United Nations Environmental Program Finance Initiative), a voluntary commitment at UN level to integrate environmental protection into banking. In 1998, on the basis of these environmental guidelines, the Board of Management signed off on an environmental policy that remains in place today. Since then, it has formed the basis for all measures to improve environmental performance.

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

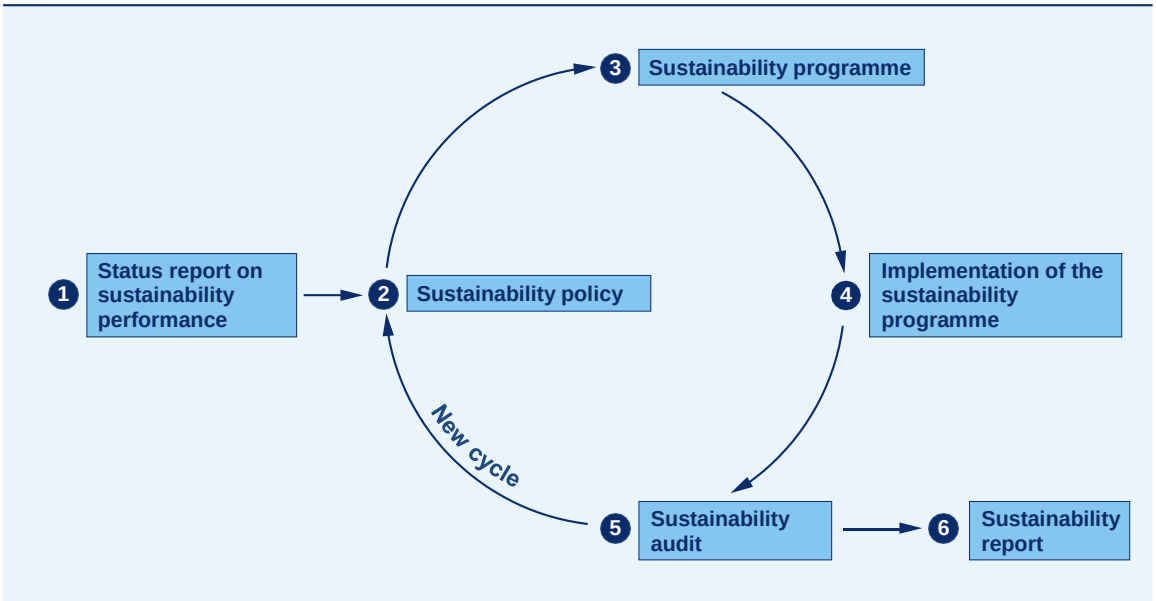
Since 2010, the issues of environmental protection and sustainability have been firmly enshrined in the Bank's Code of Conduct: "We are actively and thoroughly committed to the challenges of sustainable development and heed our responsibility by taking ecological, economic and social aspects into account along the entire value chain. We do this in our own day-to-day (banking) operations by being careful in our use of resources, avoiding harmful environmental impacts and treating our employees responsibly."

The various measures in operational environmental protection not only reduce the Bank's carbon footprint, but also form part of the Bank's overall sustainability performance. Specialist, independent rating agencies evaluate this at regular intervals. As in recent years, BayernLB was given above-average ratings from the leading agencies (imug, ISS-oekom, Sustainalytics, MSCI) in their latest assessments – despite the Bank's highly competitive rivals, which are also focussing more heavily on sustainability issues and the increasingly tougher criteria set by the agencies. Thanks to these pleasing results, BayernLB's securities continue to qualify as suitable for principle-driven investors.

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

1.2 Approach

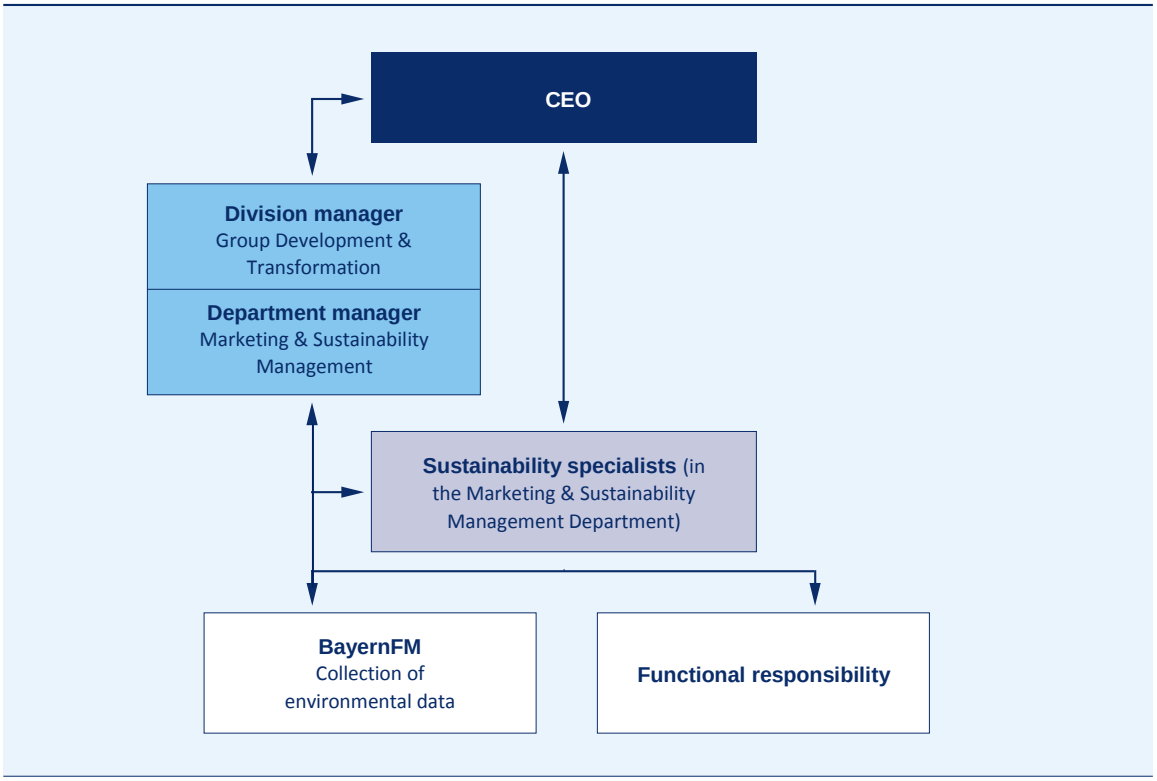
Improving environmental performance and sustainability on a continual basis, as required under EMAS certification, requires a structured management approach that takes due account of the issue in all its facets and complexity. This is because sustainability management entails not only coordinating operations among virtually all divisions but, above all, striking a balance between the sometimes conflicting interests and expectations of different stakeholders. It has implemented its green policy in a coordinated manner through a structured management system accredited under the Environmental Management and Audit Scheme (EMAS) Ordinance since 1999 and been certified since 2011 under environmental management standard ISO 14001. It is structured as follows:



Building on the results of an initial status report on environmental performance to date – conducted at BayernLB for the first time back in the early 1990s - a programme has been developed which comprises the key measures to continually improve environmental performance. The implementation status of the measures and the functionality of the management system have been reviewed in annual internal audits since the Bank initially joined EMAS successfully in 1999. In accordance with the results of these audits, the target system and the programme of measures are systematically refined to ensure environmental performance is systemically improved. Since 2016 this target system has furthermore been aligned with the UN Sustainable Development Goals.

1.3 Organisation

In 2006 the responsibility for sustainability management[1] was transferred from a decentralised support unit to what is currently the "Group Development & Transformation Division", which reports directly to the CEO. This established the organisational conditions to successfully develop the environmental management system into a sustainability management system. In order to ensure seamless integration between the functional units and a swift response to changing requirements, the various areas of responsibility are included in the environmental management system as follows:



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

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

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

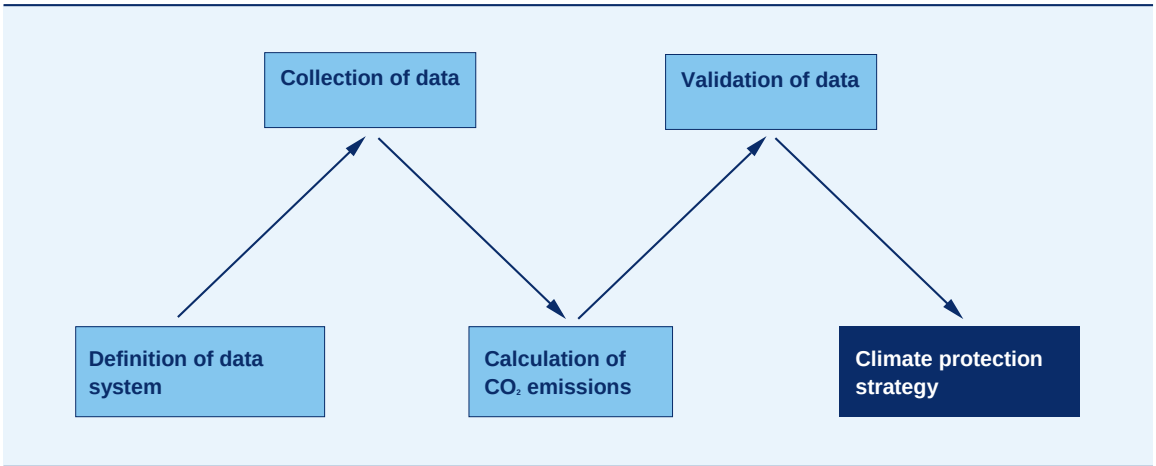
2 Climate protection as a focus of the Bank's internal activities

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

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

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

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



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

2.1 Avoiding resource consumption:

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

2.2 Substituting CO_2 intensive energy sources:

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

2.3 Offsetting unavoidable Co2 emissions:

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

By systematically implementing its climate protection policy, BayernLB has been climate-neutral at its Munich site since 2008. And the same has also been true for all the Bank's other offices in Germany since 2015.The reasons for the intense efforts at protecting the environment are self-evident: firstly, its commitment to climate protection fulfils BayernLB's special social responsibility for creating a sustainable society as a public sector bank and, secondly, credibility gained in this area also has a positive effect on the sale of products linked to climate change.

3 Environmental data

Environmental protection within BayernLB comprises all direct environmental impacts caused by the Bank's business operations. BayernLB's environmental performance report is an annual, systematic record and assessment of these effects. It also reveals potential for improvement. The 2019 Environmental Statement reports the data for financial years 2016 to 2018.
For the presentation of key performance indicators as well as for the calculation of the greenhouse gas emissions (GHG) BayernLB produces, the Bank uses the metrics system of the Association for Environmental Management and Sustainability at Financial Institutions e.V. (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten - VfU) in the version dated March 2018. The environmental data relates to the EMAS-certified locations in Munich (Brienner Strasse 18 (B18) and surrounding buildings) and Nuremberg (Lorenzer Platz 27 and Fritz-Haber-Strasse 10) and, for the first time, the (currently uncertified) locations of Düsseldorf, Leipzig, Frankfurt, Grafenau, Hamburg and Stuttgart.

3.1 Explanations of selected BayernLB key figures

Paper

	Unit	2018	2017	2016
Paper	**t**	**131**	**92**	**101**
of which				
• Recycled paper	t	102	65	78
• ECF/TCF paper	t	29	27	23
• Chlorine-bleached new fibres	t	0	0	0

Having gone down drastically, especially in 2016 and 2017, paper consumption at the Bank has risen sharply in more recent years. This finding stems from a refined calculation method adopted in 2018. A list kept by the main supplier was revised such that certain imprecise data, hitherto unnoticed, was specified in more detail. Contrary to the resulting figures, it is highly unlikely that the actual paper consumption has increased. This is supported by a comparison carried out with the (estimated) purchase volume.

BayernLB's goal of stabilising its relative paper consumption per employee / PC workstation to the 2010 level will be achieved in full for 2018 – or, rather, has been far exceeded since 2011 – despite this revised calculation method.

The goal of the sustainability programme in 2016 of reducing the amount of paper consumed by each employee in 2018 by 2.5 percent from the year 2015 was not achieved due to the changed calculation.

All paper (fresh fibre or recycled) used in BayernLB is now either "Blue Angel", FSC or Ecolabel-certified.

The goal of cutting absolute paper consumption by 10 percent from the 2013 level was achieved and significantly exceeded despite the changed basis for the calculation. The goal of the sustainability programme in 2016 of reducing absolute paper consumption for 2018 by 5 percent from 2015 was also achieved.

This was partly accounted for by restricting paper use to only one type at the beginning of 2012, so that a wide variety of printing errors could be avoided. (Since 2012 ECF/TCF paper has only been provided in the copy/print centres.)

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

- Switching the major financial publications, such as the annual report or the HR report, to electronic form (pdf brochures)
- Further reducing the volume of printed material by advising employees and raising awareness in the specialist divisions of digital alternatives provided by Marketing
- Reducing the number of office printers available for use and replacing some of them with ink jet printers, thereby cutting power consumption and fine dust pollution; these ink jet printers also led to a complete switch beginning in 2017 to environmentally friendly paper, which is more suitable for this type of printer.
- Making black & white and duplex printing the default setting for the printers (a colour print-out, even with minimal coloured content, costs around five times the price of a black & white print-out; double-sided printing also saves around 50 percent of paper costs)

No further potential for significantly reducing paper consumption over the next few years is discernible at present. The “New Work – Work 4.0” platform, a programme designed to change the work environment and work culture, is expected to lead to a further reduction in paper consumption as it entails an increased use of digitalisation.

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

Energy (electricity, heating)

	Unit	2018	2017	2016
Energy	**MWh**	**24,079**	**25,191**	**25,646**
of which				
• Electricity	MWh	12,591	13,078	12,659
• Heating	MWh	11,488	12,113	12,905
• Diesel (emergency power system)	MWh	120	75	80

In 2018, 12,591 MWh of electricity was consumed at BayernLB’s locations. This represents a 4 percent reduction (487 MWh) from the previous year. The objective of stabilising power consumption at 13,000 MWh was thus achieved. At 9,569 MWh, power consumption at the Brienner Strasse 18 site was down by around 422 MWh in 2018 as compared with the 2016 figure. This reduction is categorised as a user-dependent change.

A further reduction in electricity consumption was recorded at the following premises:

- Brienner Strasse 16: In this building consumption dropped by around 30 percent, to 218 MWh. This was due to the fact that the property ceased to be occupied on 1 June 2018.
- Brienner Strasse 20: Here, the amount of energy consumed in the form of electricity went down from the previous year – 2017 – by 9 percent (-269 MWh/a), to a total of 2,654 MWh. Power generated by the photovoltaic plant rose 3 MWh/a (+1 percent) to 38 MWh/a. These savings are attributed to the increase in production through the photovoltaic plant and to the switch in the Gallery and foyer to LED technology.
- Brienner Strasse 22: At this address the total amount of energy consumed in the form of electricity, 232 MWh/a, was 5 percent lower (-12 MWh/a) than in reference year 2017. This was due not only to the reduction in workstations but also to the users' consumption habits.
- Brienner Strasse 24, front building: Electricity consumption declined over reference year 2017 by 4 percent (-7 MWh/a) to a total of 184 MWh/a. This reduction was due to the users' consumption habits.
- Lorenzer Platz: Here, the amount of energy consumed in the form of electricity went down from the previous year – 2017 – by 15 percent (-36 MWh/a). This was the result of such energy efficiency measures as shortening the lighting periods, further optimising the technical equipment by adapting the target levels and operation times, converting from conventional lighting sources to LED technology and having the technical operators constantly adapt the target levels and running periods.

Water

	Unit	2018	2017	2016
Water	**m³**	**57,174**	**56,416**	**49,697**
of which				
• Rainwater	m³	7,655	7,612	7,247
• Ground and surface water	m³	19,915	19,034	18,423
• Drinking water	m³	29,604	29,770	24,027

The drinking water and heating water used on BayernLB's premises in the centre of Munich are obtained from the Stadtwerke München utility, which also disposes of the effluents produced there. To produce cold water BayernLB uses cooling units and also cold outdoor air, via recooling plants ("free cooling") and indoor air conditioning systems.

Water consumption in 2018 stood at 57,174 m³ – a 758 m³, or 1.48 percent, increase from 2017. This figure is an aggregate of all the rain, ground, surface and drinking water used in Munich and the other locations in Germany. Drinking water utilisation went down by 166 m³ – from 29,770 m³ to 29,604 m³ – despite such weather anomalies in the reporting year as below-average rainfall volume, above-average temperatures and the higher-than-average number of hours of sunshine. The rise in the water consumption was mostly in relation to the surface and ground water. Together, their volume went up by 880 m³ to 19,915 m³.

Above-average fluctuations in drinking water consumption was recorded for the following buildings:

- Türkenstrasse 4: The volume of drinking water rose 82 percent (112 m³) to 239 m³ due to a change in consumption.
- Brienner Strasse 24: The drinking water volume went up 44 percent (479 m³) from the previous year, reaching 1,569 m³. This increase was due to the repeated watering of the outside premises, necessitated by the weather anomaly.
- Brienner Strasse 22: Drinking water utilisation was reduced by 33 percent (-931 m³) in 2018 to 1,920 m³ in total. This is thought to be due to the fact that the outside premises were irrigated indirectly from a neighbouring building.

Grey water is collected from rain water, effluents from water treatment plants and effluents from the cooling towers, and is used for flushing the toilet facilities, some of which being located at Brienner Strasse 18 and 20.

Coolant loss

The cumulative coolant loss at all locations in 2018 was 0 kg – a 328 kg reduction from the previous year. There was significant coolant loss at cooling units 1 and 2 in building 18 in the year 2017.

Business travel

The indirect environmental impact of business travel was once again slightly exceeded in 2018, starting from the 2010 baseline. This was due chiefly to the sharp rise in sales activities.

However, road journeys were further reduced in 2018 despite the opening of new BayernLB locations, thanks especially to the increased use of rail transport. Air travel in excess of 500 km, on the other hand, also saw a slight increase. As in the previous year, this was due primarily to the growing importance of the New York branch.

	Unit	2018	2017	2016
Business travel	**km**	**14,456,158**	**13,881,417**	**13,722,639**
of which				
• By road	km	4,200,129	4,552,034	4,668,280
of which				
- own car	km	558,995	517,912	514,420
- rental car	km	558,149	802,015	671,505
- company car	km	3,082,985	3,232,107	3,482,355
• By train	km	2,361,529	1,845,190	1,825,455
of which				
- long-distance	km	2,178,235	1,687,607	1,673,196
- short-distance	km	183,294	157,583	152,259
• By plane	km	7,894,500	7,484,193	7,228,904
of which				
- below 500 km	km	2,019,510	2,147,027	2,418,303
- above 500 km	km	5,874,990	5,337,166	4,810,601

Business travel continues to make up a very large portion of BayernLB's operational carbon footprint. With a view to avoiding greenhouse gas emissions and travel costs associated with business travel, employees are therefore required to consider possible alternatives to travel before embarking on a journey, especially where there is no need from a customer perspective. Furthermore, staff are provided with the technical infrastructure to hold video conferences and conference calls.

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

In addition, since 1 April 2013 the Bank has participated in carbon-free travel by train, i.e. since 1 April 2013 all BayernLB employees can travel as bahn.corporate customers on long-distance trains using 100 percent green energy. The business travel guidelines now contain a set of incentives for making more use of the Deutsche Bahn's express train connecting Munich and Berlin.

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

Waste

	Unit	2018	2017	2016
Refuse/food waste	**t**	**887**	**814**	**988**
of which				
• For recovery/recycling	t	430	415	560
• For incineration	t	246	254	268
• For landfill	t	112	43	50
• Hazardous waste	t	100	102	109

BayernLB's volume of waste in 2018 totalled around 887 tonnes, an increase of 73.3 tonnes or 8.8 percent on the previous year. The amount of refuse destined for recovery/recycling and for landfills rose by 14.5 tonnes to 430 tonnes, and by 69.7 tonnes to 112 tonnes, respectively. Refuse destined for incineration and hazardous waste, on the other hand, fell by 8 tonnes to 246 tonnes, and by 2 tonnes to 100 tonnes, respectively.

The surge in the volume of waste to be used for landfills came mostly from the 68.7 tonnes increase in construction debris. This was, in turn, the by-product of the renovation work done on the canteen/kitchen area at the Bank's head office in 2018.

The amount of waste destined for recovery/recycling increased again slightly (by 15 tonnes) over the previous year, totalling 430 tonnes.

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

Greenhouse gas emissions

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

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

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

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

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

Greenhouse gas emissions

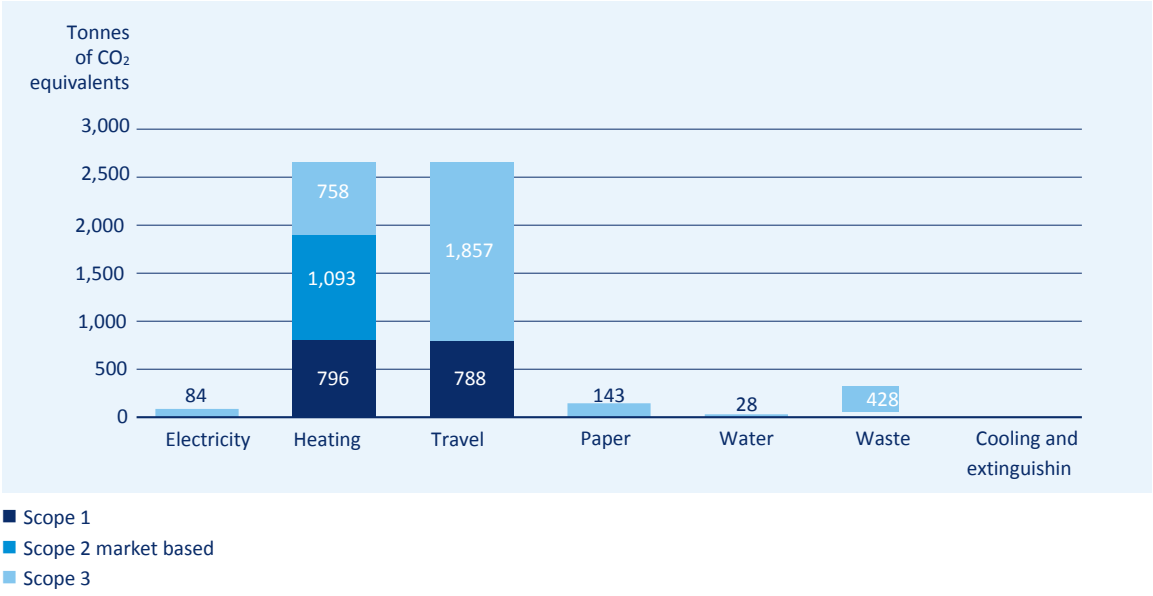
	Unit	2018	2017	2016
Absolute greenhouse gas emissions (in tonnes)	t	5,974	6,389	5,982
Greenhouse gas emissions (in kilograms per employee)	kg/employee	1,900	2,114	1,997
Number of employees	Employee	3,144	3,022	2,995

In the period under review from 1 January 2018 to 31 December 2018, a total of 5,974 tonnes of CO_2 equivalents were emitted as a result of BayernLB's business activities. This constitutes a reduction of 415 tonnes, or 6.5 percent, over the year 2017. Of the total emissions, direct emissions (Scope 1) account for 1,585 tonnes, indirect emissions (Scope 2 market based) for 1,093 tonnes and indirect greenhouse emissions (Scope 3) for 3,296 tonnes.

The decrease in absolute greenhouse gas emissions in 2018 from the year before was due in large part to the coolant loss in 2017.

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

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



Besides using its own PV plants, BayernLB satisfies 100 % of its remaining electricity requirements at its Munich location using certified hydroelectric power stations on the High Rhine. Through long-term contracts BayernLB covers the electricity requirements of its buildings exclusively from renewable energy sources. The result is a low carbon footprint from electricity.

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

	Year-on-year changes in %	2018	2017	2016
Energy efficiency				
• Relative energy consumption (in MWh/employee)	-7.9	7.7	8.4	8.6
• Renewable energy share (in %)	0	52	52	49
Material efficiency/water				
• Relative paper consumption (in kg/employee)	35.5	42	31	34
• Relative water consumption (litre/employee)	-2.6	18,185	18,668	16,594
Waste				
• Relative waste generation (in kg/employee)	4.8	282	269	330
• Relative generation of hazardous waste (special waste) (in kg/employee)	-3.9	31.0	32.2	36.3
Business travel/biological diversity				
• Business travel (1,000 km/employee)	0.1	4.6	4.6	4.6
• Sealed area (in %) The sealed area in % is calculated from the non-green area/total area	0	74	74	74
Emissions				
• CO2 equivalents (coolants in kg)	100	0	328	0
• SO_2, NO_x, PM	Do not arise directly due to district heating supply			

4 Sustainable financial solutions

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

Sustainable financial solutions at BayernLB include the following areas:

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

During the reporting period the Bank focussed on: following current sector- and subject-specific guidelines while reviewing the necessity for further guidelines, taking further steps in the process laid down for incorporating sustainability management into the review of the environment social governance (ESG) risks and opportunities inherent in its various business operations, and factoring in social and environmental aspects when assessing reputational risks. In addition, the foundation was laid for the Green Finance Initiative, which is being further intensified.

4.1 Principles and guidelines

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

Guidelines for financing transactions

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

World Bank standards

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

Sector and topic-specific standards

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

Nuclear power and fossil fuels

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

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

Sector	Exclusion	Conditions
Nuclear power	• New construction of nuclear power plants	
Coal	• Extraction of lignite • Extraction projects that employ mountaintop removal • New construction of power plants running on lignite • Extraction of hard coal and construction of new coal-fired power plants in protected areas (UNESCO world cultural heritage, IUCN/Ramsar-protected areas)	• New construction of hard coal-fired power plants only employing state-of-the-art technology • Modernisation of existing coal-fired power plants provided that this results in higher efficiency/higher effectiveness and/or reduction of climate-damaging emissions
Oil & gas	• Arctic drilling • Projects in protected areas (UNESCO world heritage sites, IUCN/Ramsar-protected areas) • Extraction of crude oil from tar sands • Extraction by fracking	

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

The Bank is currently conducting a review with regard to the gradual supplementation of the existing and drawing up of additional nuclear-fossil fuel policies, including the incorporation of the value chain.

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

4.2 Sustainable products

From BayernLB's perspective, there is also the option of actively promoting environmentally responsible developments such as the climate-friendly restructuring of the energy supply or social projects by means of suitable products and services, thereby opening up business potential. This includes:

Product area	BayernLB Group (as at 31 Dec 2018)	BayernLB Group (as at 31 Dec 2017)	Of which BayernLB (as at 31 Dec 2018)	Of which BayernLB (as at 31 Dec 2017)
Volume of sustainability instruments issued or arranged by the BayernLB Group	2018: EUR 2.25 billion	2017: EUR 1.0 billion	2018: EUR 1.75 billion	2017: EUR 0.5 billion
Volume of new subsidised loans business (e.g. the relevant KfW programmes) targeting ecological applications (through the increased use of renewable energy/energy-saving measures)	2018: EUR 1.1 billion	2017: EUR 1.5 billion	2018: EUR 0.5 billion	2017: EUR 0.5 billion

Sustainable investment solutions

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

Sustainable real estate investments

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

Financing solutions for renewable energy and energy efficiency

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

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

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

5 Meeting the 2018 objectives and other challenges

In 2018 various objectives were once again achieved. These are listed below:

- Sustainably consolidating the sharp reduction in power consumption recorded since 2008 (baseline: 2014), in part by:
  - Upgrading lighting in corridors and computer workplaces
  - Replacing heat recyclers in 12 air conditioning systems and increase efficiency accordingly
  - Replacing cooling pumps and secondary heating pumps
  - Converting fan motors to efficiency motors
  - Replacing heating pumps with energy efficient pumps
  - Distributing the lights in the underground garage to provide lighting as actually required

- The following imperatives continue to be seen as especially challenging:
  - Stabilise the relative volume of waste
  - Reduce relative paper consumption per employee
  - Reduce absolute paper consumption by 5 percent from the 2016 level
  - Stabilise the indirect environmental impacts caused by business travel at the 2015 level
  - Extend the offtake agreement to cover electricity requirements from renewable energy sources until 2019
  - Check existing policies, assess needs and, if required, develop new policies
  - Check and refine the process to comply with international financing standards
  - Increase employee training on ESG opportunities and risks in the financing business
  - Increase subsidised loan business for projects with a high benefit for the community
  - Continue subsidising energy-efficiency upgrades for rental housing property under the Bavarian modernisation programme and the Energiekredit Kommunal Bayern programme run by the legally dependent institution BayernLabo

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INTECHNICA
FUTURE SECURE BUSINESS GROWTH

Environmental Verifier's Declaration

on verification and validation activities according to Annex VII of the Regulation (EC) No 1221/2009 and amending regulation 2017/1505 and 2018/2026

The undersigned, Dr. Reiner Beer, EMAS environmental verifier with the registration number DE-V-0007, accredited or licensed for the scope 64.19 (NACE Code Rev. 2), declares to have verified whether the site or the whole organisation as indicated in the environmental statement/updated environmental statement

Bayern LB

with the sites

Munich Head Office, Brienner Strasse 18

Nuremberg, Lorenzer Platz 27

Nuremberg, Fritz-Haber-Strasse 10

Registration No DE-155-00129

meets all requirements of Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 and amending regulation 2017/1505 of 28.08.2017 and 2018/2026 of 19.12.2018 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS).

By signing this declaration, I declare that:

- the verification and validation has been carried out in full compliance with the requirements of Regulation (EC) No 1221/2009 and amending regulation 2017/1505 and 2018/2026,
- the outcome of the verification and validation confirms that there is no evidence of non-compliance with applicable legal requirements relating to the environment,
- the data and information of the environmental statement/the updated environmental statement of the organisation/site reflect a reliable, credible and correct image of all the organisations activities, within the scope mentioned in the environmental statement.

This document is not equivalent to EMAS registration. EMAS registration can only be granted by a Competent Body under Regulation (EC) No. 1221/2009. This document shall not be used as a stand-alone piece of public communication.

Nuremberg, 7th August 2019

Dr. Reiner Beer
Environmental Verifier