

Sustainability Report 2013

NORD/LB

Die norddeutsche Art.

RESPONSIBLE BANKING

Creating value. Protecting value.
Sustainable Business
pays Dividends.



ABOUT THIS REPORT

This report outlines the sustainability strategy, objectives, management systems and performance of NORD/LB in the financial year 2013. Included are all of the significant Group companies listed in 3.6. This report is prepared for the staff, shareholders, investors and their research service providers, customers, business partners and other stakeholders who are interested in NORD/LB's sustainability performance.

In compiling and prioritising the report's content, as well as the GRI G3 Guidelines, the experience from many years of communication with investors, staff and representatives of civil society were taken into account. It is for this reason that we explain in great detail the value the NORD/LB Group generates with its core business for customers and society as well as the issues of sustainable financial investment and social commitment. The data was collected using the management systems that have been implemented; these will be explained in the report. The report also includes the first progress report to the United Nations Global Compact, which NORD/LB signed up to in May 2013.

Editorial note:

The previous year's figures are shown afterwards in brackets.

NORD/LB SUSTAINABILITY REPORT 2013

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HIGHLIGHTS 2013

1 | 2013

Relaunch Sustainability

NORD/LB is commencing the Relaunch Sustainability project with a materiality analysis in order to ensure that long-term economic, environmental and social factors are integrated efficiently into the core business. Part of the project is the "Sustainability Programme 2013 – 2015". Guidelines for the core business which shape the activities of NORD/LB are developed and implemented in four phases.

2 | 2013

First Lower Saxony Monitor reveals structural trends in the region

The energy sector and health sector are the two sectors of Lower Saxony's economy that have performed most successfully in the past ten years. This is one conclusion of the first Lower Saxony Monitor presented by NORD/LB, in which structural trends and developments of Lower Saxony's economy are analysed.

Best in class for sustainability

In its ESG-based (Environmental, Social, Governance) Sustainability Assessment for Public and Private Banks, Sustainalytics AG rates NORD/LB as Best in Class in a category that includes 66 banks.

5 | 2013

NORD/LB signs up to the UN Global Compact and UNEP FI

NORD/LB has signed up to two major international initiatives for corporate responsibility. It has signed up to the United Nations Global Compact and is now committed to its ten universal principles in the areas of human rights, labour, the environment and anti-corruption. It has also joined the United Nations Environment Programme Finance Initiative, UNEP FI.

Re-certification in the Job and Family Audit

NORD/LB and Bremer Landesbank were re-certified as family-friendly companies following the beruf + familie (job + family) audit conducted by the Hertie Foundation.

Award for NORD/LB's Custodian Bank Business

The excellent (1 –) rating awarded by TELOS GmbH is evidence of NORD/LB's leading position in the custodian bank market. Ratings were awarded not only for production and infrastructure, but also management quality and customer focus in this sector.

7 | 2013

New Sustainability Guidelines in force

Sustainability guidelines passed in the Relaunch Sustainability project have come into force. These are the Guideline for ESG Requirements Project Finance, the Guideline for Human Rights and Labour Standards and the Guideline for Responsible Marketing.

9 | 2013

Additional Sustainability Guidelines approved

The Managing Board has approved the Guideline for Environmental Impact of our Business Activities and the Guidelines for Hydroelectric Power, Climate Change and Dealing with Stakeholders as well as the Guideline for Corporate Environmental Protection in the NORD/LB Group.

10 | 2013

NORD/LB endorsed by Pfandbrief Issuer Sustainability Rating

In the Pfandbrief Issuer Sustainability Rating by imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH, ratings were awarded to NORD/LB and more than 120 other European issuers in 2013. NORD/LB was again rated positively with the second-best rating and therefore remains one of the best banks in the sector.

11 | 2013

Scope for the Guideline for Prevention of Money Laundering extended

By amending the Guideline for Prevention of Money Laundering, the Managing Board has underlined NORD/LB's intention to implement rigorously the minimum risk standards for the prevention of money laundering, the financing of terrorism and other criminal acts.

NORD/LB remains a sustainable Prime Investment

In the Corporate Responsibility Rating by oekom research AG for Financials / Public & Regional Banks, NORD/LB was awarded the overall score of C. NORD/LB has therefore again been awarded Prime Status and will continue to be recommended to sustainability-oriented investors by this rating agency.

NORD/LB signs the "Charta der Vielfalt"

By signing the "Charta der Vielfalt" (the Diversity Charta), NORD/LB has made a commitment to promote diversity in its workforce, and ensure that every member of staff has a working environment of respect, regardless of gender, nationality, ethnic origin, religion, belief, disability, age, sexual orientation or identity.

12 | 2013

NORD/LB adopts Group Sustainability Strategy 2020

The Group Sustainability Strategy 2020 focuses on the central aspects of the global transition for the NORD/LB Group and its customers and identifies how opportunities will be realised and risks responsibly managed. As a result, the primary emphasis of the Group Sustainability Strategy is on the customers and employees of NORD/LB.

1. STRATEGY AND ANALYSIS

1.1. Statement from the most senior decision-maker

As a registered public institute (Anstalt öffentlichen Rechts), NORD/LB has a special economic and social responsibility. We are measured not only by our business results, but also by our commitment as a corporate citizen towards our region, our business area and society. We therefore understand sustainability in a broad sense and it is our aim to act sustainably in all of our actions for the Bank, for its staff, customers and owners and for society. Sustainability is therefore not just limited in NORD/LB to a few prestige projects, but encompasses all areas of our Bank. Sustainability is embedded in a strategy which also guides our actions as a corporate citizen for the good of society, raises the satisfaction levels of our staff, offers our customers noticeable added value and provides stakeholders with a business model that is fit for the future. In the process we also keep an eye on the opportunities presented by global change, which we exploit for ourselves and our customers so that together we remain fit for the future.

In order to ensure that this understanding is rooted even more deeply in all key business processes, we launched a three-year Group-wide “Relaunch Sustainability” project in 2013: in future we will include all relevant business, social, environmental and governance aspects in the initial planning stage of our activities. Our Group Sustainability Strategy 2020 defines this in concrete terms with targets for the respective areas.

We also signed up to the United Nations Global Compact in May 2013 and are therefore committed to its ten principles in the areas of human rights, labour standards, environmental protection and anti-corruption, demonstrating our binding commitment both internally and externally.

Sustainability offers us the opportunity to associate our service range with a special contribution to the economy and society. This will also ensure not least of all the success and continued existence of our Bank.

Dr. Gunter Dunkel

Chairman of the Managing Board

1.2. Key sustainability impacts, risks and opportunities

The integration of sustainability into the core business is key for securing the long-term future and competitiveness of the NORD/LB Group, its customers and business partners. However, compared to industrial companies, a bank's direct operational impact on sustainable development is low. Nevertheless, with its financing decisions NORD/LB can influence which projects are implemented in which sectors and regions. We consider this to be an important lever that can help us to contribute towards sustainable development. We want to help our customers to adjust their business models quickly and regularly to the effects of long-term megatrends and to find solutions. NORD/LB is guided among other things by a framework of sustainability guidelines so that we can handle transactions with increased risk responsibly and not violate the principles of sustainable development (see 4.8.). The customers and staff of NORD/LB are at the heart of our sustainability strategy. It defines the focal points and targets in the areas of governance, customers, staff, society and the environment.

We know that long-term success can only be achieved in an intact environment and in stable, balanced societies. This is why we are committed to safeguarding the basis for sustainability, respectively to establish and secure it. We are currently dealing not only with climate change and the increasing shortage of resources, but also with the impact of continuing demographic change. We are doing this also to look after our own interests, as responsible and performance-oriented staff are essential for our sustainability as a bank. The recruitment and retention of staff will become an increasingly important factor for success in the future.

We accept the many environmental and social challenges of our time together with our customers and business partners. This means, for example, participating in the development of the energy transition and influencing structural change in our region. The foundations and measures for the implementation of this were defined with binding effect in 2013 in the Group Sustainability Strategy 2020. Wherever possible, we will turn opportunities into business potential. However, where risks are threatening sustainable business practices, we will manage these cautiously and consider them in our business activities.

2. ORGANISATIONAL PROFILE

2.1. Name of the organisation

NORD/LB Norddeutsche Landesbank Girozentrale (hereafter NORD/LB or the Bank)

2.2. Primary brands, products and services

NORD/LB is the leading universal bank in the North of Germany and, based on its total assets, is one of the TOP 10 banks in Germany.

NORD/LB is a business bank, landesbank (state bank) and a central bank for the savings banks.

- As a business bank, NORD/LB offers financial services to private customers, corporate customers, institutional customers and the public sector. Under the name of Braunschweigische Landessparkasse, Braunschweig, NORD/LB performs the function of a savings bank in the Braunschweig region and maintains a close network of branches in this region. NORD/LB also participates in the structured financing of international projects, particularly in the energy, infrastructure, shipping, aircraft and real estate sectors.
- As a landesbank for the states of Lower Saxony and Saxony-Anhalt, it performs the functions of a central and clearing bank for the savings banks (Girozentrale). The Bank also handles promotional loans on behalf of the federal states through Investitionsbank Sachsen-Anhalt, an institute of Norddeutsche Landesbank Girozentrale, and through Landesförderinstitut Mecklenburg-Vorpommern (LFI), a division 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 in these federal states. It also acts as a service provider for savings banks in other German states such as Schleswig-Holstein. NORD/LB provides all of the services which the savings banks require for their activities.

2.3. Operational structure

In the NORD/LB Group, NORD/LB acts as the parent company, controlling all of the business activities in line with the strategic objectives, creating synergy effects, reinforcing customer divisions and bundling service offerings. The NORD/LB Group comprises among others

- Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen (hereafter Bremer Landesbank)
- Norddeutsche Landesbank Luxembourg S.A., Luxembourg (hereafter: NORD/LB Luxembourg)
- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover (hereafter Deutsche Hypo)
- LBS Norddeutsche Landesbausparkasse, Berlin, Hanover (hereafter LBS)
- Öffentliche Lebensversicherung Braunschweig, Braunschweig
- Öffentliche Sachversicherung Braunschweig, Braunschweig
(hereafter short for Öffentliche Versicherungen Braunschweig: ÖVBS)

The Bank also holds other investments as shown in the Annual Report 2013, pp. 254 to 257.

2.4. Location of the head office

Friedrichswall 10, 30159 Hanover, Germany

2.5. Countries where the organisation operates

NORD/LB is a business bank, landesbank (state bank) and a central bank for the savings banks operating in Northern Germany and beyond with core regions with branches in Hamburg, Munich, Düsseldorf, Schwerin, London, New York, Shanghai and Singapore and a representative office in Moscow. The registered office of the subsidiary NORD/LB Luxembourg is in Luxembourg.

2.6. Nature of ownership and legal form

According to the state treaty signed by the federal states of Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania, NORD/LB is a registered public institute (AöR). The owners of NORD/LB are the federal state of Lower Saxony, the federal state of Saxony-Anhalt, the Association of the Savings Banks of Lower Saxony (Niedersächsischer Sparkassenverband, SVN) in Hanover, the Holding Association of the Savings Banks of Saxony-Anhalt (Sparkassen-

beteiligungsverband Sachsen-Anhalt) and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania (Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern).

The issued capital amounts to € 1,6 billion with the federal state of Lower Saxony holding 59.13 per cent (of which 33.44 per cent is held in trust for the state-owned Hannoversche Beteiligungsgesellschaft mbH, Hanover), the federal state of Saxony-Anhalt 5.57 per cent, the Lower Saxony Association of Savings Banks and Girobanks 26.36 per cent, the Holding Association of the Savings Banks of Saxony-Anhalt 5.28 per cent and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania 3.66 per cent.

2.7. Markets served

NORD/LB offers financial services to private customers, corporate customers, institutional customers and the public sector. NORD/LB also participates in the structured financing of international projects, particularly in the energy, infrastructure, shipping, aircraft and real estate sectors. Further information can be found on NORD/LB's website at www.nordlb.com.

2.8. Scale of the reporting organisation (as at 31 December 2013)

In 2013 the NORD/LB Group reported earnings before taxes and reorganisation expenses of € 268 million (€ 131 million), while its earnings before taxes totalled € 161 million (€ 78 million). As at 31 December 2013 a total of 7,590 people (7,539 people) were employed by the NORD/LB Group.

For further information, see the chapter on Economic Performance Indicators, EC1, and the Annual Report 2013, pp. 84 to 89 and page 110.

2.9. Significant changes during the reporting period

In 2013 NORD/LB continued the capital-boosting programme launched in 2011. This mainly concerned capital measures in NORD/LB in the year under review. In NORD/LB's significant subsidiaries (Bremer Landesbank, Deutsche Hypo, NORD/LB Luxembourg and NORD/CFB) there were no significant capital measures.

The capital-boosting programme is preparing NORD/LB early for the increased minimal capital requirements which will be placed on banks in the future (Basel III) with respect to hard core capital. Before the capital measures could be implemented, they needed to be reviewed and approved by the EU Commission on the basis of a restructuring plan submitted by NORD/LB. This restructuring plan contained, in addition to an outline of the business strategy and the business model, a medium-term business plan and a detailed explanation of all of the relevant measures and commitments made to the European Commission.

In order to boost its equity ratio, NORD/LB also further reduced its risk-weighted assets (RWA) in 2013 and retained earnings from 2012. In addition, in order to optimise the capital structure, a number of silent participations held by special purpose entities totalling € 400 million were cancelled in 2013. At the same time capital notes which had been issued by these special purpose entities in order to refinance the silent participations and purchased by NORD/LB in 2012, were called in and paid back by the special purpose entities.

Before the offer to purchase the capital notes, NORD/LB took on subordinated liabilities in the amount of € 300 million in 2013 in order to implement a banking regulatory requirement; it had to ensure that it had adequate replacement capital in accordance with regulatory law for the silent participations lost due to the purchase of the capital notes.

In addition to the capital-strengthening programme, the states of Lower Saxony and Saxony-Anhalt have provided a guarantee since August 2012 for the mezzanine tranche of a credit portfolio of NORD/LB brought into a securitisation structure. This guarantee is of a purely precautionary nature and may in principle be used by NORD/LB if needed until the end of 2014. The guarantee was not utilised by the Bank in 2013. More detailed information can be found in EC4.

Based on the commitments that apply to 2014 and at most to the end of 2016, NORD/LB can continue to focus on its proven business model; the few adjustments that needed to be made to the business model have largely been completed.

2.10. Awards received in the reporting period

NORD/LB Group

- Overall score of C (Prime Status) in the Corporate Responsibility Rating by the rating agency oekom research AG for Financials/Public&Regional Banks
- Positive score in the Pfandbrief Issuer Sustainability Rating by the rating agency imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH
- Best in class in ESG Sustainability Assessment for Public and Private Banks by the rating agency Sustainalytics AG

NORD/LB

- Re-certification following the Job and Family Audit
- Re-certification in the Corporate Health Award 2013 with Distinction
- Certified as a fair company with fair pay for placement students
- Recognised as Bicycle-friendly Employer 2013 by the city and region of Hanover
- Custodian bank business awarded a score of 1 by the rating agency TELOS
- 2013 Quality Recognition Award for US Dollar Clearing by JP Morgan

Analyst ratings confirm the excellent quality of the work performed by NORD/LB's financial analysts. The investment recommendations and earnings estimates of analysts are compared with the actual performance of the individual investments. In 2013 NORD/LB held, for example, top-5 places in the Bloomberg stock recommendations for 14 DAX and MDAX investments.

Braunschweigische Landessparkasse

- Winner of the CityContest in the Braunschweiger Region organised by the magazine Focus Money in the cities of Braunschweig, Salzgitter and Wolfenbüttel, awarded the rating of 'outstanding'

Bremer Landesbank

- Overall score of C (Prime Status) awarded in the Corporate Responsibility Rating by the rating agency oekom research AG for Financials/Public&Regional Banks
- Top Employer 2013
- Re-certification following the Job and Family Audit

3. REPORT PARAMETERS

Report profile

3.1. Reporting period

Financial year 2013 (1 January to 31 December)

3.2. Date of most recent previous report

April 2013

3.3. Reporting cycle

The Sustainability Report has appeared annually since 2007 as part of the Annual Report. For 2013 the Sustainability Report is being presented for the first time as a stand-alone report.

3.4. Contact point for questions regarding the report

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Report scope and boundary

3.5. Process for defining report content

NORD/LB used the G3 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). The content also takes into account the interests of key stakeholders (see the section "About this Report" at the start of this document).

3.6. Boundary of the report

The information in the report relates to the companies that are particularly relevant for the sustainable development of the NORD/LB Group. These include NORD/LB, Bremer Landesbank (not including BLB Leasing GmbH and BLB Immobilien GmbH), Deutsche Hypo, NORD/LB Luxembourg (not including Skandifinanz) and NORD/LB Asset Management Holding GmbH (hereafter: NORD/LB AM) and NORD/FM Facility Management GmbH (hereafter NORD/FM). Where content relates to individual Group companies in the report, this is based on the figures presented. The key figures in the report relate to the financial years 2011, 2012 and 2013. The Group companies listed above account for 86 (86) per cent of the 7,590 (7,539) staff referred to in 2.8, therefore 6,524 (6,474) staff.

3.7. Limitations on the scope or boundary of the report

None

3.8. Basis for reporting on subsidiaries and joint ventures

See 3.6.

3.9. Methods and basis for data collection

The data for the areas of core business, staff and company is collected from, inter alia, the accounting systems (e.g. SAP), which summarise the results of all ongoing business processes. In addition, data is generated from established processes and systems such as facility management and personnel information systems.

3.10. Changes from previous reporting periods due to re-statements of information and new interpretations

None.

3.11. Changes from previous reporting periods in the scope, boundary or measurement methods applied

This report has been prepared for the first time as a GRI report and is laid out strictly in accordance with the Guidelines of the Global Reporting Initiative (GRI). The reporting format takes into account the reporting requirements of key stakeholders. NORD/LB aims to provide investors, customers, owners, analysts, rating agencies and other interested readers of the report with a standard and at the same time transparent and comprehensive review of the individual sustainability issues as well as a quick overview of the individual GRI aspects.

For the first time NORD/LB has included in this report all of the significant companies of the NORD/LB Group from a sustainability point of view (see 3.6.), including their relevant key figures.

Also compiled in this report for the first time are all of the key environmental figures as defined by the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (Association for Environmental Management and Sustainability in Financial Institutions, VfU) as well as the other performance indicators of all significant subsidiaries.

GRI content index

3.12. GRI content index

See pp. 49 to 54.

Assurance

3.13. External assurance of statements made in the report

No external assurance of the statements made in the report has been provided. The Global Reporting Initiative (GRI) has confirmed that the reporting guidelines it has published have been applied in accordance with Application Level A (see p. 55).

4. GOVERNANCE, COMMITMENTS AND ENGAGEMENTS

Governance

4.1. Governance structure

The strategic direction is decided by the Erweiterter Konzernvorstand (Extended Group Managing Board) and the Gesamtvorstand (General Managing Board) for the individual institutes. In order to ensure the necessary transparency and the consistent control of the Group, NORD/LB participates in the supervisory bodies of its subsidiaries and investments. In the area of sustainability, the Erweiterter Konzernvorstand defines the visions, guidelines and strategy, approves the management system, the targets and action programmes and is the highest-level representative of the sustainability strategy. The Chairman of the Managing Board is chiefly responsible for sustainable development in NORD/LB and is responsible for reporting the results to the shareholders.

Details on the role and activities of the Supervisory Board in the reporting period can be found in the Annual Report 2013, p. 6.

4.2. Independence of the chairman of the supervisory board

NORD/LB's Supervisory Board has 18 members, twelve of whom represent the owners and a further six of whom represent the employees of the Bank in accordance with the Staff Representation Act (Personalvertretungsgesetz) of Lower Saxony. 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; the statutes do not allow former members of the Managing Board to become the Chairman of the Supervisory Board.

4.3. Highest governance body for companies that do not have a supervisory board

Not relevant.

4.4. Mechanisms for communication between shareholders / staff and the managing board / supervisory board

As a landesbank (state bank), NORD/LB does not hold an Annual General Meeting, but it does have close dialogue with its owners in, for example, the Owners Meeting. In addition to the Owners Meetings, various work groups ensure further dialogue with the owners. Staff and works councils guarantee dialogue between staff and the Managing Board. Further measures include the monthly Business Lunch, with the Chairman of the Managing Board joined by different members of staff at each Business Lunch.

4.5. Linkage between remuneration of members of the managing board and business performance

In accordance with the requirements of the Remuneration Regulation for Institutions (Institutsvergütungsverordnung), part of the performance-related remuneration is based on sustainability criteria.

In the coming years ESG criteria will also be considered as parameters for agreeing targets with management and the Managing Board. The framework for this is provided by, among other things, sustainability ratings.

4.6. Processes to avoid conflicts of interest

The processes to avoid conflicts of interest are governed by NORD/LB's ethical principles, which apply to all members of staff including the Managing Board. All members of staff are required to avoid situations in which their personal interests conflict with the interests of the Bank or which might give the impression that this is possible. Potential conflicts of interest between the Bank, members of the Managing Board, managers, staff, contracted agents or other persons who are directly or indirectly related to the Bank must not affect customer interests.

For the particularly sensitive area of securities services and ancillary securities services, the Managing Board has instructed the Compliance Department to prevent transactions in which conflicts of interest are anticipated from being processed. The Compliance Department also provides staff with advice if they have any doubts concerning potential conflicts of interest.

In order to protect the interests of customers, potential conflicts of interest are identified and communicated and precautionary measures are taken to prevent these. These measures include the strict separation of different departments with access to sensitive customer data (Chinese walls) as well as the requirement that such information may only be passed onto other departments with the approval of the Compliance Department. If, in a given case, it is not possible to avoid a conflict of interests, the conflicts will be disclosed appropriately.

4.7. Qualifications and expertise of governance bodies in the area of sustainability

All levels of management are included in the discussion and decision-making processes regarding sustainability issues and also come up with their own ideas. As a result the management committees have a profound knowledge base for sustainability issues in their areas of responsibility. This knowledge base is continually updated by internal communication measures and consultations on individual sustainability issues.

4.8. Mission statement, corporate values and code of conduct

The following is binding for all NORD/LB staff.

- NORD/LB's mission statement "North is on top" with the following central corporate values:
Trust as the result of dealing with one another fairly, reliably and cooperatively.
Responsibility as an expression of our approach to tackle the task on hand in order to achieve lasting success.
Sustainability as our belief that the balance between economic, environmental and social aspects is what guarantees our success in the long term.
Courage as a sign of our willingness to try new things, develop innovative solutions and ensure we are fit for the future in order to create more scope for action.
Performance as a requirement for success.
- The Ethical Principles
- The Corporate Governance Code
- The Guideline for Environmental Impact of our Business Activities
- The Guideline for Human Rights and Labour Standards

These principles and guidelines are applied in all business areas and departments. In addition, the following guidelines, which reflect NORD/LB's ESG system, also apply in the respective departments:

- Guideline for Prevention of Money Laundering
- Principles for Staff Transactions
- Guideline for Weapons and Armament Transactions
- Guideline for Hydroelectric Power
- Guideline for ESG Requirements for Project Finance
- Guideline for Pornography
- Guideline for Corporate Environmental Protection
- Guideline for Climate Change
- Guideline for Responsible Marketing
- Guideline for Dealing with Stakeholders
- Guideline for Dealing with Tax Law Requirements
- Guideline for Sustainable Ship Financing
- Environmental Guideline

4.9. Processes for managing and controlling sustainability performance at managing board level

The Erweiterter Konzernvorstand of the NORD/LB Group is chiefly responsible for the sustainability activities of the NORD/LB Group and is responsible for reporting the results to the shareholders. The Managing Board is supported in its activities by the Sustainability Control Committee. The Sustainability Control Committee consists of the managers of the departments that are particularly relevant for the sustainable development of the NORD/LB Group and the representatives of the significant Group companies. Together with Sustainability Management, this committee analyses the requirements in the individual departments, develops targets and measures and proposes these to the Managing Board for implementation. The members also ensure that the measures are implemented in their respective departments. With the Control Committee, NORD/LB has also organisationally embedded its corporate value of sustainability at senior management level. The RepRisk Committee, which manages reputation and business risks, provides advice on specific questions concerning specific business transactions (see FS2 for details). The organisational structure and functions are shown in the chart below.



4.10. Processes for evaluating the sustainability performance of the managing board

The remuneration of members of the Managing Board is made up of a fixed annual salary and variable remuneration. The Supervisory Board sets the amount of the variable component based on the targets and the results achieved. This reflects the performance of the Bank, the performance of the department and the individual performance taking into account the risks taken. These also include the opportunities realised and risks taken from an ESG point of view. This is based on the guidelines for individual ESG issues in business and other bank activities developed by NORD/LB in accordance with international standards. Part of the variable remuneration is spread in accordance with the Institute Remuneration Act (Institutsvergütungsverordnung) across a period of three years. More information on this subject is published annually in the Remuneration Report in the internet. The Remuneration Report for 2013 will be published in the autumn of 2014.

Commitments to external initiatives

4.11. Application of precautionary approach

(in accordance with Principle 15 of the Rio Declaration on Environment and Development of 1992)

The NORD/LB group has implemented a risk-management process that covers all divisions and consists of the sub-processes of risk identification, risk assessment, risk reporting and risk control and monitoring. The sub-processes apply to all types of risk.

Risk identification is a strategic sub-process. Based on the risk universe, i.e. all of the risks associated with conducting banking activities and offering financial services, the risks that are relevant for the NORD/LB group are identified in the risk inventory. The risk identification process takes place at least once a year and as and when required. Risk assessment comprises the regular quantitative and/or qualitative assessment of risks. The methods used for this depend on the respective risk type.

In order to create transparency of the current risk situation of the NORD/LB group, a comprehensive risk reporting process in which internal and external risks are reported has been implemented. The purpose of the internal risk reporting is to provide the decision-makers of the NORD/LB group with information about the risks taken by the group so that they are in a position to control the risks as the situation and strategy requires. The operational sub-process of risk control and monitoring comprises the limiting and management of risks. Besides this control function, monitoring also serves to control the effectiveness of the measures adopted. In the control and monitoring of credit and investment risks, structured procedures and processes are used for the standardised gathering of risk-related information. Taking into account existing risk limitations, qualitative and/or quantitative early warning indicators are derived on this basis and where applicable risk-limiting measures are taken.

In its risk management NORD/LB also strives to achieve the efficient and economically-viable management of sustainability-related reputation risks. With the implementation of guidelines (see 4.8.), NORD/LB ensures that the Bank acts responsibly with business partners, staff and resources of any kind. The Bank will therefore under certain circumstances not enter into certain transactions and/or transactions with certain business partners. If they have any doubts, staff can report relevant risks to or seek advice from the Compliance Department. If necessary, Compliance will convene a meeting of the established RepRisk Committee. This committee – under the overall control of Compliance – consists of representatives of the key departments of the Bank.

4.12. Support of external standards, agreements and initiatives

Sustainability means for the NORD/LB Group also acting in accordance with ambitious principles and gearing the performance of the business towards achieving society's goal of sustainable development. NORD/LB therefore signed up to the UN Global Compacts and became a member of the UNEP FI in May 2013. NORD/LB has also signed up to or is a member of the following sustainability-oriented organisations:

- Carbon Disclosure Project
- Charta der Vielfalt (Diversity Charta)
- Klimaallianz Hannover (Climate Alliance Hanover)
- Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (Association for Environmental Management and Sustainability in Financial Institutions, VfU)

It is also a member of various initiatives, including initiatives concerning climate change. For further information on this, see 4.13.

4.13. Memberships of associations and stakeholders

Members of NORD/LB's Managing Board held elected positions in the following organisations in the reporting period:

Organisation	Elected representative	Position
Bundesverband Öffentlicher Banken Deutschlands (VÖB, German Federal Association of Public-Sector Banks)	Dr. Gunter Dunkel	President (since 3 June 2013)
Bundesverband Öffentlicher Banken Deutschlands (VÖB)	Dr. Hinrich Holm	Member of Committee for Capital Markets
Bundesverband Öffentlicher Banken Deutschlands (VÖB)	Eckhard Forst	Member of the Committee for International Business
Bundesverband Öffentlicher Banken Deutschlands (VÖB)	Dr. Johannes-Jörg Riegler	Member of the Committee for Risk Management and Accounting
Deutscher Sparkassen- und Giroverband (DSGV, German Association of Savings Banks and Girobanks)	Dr. Gunter Dunkel	Deputy Member of the Presiding Committee
Deutscher Sparkassen- und Giroverband (DSGV)	Ulrike Brouzi	Member of the Business Management Committee; Member of the Card, Electronic and Mobile Payment Control Team
Deutscher Sparkassen- und Giroverband (DSGV)	Christoph Schulz	Member of the Central Advertising Committee
Gesellschaft für Risikomanagement und Regulierung (Society for Risk Management and Regulation)	Dr. Johannes-Jörg Riegler	Member of the Managing Board
Hannover Center of Finance (HCF)	Dr. Johannes-Jörg Riegler	Deputy Chairman of the Advisory Board
Institut der Norddeutschen Wirtschaft (INW, Institute for North German Business)	Dr. Gunter Dunkel	Member of the Advisory Board
International Chamber of Commerce (ICC), German Group	Eckhard Forst	Member of the Main Committee
Niedersächsische Sparkassenstiftung (Lower Saxony Savings Banks Foundation)	Christoph Schulz	Member of the Foundation Board
Niedersächsisches Institut für Wirtschaftsforschung (NIW, Lower Saxony Institute for Economic Research)	Dr. Gunter Dunkel	Member of the Advisory Board
Sparkassenstiftung für internationale Kooperation (Savings Banks Foundation for International Cooperation)	Christoph Schulz	Member of the Advisory Board
Sparkassenverband Niedersachsen (SVN, Association of the Savings Banks of Lower Saxony)	Dr. Gunter Dunkel	Member of the Managing Board
Stifterverband für die Deutsche Wissenschaft (Donors Association for German Science)	Dr. Gunter Dunkel	Member of the Advisory Board for Lower Saxony
Stiftung Niedersachsen (Foundation of Lower Saxony)	Dr. Gunter Dunkel	Vice President
Stiftung Sport und Kultur für Braunschweig (Sport and Culture Foundation for Braunschweig)	Dr. Gunter Dunkel	Chairman of the Advisory Board

Stakeholder engagement

4.14. List of stakeholder groups engaged

See 4.16.

4.15. Procedure for identifying stakeholders

NORD/LB considers all persons and organisations directly or indirectly affected by NORD/LB's business activities or able to influence the business performance of the NORD/LB Group to be stakeholders.

4.16. Methods and frequency of stakeholder dialogue, by stakeholder group

Staff: Staff notifications on current events, staff portal (intranet), staff magazine 361°, dialogue with staff representatives.

Potential staff: Annual report, website, social media (Facebook, Twitter), cooperations with schools, graduate fairs, cooperations with universities, offers of scholarships for the Leuphana University Lüneburg, placements, visiting lectures.

Former staff: Staff magazine 361°, alumni network, pensioner events.

Customers: Customer magazine 52°, customer satisfaction surveys, customer events, trade fairs, information brochures/magazine, annual report, website, social media.

Owners (shareholders): Ongoing owner communication, events, committee meetings.

Investors: Investor Relations, specific trade fairs for e. g. sustainable investments, customer events.

Suppliers and business partners: Supplier management meetings, joint activities, annual report, website, social media (Facebook, Twitter).

Press and media: Press releases, press conferences, publications on individual topics.

Municipalities: Meetings and activities with public-sector customers, conducting and sponsorship of studies, preparation and sponsorship of strategy papers, voluntary work of staff, sponsorship of art, culture, science, sport and social projects.

Politics, associations, stakeholders: Membership of organisations and associations, annual report, trade fairs, information brochures/magazines, website, social media (Facebook, Twitter).

NGOs: Participate in dialogue with non-governmental organisations (NGOs) on selected topics, reply to enquiries.

4.17. Consideration of key stakeholder concerns

The systematic addressing of stakeholder needs is key for securing the long-term success of the NORD/LB Group. This control element allows the NORD/LB Group to act on these needs. The NORD/LB Group therefore uses dialogue with its stakeholders in the various business areas to shape its activities and its strategic direction. The obligations entered into in 2013 towards the UN Global Compact, the UNEP Finance Initiative and the change in reporting in this report (see 3.11.) are also a result of the dialogue with stakeholders.

ECONOMIC PERFORMANCE INDICATORS

Management approach

NORD/LB believes that long-term success can only be achieved in an intact environment and in a stable society. This is why it has included sustainability and responsibility as key values in its mission statement. These values are put into concrete terms in the Group Sustainability Strategy 2020 (see Profile, 1.2.) and the Sustainability Programme 2013–2015. In the Sustainability Programme specific targets have been defined in the areas of strategy, organisation and core business; these targets should be achieved in the medium term.

A range of guidelines, some of which were drawn up in the past financial year (see Profile, 4.8.), ensure that NORD/LB's core business is consistent with its targets for sustainable development. The guidelines focus on the ethical integrity of the Bank's actions and options for solutions to environmental and social challenges.

The economic management approach is rounded off by comprehensive risk management which considers economic, environmental and social risks in equal measure (see Profile, 4.11.).

Economic performance

EC1: Economic value¹⁾

(in € million)	2011 ²⁾	2012	2013
Earnings before taxes	730	78	161
Consolidated profit (earnings after taxes)	536	82	245
Total assets	227 633	225 550	200 845
Equity	6 546	7 700	8 190

¹⁾ These figures relate to the basis of consolidation under IFRSs as defined under 2.3.

²⁾ The figures for the financial year 2011 are taken from the Annual Report 2012, pp. 156, 158 and 159.

In the financial year 2013 NORD/LB generated earnings before taxes of € 161 million (€ 78 million). Due to tax revenue as a result of special effects, earnings after taxes totalled € 245 million (€ 82 million). While net interest income was only slightly below the previous year's level despite a further reduction in total assets, loan loss provisions were increased significantly for the ship financing business. Net commission income was slightly below the previous year's level. The profit/loss from financial instruments at fair value through profit or loss was much higher than in the previous year. Despite the increase in staff expenses due to collectively negotiated wage increases and an increase in investment in IT, administrative expenses remained virtually unchanged.

Total assets as at 31 December 2013 amounted to around € 201 billion (€ 226 billion) and have fallen compared to the previous year by € 24.7 billion as a result of the strategic reduction in total assets.

Further details can be found in the Annual Report 2013, pp. 84 to 89.

Foundations, foundation payments, donations and other sponsorship funds ¹⁾ (in € 000)	1 Jan.–31 Dec. 2011	1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2013
Social	944	832	540
Culture	2 511	2 197	2 096
Environment	70	118	108
Sport	506	620	666
Research, economic/scientific development	652	732	1 107
Others (no category)	286	502	146
Total	4 969	5 000	4 662
For information purposes: Foundation capital at year-end	40 252	40 454	63 534

¹⁾ In addition to the companies that are particularly relevant for the sustainable development of the NORD/LB Group listed in 3.6., Stiftung NORD/LB Öffentliche and NORD/LB Kulturstiftung (Culture Foundation) are also included in this overview.

The figures in the area of foundations, foundation payments, donations and other sponsorship funds remained relatively constant in 2011 bis 2013. The increase in the foundation capital reported for information purposes is due to the establishment of the NORD/LB Culture Foundation. The foundation capital in the amount of around € 21 million was based on the proceeds from the sale of the Tulips sculpture by Jeff Koons, which had been acquired in 2002.

EC2: Financial implications and risks and opportunities due to climate change

Climate change entails both risks and opportunities for NORD/LB and its customers. The Guideline for Climate Change provides a framework to actively integrate climate aspects into the business and risk strategies. These also include the climate implications for the portfolio. Details can be found in FS7 and FS8.

With regard to the physical risks, a low direct risk to business activities is assumed as the majority of properties used are in non-exposed locations in Germany. An indirect risk for project finance and the like is more likely as climate change might have a negative impact here. However, owing to its business region, the NORD/LB Group finances projects with a low exposure to risk primarily in Germany, Europe and high-income OECD countries.

Regulatory risks are not expected to have any effect on the core business. An indirect effect on project finance is theoretically conceivable, but is also rather unlikely due to the transactions entered into by the Bank.

Direct risks related to the market environment and price changes are not expected. However, an indirect effect on project finance is theoretically conceivable, but also unlikely. If such risks should emerge against expectations, they can be dealt with by risk management.

In order to counter the effects of climate change and the shortage of resources, NORD/LB has since the early 1990s invested in projects in the area of renewable energies. At the same time support is given to medium-sized companies, commercial customers and private property owners to help them develop energy-saving, resource-friendly property concepts. Support is given to agricultural customers in Germany to help them develop new growth areas by using renewable energies from on-site plants.

By financing renewable energy plants, NORD/LB is helping its customers to reduce CO₂ in their energy production. Overall the NORD/LB Group invested € 1.7 billion in new business for renewable energies in 2013 and in so doing contributed to the generation of an estimated 1,300 MW from renewable energies. In purely arithmetic terms, this will, compared to energy production from coal and gas, allow savings of around 1.8 million tonnes of CO_{2e}.

EC3: Coverage of the organisation's defined benefit plan obligations

Different occupational pension schemes are in place in the NORD/LB Group, with commitments based on collective bargaining employment agreements or on individual contractual commitments. Significant occupational pension schemes in this case are the total benefit commitment according to the benefit ordinance from 1973 and the benefit ordinance from 2000. The accounting regulations according to IAS 19 for defined benefit plans are applied for these retirement benefit schemes.

In addition to pension obligations, the present value of defined benefit obligations in the amount of € 2,021 million (€ 2,040 million) includes allowance payments in the amount of € 147 million (€ 178 million).

The defined benefit obligation is broken down as at the balance sheet date into amounts for defined benefit plans in the amount of € 1,581 million (€ 1,609 million) which are not financed through a fund and into amounts from defined benefit obligations in the amount of € 440 million (€ 432 million) which are either fully or partially financed through a fund. Further details can be found in the Annual Report 2013, pp. 205 to 209.

There are also extensive social benefits in the NORD/LB Group.

EC4: Financial assistance received from government

NORD/LB does not receive any government subsidies. The guarantee provided by the owners (shareholders) for the mezzanine tranche of a NORD/LB credit portfolio brought into a securitisation structure in order to strengthen NORD/LB's equity is not financial aid. This guarantee is of a purely precautionary nature and may in principle be used by NORD/LB if needed until the end of 2014. The guarantee was not utilised by the Bank in 2013. NORD/LB pays for the guarantee at market rates. However, from the viewpoint of NORD/LB, the guarantee loses its potential equity-relief effect as the maturity rises and therefore also loses in terms of economic efficiency. Therefore the Bank has concluded a guarantee for a largely identical credit portfolio with a private guarantor in 2013 which is expected to take effect in the first half of 2014 and will initially reduce RWA significantly. From the time this guarantee becomes effective, the guarantee provided by the states of Lower Saxony and Saxony-Anhalt will no longer be able to be drawn on by the Bank due to the largely identical nature of the underlying credit portfolio.

Market presence**EC5: Ratio of standard entry-level wage to local minimum wage**

(GRI additional indicator)

NORD/LB generally employs new temporary and permanent staff on the basis of the collective agreements for the private banking sector and public banks. The branches and subsidiaries follow the local remuneration policy, always taking into account the local laws and regulations. This guarantees a minimum level of remuneration for the sector based on the employee's qualifications, duties, role and professional experience.

EC6: Procurement from locally-based suppliers

NORD/LB contributes to the economic development of the region by always inviting local and regional suppliers to tender for contracts to supply goods and services. Almost 95 per cent of its goods and services are procured directly from Germany. In addition, orders (e.g. for IT components) are placed with service providers and suppliers from high-income OECD countries which are committed not only to satisfying the economic requirements, but also the environmental and social requirements in their supplier management in accordance with the ten principles of the UN Global Compact.

EC7: Recruitment of local personnel

The Group's main locations which account for over 92.4 per cent of staff are located in Germany (see LA1 for details). Staff are primarily recruited on a regional basis, while management positions are filled on a national and international basis. In Luxembourg people from the region are also targeted for vacant jobs and management positions, whereby many staff, regardless of their nationality, live on the German side of the border.

In NORD/LB's main foreign locations the ratio of German to local personnel in 2013 was as follows:

Number of staff (in %)	Share of German personnel	Share of local personnel
London	18	82
New York	17	83
Singapore	7	93
Shanghai	8	92
Total	14	86

Generally the German personnel in the foreign locations have local contracts. Only four German members of staff were employed as secondees in the foreign branches in 2013.

Indirect economic impacts

EC8: Investments and services provided mainly for the public benefit

NORD/LB feels that it has an obligation to the region and is financially involved in numerous social projects to keep the region attractive and worth living in: as a partner of business and municipalities, as a sponsor of arts, culture and science, as a supporter of social projects, as a donor and sponsor and with the voluntary work of its staff. Together with Öffentliche Versicherung Braunschweig, NORD/LB established the foundation STIFTUNG NORD/LB ÖFFENTLICHE in 1994. It 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.

NORD/LB's commitment to the arts and culture was transferred to the NORD/LB Culture Foundation 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 its support for science, NORD/LB focuses on the next generation of scientists and relies, in addition to awarding scholarships, in particular on the targeted sponsorship of individual scientific projects in a number of different disciplines. NORD/LB also finances foundation professorships in the Universities of Göttingen and Lüneburg and sponsors the Hannover Center of Finance and the Niedersächsische Wirtschaftsarchiv (Lower Saxony Business Archive), while Braunschweigische Landessparkasse sponsors the Braunschweigischer Hochschulbund e.V. (Braunschweig University Association). More information can be found on NORD/LB's website at www.nordlb.com.

NORD/LB's social activities are geared in particular towards helping children and young people in difficult situations. In cooperation with various charitable partner organisations, we promote educational opportunities, health and the responsible handling of finance. Further information can be found on NORD/LB's website at www.nordlb.com.

Braunschweigische Landessparkasse's educational funding in 2013 included the opening of the paläon Research and Exhibition Centre Schöninger Speers, www.palaeon.de

The Group companies also demonstrate social commitment in various ways.

This commitment is also in the interest of the NORD/LB Group. Due to its roots, the region is essential for the Bank in many ways. The region is not only home to the Bank's branches, it is also where its staff live and is important not least of all for the recruitment of the next generation of staff. At the same time, the Bank procures many of the services it uses from the region. NORD/LB therefore not only focuses on supporting business and infrastructure, but also on supporting educational opportunities and social, scientific and cultural developments in its region.

EC9: Indirect economic impacts

(GRI additional indicator)

As a major employer and contractor as well as with its core business, NORD/LB is a major economic factor in the region and contributes towards its prosperity. In its analyses of the regional economy, the Bank routinely examines industry-specific and economic developments in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania. These are a key indicator for the future development of its products and services and at the same time provide its customer divisions with important information for the direction of their business. In the past year three studies were conducted: “Niedersachsen Special: Energieland Niedersachsen – Energiewirtschaft im Aufwind” (Lower Saxony Special: Energy State Lower Saxony – Energy Industry in the Ascendant), “Saxony-Anhalt Special: Energieland Sachsen-Anhalt – Mit vollem Wind voraus” (Saxony-Anhalt Special: Energy State Saxony-Anhalt – Full Wind Ahead) and “Mecklenburg Western Pomerania Special: Energieland Mecklenburg-Vorpommern – Stromproduzent Steife Brise” (Mecklenburg Western Pomerania Special: Energy State Western Pomerania Special: Stiff Breeze for Power Producer).

Product and service impact**FS1: Policies with environmental and social components in the core business**

The many guidelines on the integration of environmental, social and governance criteria (ESG criteria) have been a feature of the NORD/LB Group's business for years. Even before the Relaunch Sustainability, environmental guidelines, social guidelines (such as the Principles for Staff Transactions, the Guideline for Pornography and the Guideline for Weapons and Armament Transactions) and governance guidelines (such as the Ethical Principles, a Fraud Prevention Policy and a Guideline for Prevention of Money Laundering) had already been implemented. In 2013 further guidelines were added – an overview of the current guidelines can be found in the Profile under 4.8.

FS2: Procedures for assessing and screening environmental and social risks in business lines

In the interest of customers the Bank examines and assesses its business exposure, including from an ESG point of view, in order to identify business and reputation risks early. For example, guidelines with exclusion criteria and guidelines relating to international standards have been formulated and provide the framework for individual and targeted control. These guidelines supplement the financial principles for all departments and therefore allow complete control of the portfolio.

The requirements of the individual guidelines that are currently being implemented are being integrated into the existing processes. The guidelines will initially apply for NORD/LB (approximately 60 per cent of the Group's staff). Their scope has been and is currently being extended to the relevant Group companies.

In order to manage ESG-related reputation and business risks in the best possible way, NORD/LB established the RepRisk Committee in 2011. Under the lead of Compliance, this committee comprises representatives of the relevant market and credit risk management division and the Finance and Risk Control Division, Sustainability Management and Corporate Communications. The RepRisk Committee assesses the issues that are brought to its attention and develops measures to avoid risks that could potentially damage the Bank's reputation. In the financial year 2013 ten enquiries were received; these did not need to be rejected for ESG reasons.

FS3: Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements and transactions

NORD/LB only finances customer projects which, due to their structure and scope, entail significant ESG risks, if the environmental and social requirements are verifiably controlled in a responsible manner. Therefore for the finance of projects with a total cost of more than USD 10 million outside of high-income OECD countries, which NORD/LB intends to provide as a syndicate leader or on its own, customers are required to prove separately that they manage ESG project risks safely. For this purpose NORD/LB uses the requirements and procedures suggested by the Equator Principles. These are laid out in specific terms in the NORD/LB Guideline for ESG Requirements for Project Finance.

This guideline distinguishes between different categories of project finance. For category A projects (varied, significant, often irreversible negative environmental and social effects) and category B projects (negative environmental and social effects which can normally be prevented, reduced or compensated for with suitable measures), the project company has to establish the environmental and social sustainability of the project and present its results to NORD/LB. For category A projects this must be established by an independent expert on behalf of the project company. For category B projects it is sufficient for the project company to present individual documents. Here either a national ESG regulation or the Performance Standards on Environmental and Social Sustainability and the industry-specific Environmental, Health and Safety Standards of the International Finance Corporation (IFC) will apply. In cases of doubt, the customer has to apply the more stringent framework. For category C projects, beyond complying with national ESG guidelines, no further measures need to be taken by the company.

In order to manage the ESG risks, the project company has to prepare an Environment & Social Management Plan. If necessary, it also has to set up a stakeholder management and complaints mechanism. In all agreements to provide finance for the aforementioned projects, the meeting of these requirements will be accepted as assurance.

NORD/LB only provides partial finance for projects outside of high-income OECD countries if the finance syndicates are led by banks which ensure that they comply with the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation (IFC) or a comparable set of rules.

FS4: Training of staff on environmental and social guidelines and processes

The sustainability guidelines in the core business (see Profile, 4.8.) are developed together with staff from the departments, who in turn train their colleagues on the objectives and details of their application. In the areas of compliance and data protection, web-based training courses are mandatory for all staff.

NORD/LB staff are also kept up to date via a number of information channels on the sustainability-related guidelines and processes. For example, in the intranet there is a detailed section on sustainability with all of the relevant information. There are also targeted staff news releases on selected topics, while combating money laundering, for example, there is a special newsletter. Staff-related sustainability initiatives, such as for instance health management, are backed up by events (Health Day).

FS5: Interactions with clients, investees and business partners regarding environmental and social risks and opportunities

The NORD/LB Group is in regular contact with a variety of stakeholders regarding sustainability-related opportunities and risks, e.g. medium-sized companies, (potential) investors and business partners.

Examples from 2013:

- At the “Unternehmen für die Region” (Companies for the Region) medium-sized conference hosted by the Bertelsmann Foundation in February, NORD/LB’s Head of Corporate Customers explained, using his own company as an example, the link between responsible corporate governance and securing the success of the company.
- In the 2/2013 issue of the medium-sized magazine 52°, customers were informed about environmental and social opportunities in certain sectors.
- In October 2013 NORD/LB AM was a sponsor of and exhibitor at the “Doppelte Dividende – Trends im nachhaltigen Investment” (Double Dividends – Trends in Sustainable Investment) event hosted by the rating agency oekom research AG.
- NORD/LB’s Chief Economist attended an Experts Conference hosted by the Evangelische Akademie Loccum at the end of October which focused on the issue of how corporate innovation can be geared towards more sustainability.

NORD/LB representatives also regularly attend banking sector meetings, which are also attended by representatives of institutional customers, such as the meetings hosted by the German Global Compact Network, the UNEP Finance Initiative and the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (Association for Environmental Management and Sustainability in Financial Institutions, VfU).

Performance indicators

FS6: Percentage of the portfolio for business segments by region, size and sector

Earnings after taxes (in € million)	1 Jan.–31 Dec. 2011 ¹⁾	1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2013
Private and Commercial Customers	69	15	38
Corporate Customers & Markets	300	353	332
Energy and Infrastructure Customers	128	119	144
Ship and Aircraft Customers	243	– 29	– 242
Real Estate Banking Customers	118	77	128
Group Controlling / Others	10	– 446	– 179
Reconciliation	– 332	– 7	25
NORD/LB Group	536	82	245

¹⁾ The figures for the financial year 2011 are taken from the Annual Report 2012, p. 191.

FS7: Monetary value of products and services with special social benefit

In establishing the monetary value of products and services, the direct and indirect contributions which NORD/LB's core business generates for customers and society were considered. Included in the area of social sustainability for this purpose was the lending business with customers whose business activities are of particular public interest. Based on the Bundesbank Industry Codes, the following industries were identified:

- Crop and animal production, hunting and related service activities (code 010)
- Forestry and logging (code 020)
- Fishing and aquaculture (code 030)
- Real estate activities (code 68)
- Public administration (code 84a)
- Manufacture of food products (code 100)
- Education (code 850)
- Human health activities (code 860)
- Residential care activities (code 870)
- Social work activities (code 880)
- Libraries, archives, zoological gardens and museums (code 910)

The financing volume committed to these sectors as at 31 December totalled € 14 billion in 2011, € 15 billion in 2012 and € 14 billion in 2013.

On top of this come the development loans with a social benefit awarded by the Kreditanstalt für Wiederaufbau (KfW) to private persons: the KfW programmes 159 (a loan to help convert properties so that they are suitable for the elderly) and 124/134 (KfW home ownership programme). Loan programmes for municipal companies and non-profit organisations, such as the programmes 200 (development loan for child daycare centres) and 148 (KfW investment loan for municipal and social companies) were also considered.

The volume of new business for KfW development loans with a social benefit totalled € 425 million (5,956 loans) in 2011, € 354 million (5,681 loans) in 2012 and € 435 million (6,452 loans) in 2013.

KfW loans with a special financial benefit for the economy and society were also recorded. These primarily comprised start-up loans, such as 037/047 (KfW entrepreneur loan), 058 (ERP capital for start-up), 067 (ERP start-up loan – start-up money), 068 (ERP start-up loan – universal), as well as the programmes 062/072 (ERP regional development programme) and 180/181/184/190/191/194 (ERP innovation programme).

The volume of new business for KfW development loans with a financial benefit for the economy and society totalled € 308 million (917 loans) in 2011, € 295 million (1,166 loans) in 2012 and € 351 million (1,281 loans) in 2013.

FS8: Monetary value of products and services with a special environmental benefit

As for FS7, NORD/LB also recorded its lending business with a special environmental benefit in 2013. Based on the Bundesbank Industry Codes, the following industries were identified:

- Water supply (code 360)
- Waste water disposal (code 360)
- Waste management (code 360)
- Clean up of contaminated sites (code 390)

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 calculated by the Federal Environment Ministry were used.¹⁾ The GreenTech shares of the following industries were considered:

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

The financing volume committed to these sectors as at 31 December totalled € 1.4 billion in 2011, and € 1.3 billion in 2013.

The financing volume for the following renewable energies was also recorded: Biogas, Solar, Wind. The financing volume of projects to construct and operate renewable energy plants has increased steadily in the NORD/LB Group in the past three years.

Financing volume – renewable energies (in € million)	1 Jan.–31 Dec. 2011	1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2013
Wind	3 558	4 363	5 398
Solar	733	1 143	1 231
Biogas	951	992	1 046
Total	5 242	6 498	7 675
Estimated MW	4 033	4 998	5 904

On top of this come the KfW development loans for the energy redevelopment and modernisation of privately-owned property (programmes 151, 152, 153, 167, 270/274, 271/272/281/282 and 275) and for company and municipal properties (programmes 202, 204, 219, 240/241, 242/243/244 and 291).

The volume of new business for KfW development loans with an environmental benefit totalled € 1,199 million (5,641 loans) in 2011, € 1,639 million (7,217 loans) in 2012 and € 1,458 million (7,571 loans) in 2013.

¹⁾ Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB): “GreenTech made in Germany 3.0”; 2012.

FS9: Coverage and frequency of audits to assess the implementation of environmental and social policies and risk assessment procedures

NORD/LB's guidelines are approved by the Managing Board and are binding for all staff. An external audit does not take place. The implementation of the guidelines including any optimisation measures is discussed in an annual quality audit. If necessary, processes are refined and adjusted to take into account current developments.

FS10: Percentage and number of companies in the portfolio with which the reporting organisation has interacted on environmental or social issues¹⁾

In every risk assessment the environmental and social risks are also discussed with the companies. NORD/LB's customer advisers are also often asked by corporate customers to assess their sustainability activities; the customer advisers pass these on to NORD/LB's Sustainability Management so that it can provide its expert assessment. See FS2 for details on risk assessment in NORD/LB's RepRisk Committee in the reporting period.

FS11: Percentage of assets subject to positive and negative environmental or social screening¹⁾

NORD/LB offers to institutional investors, via NORD/LB AM, an index fund which particularly considers environmental and social aspects. The NORD/LB AM Global Challenges Index Fund reflects with its share classes I and EDG the Global Challenges Index of the Hanover Stock Exchange almost 1:1. This index combines shares from 50 companies from the EU and G7 countries, which have to meet defined sustainability criteria and are selected on the basis of strict positive and exclusion criteria and are reviewed twice a year. For this purpose, the Hanover Stock Exchange selects, together with the sustainability agency oekom research AG (oekom), the leading companies from each industry on the basis of long-term economic, environmental and social criteria. The decisive factor here is the extent to which the companies face up to seven most important global challenges.

NORD/LB AM has also developed the Global Challenges Corporate Bond. The debt securities included in this public fund have to meet minimum requirements for sustainability. Only bonds from issuers in an investment universe that has previously been rated as sustainable by oekom and also meets the sustainability criteria of the Evangelical Church in Germany (EKD) are purchased. This sustainable investment universe is reviewed regularly by oekom and an independent advisory board.

NORD/LB AM also offers special funds in which the specific sustainability requirements of individual institutional customers are considered. Strict exclusion criteria such as, for example, cluster bombs apply for all investments.

The EDG Pension Fund was also set up in the financial year 2013. The portfolio of the special fund is managed by NORD/LB AM, which is advised in the process by the Evangelische Darlehns-genossenschaft eG (Evangelical Loan Cooperative, EDG). In its advice, the EDG takes into account not only traditional investment criteria, but also social sustainability, the environment and intergenerational fairness by means of a sustainability check. This is guided by oekom's ratings and the EKD's guidelines for ethically sustainable financial investment. When selecting securities, exclusion and best-in-class criteria are considered. The fund assets undergo regular screening by oekom, and the EDG regularly reviews whether the criteria are being complied with on the basis of this screening.

¹⁾ We are not yet able to make any quantitative disclosures as the internal discussion and coordination process concerning the further development of trading strategies to include sustainability aspects had not been completed in 2013. Within the scope of this further development we are examining the data collection process and plan to report on this from 2014 onwards.

Since March 2014 NORD/LB AM has also offered private persons with small-scale investment needs the opportunity to consider sustainability in their investments – with the share class P in the Global Challenges Index Fund.

NORD/LB AM is currently working with imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH on a concept for a covered bond public fund with a sustainability filter. The EKD's sustainability criteria will also be used.

////////////////////////////////////			
Fund assets (in € 000)	1 Jan.–31 Dec. 2011	1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2013
////////////////////////////////////			
NORD/LB AM Global Challenges Index Fund	51 879	77 784	102 774
NORD/LB AM Global Challenges Index Fund	–	–	20 605
EDG Pension Fund ¹⁾	–	–	50 526
Pure sustainability special fund	27 156	34 387	44 394
Total	79 035	112 171	218 299

¹⁾ Funds were set up in 2013.

Assets in which NORD/LB itself has invested in are already subject to the sustainability-oriented Group criteria (see Profile, 4.8.).

In future specific screening of the assets in which NORD/LB itself has invested in should be possible. It is for this reason that appropriate elements will be added to the trading strategies. This will ensure that sustainability aspects are considered in the assessment to ensure the success of the investment. NORD/LB'S internal discussions and the coordination process to refine the trading strategies had not been completed by the editorial deadline for this report.

FS12: Voting guidelines for environmental and social issues for shareholdings

The parameters for action by NORD/LB are defined by the sustainability-oriented Group guidelines (see Profile, 4.8.). Written voting policies for environmental and social issues in the companies in which NORD/LB has invested have not been developed.

ENVIRONMENTAL PERFORMANCE INDICATORS

Management approach

Against the background of negative environmental developments on a global level, such as climate change, a shortage of water and resources, deforestation and threats to biodiversity, business and society are being called on to make a contribution towards protecting the natural environment. In the NORD/LB Group this is happening on two levels: in the management of the indirect environmental consequences of business activities and in corporate environmental protection.

Regarding the indirect environmental consequences of business activities, a Guideline for Environmental Impact of our Business Activities was issued in 2013. It concerns, for example, the implicit environmental consequences of investments in certain types of project. Other guidelines deal with aspects which are relevant for NORD/LB such as climate change and the production of energy from hydropower.

With regard to corporate environmental management, an Environmental Guideline was issued and all environment-related parameters were included in an environmental management system based on ISO 14001. This covers the aspects of energy and resource consumption at all levels of the operational business and the resulting greenhouse gas emissions.

As part of its Relaunch Sustainability project, NORD/LB has also agreed a sustainability programme for 2013 to 2015. This programme includes the formulation and implementation of the aforementioned guidelines. As part of the Sustainability Control Committee, Corporate Environmental Management is doing the groundwork for NORD/LB's more broadly based Sustainability Management (see Profile, 4.9.).

Materials

EN1: Materials used by weight or volume

and

EN2: Percentage of materials used that are recycled input materials

The efficient use of paper, water and energy and the avoidance and recycling of waste are important levers for resource management and core activities for corporate environmental protection.

	1 Jan. – 31 Dec. 2011	1 Jan. – 31 Dec. 2012	1 Jan. – 31 Dec. 2013
Paper consumption (in t)	343	342	331
– of which recycled paper	60	47	39
– of which virgin fibre paper (ECF and TCF)	271	283	281
– of which virgin fibre paper, chlorine bleached	12	12	11
Percentage of paper with a sustainability mark	93 %	92 %	92 %
Paper consumption per employee in kg	55	54	52

Despite the slight increase in the number of staff compared to the previous year, the NORD/LB Group reduced its paper consumption in 2013, which was mostly accounted for by printer and copier paper, by around 3.2 per cent. Paper consumption per employee, at 52 kg, therefore fell slightly compared to the previous year. The percentage of recycled paper was around 11.8 per cent. With fresh virgin paper, almost exclusively paper from sustainably-managed forests with the Forest Stewardship Council (FSC) seal is used for printer and copier paper 92 per cent of all of the paper consumed has a sustainability label.

Energy

EN3: Direct energy consumption by primary energy source

Direct energy consumption (in GJ)	1 Jan.–31 Dec. 2011	1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2013
Gas	27 690	25 858	35 403
Heating oil	14 994	13 809	2 296
Fuels (petrol, diesel) for backup power supply	67	67	45
Petrol consumption for vehicles	1 526	1 549	1 424
Diesel consumption for vehicles	21 760	22 580	24 722

Overall heating energy consumption for company buildings was reduced in 2013 by around five per cent to 37,699 GJ. The reduction in heating oil consumption and the increase in gas consumption in 2013 are the result of staff moving in connection with the construction of the head office of Bremer Landesbank to temporary offices that have gas as their primary energy source. Due to the increase in business activities, the number of kilometres driven in company cars increased in 2013, as did the consumption in GJ.

EN4: Indirect energy consumption by primary energy source

Indirect energy consumption (in GJ)	1 Jan.–31 Dec. 2011	1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2013
Electricity	100 270	98 616	87 939
District heating	51 766	54 202	63 791
Total	152 036	152 818	151 730

Electricity consumption was reduced compared to the previous year by 10.8 per cent to 87,939 GJ. At the same time, in NORD/LB's domestic offices¹⁾ only electricity from renewable sources has been used since 2012. District heating consumption rose in 2013 by 17.7 per cent to 63,791 GJ. This increase is primarily the result of the cold winter in 2013, which could not be compensated for by savings for the following winter. Overall the indirect consumption of primary energy sources has fallen slightly by 0.7.

EN5: Energy saved due to conservation and efficiency improvements

(GRI additional indicator)

In the financial year 2013 activities 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 direct CO₂ emissions and costs. In 2013 a number of improvements were again achieved in the area of the Bank's environmental management. These included, in addition to newbuild projects, in particular adjustments to systems technology, new multifunction devices the conversion of lighting to LED technology (including outdoor advertising).

As a side benefit of the further expansion of building automation and control systems and the monitoring of heating energy, power and water consumption, water consumption per employee was reduced compared to the previous year by 13.1 per cent to 12.6 m³.

As a part of the Bank's environmental management, NORD/LB has provided its staff with incentives and new opportunities to act in an environmentally-friendly manner in their every day work. This includes the choice of transport, energy consumption and the procurement of environmentally and resource-friendly office material.

¹⁾ NORD/LB not including the foreign branches.

At the end of 2013 NORD/LB introduced a catalogue of sustainability-oriented office equipment for its locations in Germany, in order to highlight environmentally-compatible and fair trade products. In 2014 a recycling measure for plastic pens is planned with an external service provider.

Due to the huge number of individual measures, the amount of energy saved has not been quantified.

EN6: Initiatives to provide products and services with higher energy efficiency

(GRI additional indicator)

The NORD/LB Group is one of the leading financiers of renewable energies in Germany and Europe. These investments contribute to the growth in sustainable energy supply and at the same time support structural change in rural areas. Investments in renewable energies totalled around € 7.7 billion in 2013 (see FS8 for details).

Many projects contributed not only to the growth in renewable energies, but also helped to improve energy efficiency with projects involving, for example, the expansion of existing facilities and the funding of power generation the power supply structure.

EN7: Initiatives to reduce indirect energy consumption and reductions achieved

(GRI additional indicator)

In the search for potential energy savings, attention is focused on NORD/LB's buildings. In recent years planning and consultancy firms have been used many times and savings measures have been introduced in the area of installations, underground car parks, heating, lighting and air conditioning. A range of optimisation measures were examined, assessed and implemented in 2013.

The efficiency of the IT infrastructure is the key lever for electricity consumption. The use of energy-efficient hardware technologies of the latest generation made it possible to close one of the three data processing centres in 2013. All of the printers and multifunction devices used were set to double-sided printing and like monitors also switch to energy-saving mode shortly after being used. The planned replacement of central network components is still in progress. Such optimisation measures resulted in energy consumption being reduced by around two per cent (3,946,332 MJ). Energy consumption per employee is currently 31,339 MJ.

Business travel was reduced in 2013 compared to the previous year by around 2.2 per cent to 23,085,535 km. While air travel was reduced by 7.7 per cent to 7,392,038 km and rail travel by 4.5 per cent to 4,942,624 km, business travel by car was increased by 3.4 per cent to 10,750,873 km and again accounts for the largest share of business travel with around 46.6 per cent.

Water

EN8: Total water withdrawal by source

	1 Jan.–31 Dec. 2011	1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2013
(in m³)			
Drinking water	104 463	91 369	80 685

Absolute water consumption was reduced in 2013 by 10,684 m³ to 80,685 m³. This concerns drinking water from the public network.

EN9: Water sources significantly affected by withdrawal of water

(GRI additional indicator)

NORD/LB obtains its drinking water from regional suppliers. For its offices in Hanover, for example, water is obtained from waterworks to the north and south of the city (Elze-Berkhof, Fuhrberg, Grasdorf) as well as from reservoirs in the Harz. In Braunschweig drinking water is primarily obtained from the Ecker and Grane reservoirs in the Harz.

EN10: Percentage and total volume of water recycled and reused

(GRI additional indicator)

At NORD/LB there is no economically-viable opportunity to recycle or reuse water.

Biodiversity

EN11: Use of land in protected areas

and

EN12: Significant impacts of activities, products, and services on biodiversity in protected areas

and

EN13: Protected or restored habitats

and

EN14: Strategies, current actions and future plans for managing impacts on biodiversity

and

EN15: Number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

(of which EN13 to EN15 GRI additional indicators)

None of the locations of the NORD/LB Group is in a protected or restored area, therefore the indicators EN11 and EN13 regarding land use in such areas are not relevant.

The protection of biodiversity in accordance with indicators EN12, EN14 and EN15 regarding the impact (including indirect impact) of business activities on biodiversity and endangered species is dealt with by there NORD/LB guidelines:

- a) Guideline for Environmental Impact of our Business Activities
- b) Guideline for Climate Change
- c) Guideline for ESG Requirements for Project Finance

The guidelines require a precautionary approach to environmental protection in accordance with the seventh principle of the UN Global Compact, which NORD/LB signed up to in 2013. No investments may be made and no business of third parties may be financed if such action could result in irreversible environmental damage. This explicitly includes the protection of biodiversity. A further guideline on the use of natural resources is currently being drawn up. For further information see the supplement indicators FS1 to FS5 and FS9 in the chapter Economic Performance Indicators.

Emissions, waste water and waste

EN16: Total direct and indirect greenhouse gas emissions

and

EN17: Other relevant greenhouse gas emissions

and

EN18: Initiatives to reduce greenhouse gas emissions and reductions achieved

(GRI additional indicator)

The table shows for the first time all of NORD/LB Group's direct and indirect greenhouse gas emissions using the Greenhouse Gas Protocol method (GHG Protocol). Indicator EN17 corresponds with Scope 3 of the GHG.

Greenhouse gas emissions (in t CO ₂)	1 Jan.–31 Dec. 2011	1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2013
Scope 1: Direct CO₂ emissions			
Gas	1 561	1 458	1 996
Heating oil	1 120	1 032	172
Fuels (backup power supply)	5	5	3
Petrol (company cars)	119	121	111
Diesel (company cars)	1 644	1 706	1 868
Coolant loss	19	297	181
(Total Scope 1)	(4 468)	(4 619)	(4 331)
Scope 2: Indirect CO₂ emissions			
District heating	1 588	1 679	1 994
Electricity	11 232	1 552	1 459
(Total Scope 2)	(12 820)	(3 231)	(3 453)
Scope 3: Indirect CO₂ emissions by third parties			
Electricity	1 335	74	74
Heating	939	912	959
Transport and travel (e. g. business travel)	2 596	2 565	2 449
Paper	412	411	398
Water	78	68	60
Waste	199	191	120
(Total Scope 3)	(5 559)	(4 221)	(4 060)
Total	22 847	12 071	11 844

Since 2011 NORD/LB has reduced its CO₂ emissions in its locations in Germany by around 60 per cent. A decisive factor was the switch to green electricity in 2012, which reduced the balance by around 9,000 t per year. In the NORD/LB Group CO₂ emissions have been reduced by around 51.8 per cent since 2011 to the current level of 11,844 t. For further initiatives that have an impact on the reduction of greenhouse gas emissions see EN5 to EN7.

EN19: Emissions of ozone-depleting substances

Coolant loss (in kg)	1 Jan.–31 Dec. 2011	1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2013
Total	12	98	101

Coolant loss totalled around 101 kg (see table for EN16 to EN18, Scope 1) in 2013.

EN20: NO_x, SO₂ and other significant air emissions

The values are calculated based on Gemis, a Global Emissions Model for integrated Systems, which helps to calculate the environmental impact of energy sources and fossil fuels.

Air Emissions (in kg) in each case 1 Jan.–31 Dec.	NO _x			SO ₂			PM		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Gas	1 361	1 271	1 740	86	80	110	50	47	64
Heating oil	782	720	120	1 212	1 116	186	91	84	14
Fuels (backup power supply)	4	4	3	5	5	4	0	0	0
Petrol	64	67	79	53	56	66	16	17	20
Diesel	5 260	5 459	5 976	736	764	836	493	511	560
Electricity consumption	1 965	2 006	1 877	1 140	1 166	1 086	110	112	230
District heating	602	637	619	376	398	387	40	42	41
Transport and travel (e. g. business travel)	7 772	7 873	7 439	3 307	3 447	3 188	114	118	117

EN21: Total waste water discharge by quality and destination

The volume of effluent largely corresponds with the water consumption specified in EN8 of 80,685 m³. This concerns drinking water from sanitary facilities and kitchens. The waste water is discharged into the municipal waste water system in accordance with legal requirements.

EN22: Total weight of waste by type and disposal method

Recyclable material is recycled as far as possible. All staff are requested to separate waste. For this purpose NORD/LB has, for example, installed bins for biowaste, packaging and residual waste at central points in its locations in Germany.

Waste type (in t)	1 Jan.–31 Dec. 2011	1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2013
Re-use/recycling	1 090	1 069	984
Incineration	110	131	107
Landfill	3	3	3
Special waste	76	66	34
Total	1 279	1 269	1 128

Overall the NORD/LB Group has achieved a recycling rate of around 87.2 per cent. Special waste is disposed of via the legally-prescribed routes.

EN23: Total number and volume of significant spills and

EN24: Exports of hazardous waste abroad

(GRI additional indicator)

None.

EN25: Impact of waste water discharge

(GRI additional indicator)

None, as waste water is treated via municipal waste water systems in purification plants.

Products and services

EN26: Initiatives to mitigate the environmental impact of products and services and extent of impact mitigation

In order to reduce the environmental impact of its business activities, NORD/LB issued the Guideline for Environmental Impact of our Business Activities in September 2013. Its objective is to largely avoid or reduce both the direct and indirect environmental impact of business activities. The direct impact of the Bank's environmental management is recorded, assessed and controlled using an environmental-management system that meets ISO 14001 requirements. It also includes suppliers. Indirect environmental impacts are managed in the departments, whereby the main focus is on investment in non-high-income OECD countries. Further initiatives in the year under review, which will only have an indirect impact in the future, were the Guideline for Climate Change and the Guideline for ESG Requirements for Project Finance passed by the Managing Board.

For further information see the supplement indicators FS1 to FS5, FS9 and EC2 in the chapter on the economy.

EN27: Percentage of products sold and their packaging materials reclaimed¹⁾

Not relevant as we are a provider of financial services and do not sell any products in packaging material.

EN28: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

None.

Transport

EN29: Significant environmental impacts of transporting products, materials and staff

(GRI additional indicator)

The banking sector is very reliant on personal contact between the bank and its customers and the coordination of staff. Business travel is therefore a key factor in the area of transport.

NORD/LB's staff are required on the one hand to choose the most economical form of transport and to take into account environmental considerations in their travel planning and arrangements on the other. For example, according to the Bank's Guideline for Travel Expenses, rail travel should be given preference to using a car. However, due to our regional network the car is still the most frequently used form of transport. The objective is to limit travel by air and car to the bare minimum by increasing staff awareness and further increasing the use of technological alternatives such as telephone and video conferences.

The total number of kilometres travelled by products, materials and staff was reduced in recent years by around 2.1 per cent. Car travel accounts for 46.6 per cent, air travel for 32 per cent and rail travel for 21.4 per cent. With air travel, almost 93 per cent is for long-haul flights of more than 500 kilometres. Car travel comprises business travel using private cars and company cars, with both company car travel and the size of the car fleet increasing steadily in recent years (see EN3 for the consumption values, and EN16, Scope 1 and 3 for the emission values).

General

EN30: Total environmental protection expenditure and investment

(GRI additional indicator)

Environmental protection expenditure and investment are currently not recorded in full in the NORD/LB Group. In the past the question of definition was an obstacle to this. In the coming year it will be examined whether establishing this information can help in the management of environmental protection.

¹⁾ This indicator does not apply for NORD/LB as a company in the finance sector.

SOCIAL PERFORMANCE INDICATORS

LABOUR PRACTICES AND DECENT WORK

Management approach

NORD/LB provides space to perform. This makes the Bank an attractive and reliable partner for its owners, customers and staff. By positioning itself as an employer that provides “space to perform”, the Bank has since 2013 sent out a signal both to current staff and to the job market.

The focus on performance creates the basis for the success of each individual and therefore for the whole Bank. Performance management, which covers all departments and hierarchical levels including the Managing Board, provides the foundation for this. In addition to target and development-oriented annual appraisals, NORD/LB offers results and performance-oriented remuneration. As a sustainability-oriented company, the Bank aims to provide a sustainability-oriented remuneration policy taking into account the Remuneration Regulation for Institutions (Institutsvergütungsverordnung) – remuneration which includes not only purely economic aspects, but also responsible corporate governance.

Responsible governance and a values-based corporate culture which is accepted and implemented by all staff are essential for the Bank’s long-term success. NORD/LB’s governance principles are based on its mission statement with the five central values of trust, responsibility, sustainability, courage and performance. This set of values that has been established over decades and the governance and training instruments tailored to them allow the values not only to be implemented every day, but also allow them to be learnt at any time.

NORD/LB has also set itself the goal of continually improving the conditions for the optimal development of staff and living diversity. By signing the “Charta der Vielfalt” (Diversity Charta), the Bank has recognised this responsibility. A particular focus here is on the development of women in professional and management roles in order to systematically make use of their management potential and as a result make the company more successful. NORD/LB has therefore set itself the goal of continually increasing the share of women in management positions.

The quality of the Bank’s promotion of a balance between work and family life was confirmed again in 2013 with the audit conducted by the Hertie Foundation. In addition to the opportunity of being able to agree individual and flexible working time models and many other child care support services, emphasis is also placed on support for family members who are dependent on care. The extensive measures geared towards the needs of staff in the area of the Bank’s health management were viewed positively.

The professional and personal development of staff and apprentices is supported by an extensive range of seminars. By providing information and training courses, the NORD/LB Group promotes and raises awareness of sustainable business and makes it possible for these competences to be used.

In 2011 the Bank launched an efficiency improvement programme. It covers all areas of the Bank and the Group. Tasks, procedures and activities have since been under review in order to find in particular potential cost savings. Furthermore, since 2012 NORD/LB has increasingly integrated lean management in order to achieve more efficiency and transparency and establish the continual improvement of quality standards and a management approach geared towards this. A wide range of instruments ensure the continuation of lean philosophy in NORD/LB, from the conducting of audits to the integration of managers into the 360-degree feedback process.

Employment¹⁾

LA1: Total workforce by employment type, employment contract and region

Number of employees by type of employment ¹⁾	2011	2012	2013
Total employees based on the boundary of the report (see 3.6)	6 413	6 474	6 524
Permanent employees	92.7 %	93.1 %	91.8 %
of which full-time	80.8 %	80.5 %	79.5 %
of which part-time	19.2 %	19.5 %	20.6 %
Temporary employees	2.2 %	1.7 %	2.9 %
Apprentices, trainees	5.1 %	5.3 %	5.3 %

¹⁾ Active and other staff not including placement students and dormant employment contracts as at 31.12.

The breakdown of employees by Group company can be found in the Annual Report 2013, p. 110.

The effects of the NORD/LB efficiency improvement programme which continued in 2013 on the number of employees were largely compensated for by special effects and the specific social responsibility of NORD/LB as a major provider of training. Personnel measures from the efficiency programme are therefore being extended to the end of 2015. This will ensure that any increase in regulatory requirements until then can be reacted to. In addition, the first apprentices from the "double Abitur year" (two school years took the Abitur school-leaving examination at the same time), with approx. 50 per cent more apprenticeships, successfully completed their apprenticeships. A total of 83 apprentices were taken on in NORD/LB on a temporary and permanent basis in this segment. Investment in the Bank's young career starters remained and will remain adequate despite the ongoing efficiency improvement programme, and as a result the Bank will be able to draw on a qualified pool of talent in the next few years.

Employees by region / country	2011	2012	2013
Total employees based on the boundary of the report (see 3.6)	6 413	6 474	6 524
Germany	92.1 %	92.2 %	92.4 %
Europe	5.1 %	5.2 %	5.2 %
North America & Asia	2.8 %	2.6 %	2.4 %

The overview of the number of employees shows that the NORD/LB Group is deeply rooted in its region on the one hand, but that is also able to support its customers if required in important international locations on the other.

LA2: Employee turnover

Employee turnover by gender (total/in %)	2011 ¹⁾		2012 ¹⁾		2013	
Men	138	4.7	133	4.4	157	4.8
Women	133	4.5	124	4.1	148	4.6
Total	271	4.5	257	4.3	305	4.7

¹⁾ In deviation to the boundary of the report defined in 3.6., the turnover of Deutsche Hypo in 2011 and 2012 is not considered in this table.

Turnover by age group ¹⁾ (in %)	2011 ¹⁾		2012 ¹⁾		2013	
30 and under	1.6		1.4		1.1	
31–50	2.1		1.8		1.5	
51 and over	0.8		1.1		2.0	

¹⁾ In deviation to the boundary of the report defined in 3.6., the turnover of Deutsche Hypo in 2011 and 2012 is not considered in this table.

The turnover rate has risen to 4.7 per cent (4.3 per cent), as a number of employees have taken up the opportunity of early retirement as part of the ongoing efficiency improvement programme. The number of age-related exits has therefore approximately doubled in NORD/LB.

There are no noticeable regional differences, therefore these figures are not reported separately.

LA3: Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations

(GRI additional indicator)

Almost all social benefits are available to permanent full-time and part-time employees and to temporary employees.

Labour/Management relations

LA4: Percentage of employees covered by collective bargaining agreements

The number of pay-scale employees has remained fairly constant in the past three years: 2011 61.0 per cent, 2012 60.7 per cent and 2013 60.0 per cent.

LA5: Minimum notice period(s) regarding operational changes

NORD/LB complies with all of the legal requirements in which it has business operations. In Germany these are, for example, labour and co-determination laws. Staff representatives are informed early of major changes to the business. NORD/LB meets in particular its obligation to inform the Staff Council in good time and in detail of intended measures in accordance with the Staff Representation Act of Lower Saxony (Niedersächsisches Personalvertretungsgesetz, NPersVG). NORD/LB traditionally attaches great importance to co-determination. There is regular communication based on trust between the General Staff Council, the local staff councils and the Managing Board.

Health and safety

LA6: Percentage of the total workforce represented in health and safety committees

(GRI additional indicator)

NORD/LB's Health and Safety Committee is responsible for all staff and meets four to five times a year. Its composition is in accordance with the legal requirements. The health and safety staff regularly inspect the Bank's sites. In addition, all relevant laws and regulations are complied with and applied.

LA7: Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region¹⁾

The number of reportable accidents at work in the NORD/LB Group 2013 has risen compared to the previous year from 45 (620 days lost due to accidents at work) to 68 (1,158 days lost due to accidents at work). Days lost due to occupational diseases were not reported 2013. Absenteeism due to sickness has been around five per cent in recent years. There are no noticeable regional differences, and there have been no fatal accidents at work.

In the event of any suspicion regarding accidents at work (e.g. cluster of accidents at the same location, suspicion of work-related cause for an accident) the scenes of the accidents are inspected by the health and safety staff and the company doctor. If necessary, measures are taken.

LA8: Training, counselling, prevention, and risk-control programmes for staff and their families regarding serious diseases.

NORD/LB's staff are not involved in any operating activities that entail a risk of serious disease or result in many cases of illness after the activities have been performed. Stress-related illnesses are addressed by the Bank's health management.

The mission statement for NORD/LB's health management explains the benefits of promoting health for staff in the form of an improvement in the quality of work and life as well as the benefits for the Bank in the form of higher job-satisfaction levels and productivity. Elements of health management include company doctors for medical advice, training to promote awareness of health issues and social counselling providing professional support for psychosocial problems. With the involvement of staff representatives, a steering committee develops all of the necessary measures and instruments. These include a package of measures that have proven to be successful over many years to reintegration staff after long-term or recurring illnesses. With a special Health Day on 19 November 2013, staff were informed of the Bank's health management programmes.

LA9: Health and safety topics covered in formal agreements with trade unions

(GRI additional indicator)

All health and safety topics are formally agreed with staff representatives.

Further training and education

LA10: Further training and education: hours by employee category

NORD/LB's success is based on committed, qualified and experienced staff. With its career-development models and career paths for managers, experts and project managers, the Personnel Department ties talent to the Bank. The Bank has a wide range of training courses and well-established knowledge networks. NORD/LB's seminars traditionally support staff in their professional, social and personal development. NORD/LB supports changes, desired development or improved teamwork with specific measures. In addition, mentoring programmes provide individual support, for example, in the development of specific high potentials. With the reorganisation of its Talent Management in 2013, NORD/LB laid the foundation for a personnel policy which focuses even more on potential in the future.

¹⁾ In deviation to the boundary of the report defined in 3.6., the data of Deutsche Hypo is not considered in this indicator.

Classroom seminar days ¹⁾	2011 ²⁾	2012	2013 ¹⁾
Managers	979	946	970
Staff (pay-scale & non-pay-scale staff)	7 727	7 304	6 333
Total	8 706	8 250	7 303

¹⁾ In deviation to the boundary of the report defined in 3.6., the seminar days of BLB, Deutsche Hypo and NORD/LB AM are not considered.

Web-based training courses, long-term training programmes, training-on-the-job and mentoring are also not included.

²⁾ The 2011 figures for classroom seminar days have been adjusted, with special effects for extraordinary training costs due to the FI migration (IT switch to OSPlus) removed.

Classroom seminar days account for a significant part of the training measures provided by NORD/LB. However, NORD/LB invests both in quantitative and in qualitative terms much more in the further training and education of staff than can be seen in the figures for classroom seminar days. Since 2011/2012, in addition to the classroom days, modern, cost and efficiency-optimised web-based training courses which do not require classroom attendance have been used for a lot of banking-related training measures, e.g. for compliance and data protection courses. Long-term training, training-on-the-job, sales coaching and mentoring complete NORD/LB's extensive training and education programme and will be included in future. Group companies such as BLB, Deutsche Hypo and NORD/AM also provided training and education programmes tailored to the needs of their staff and managers; these are not included in the figures reported above.

LA11: Programmes for skills management and lifelong learning

(GRI additional indicator)

The Internal Qualification and Instruction Centre (IQ+V) was set up in 2012 to support NORD/LB's internal change processes. It systematically prepares staff for new tasks in areas of the Bank in which there will be an increased requirement in future. This instrument ensures that staff remain employable and in so doing ties important know-how to the Bank long term.

LA12: Percentage of employees receiving regular performance and career-development reviews

(GRI additional indicator)

The achievement of the targets agreed in the previous year is discussed in an annual appraisal meeting with each member of staff. This meeting includes an appraisal of their performance and a discussion of their development for the future.

Feedback is also an important quality component for managers. NORD/LB's managers receive regular feedback on their management behaviour in a 360-degree feedback process and therefore both a view on their current position and constructive suggestions for the development of their potential.

Diversity and equal opportunity

LA13: Breakdown of employees by category according to gender, age group, minority group membership and other indicators of diversity

NORD/LB's values have always promoted diversity. This includes a working environment in the Bank which is free of prejudice so that the Bank can benefit from the knowledge and ability of all staff, regardless of gender, nationality, ethnic origin, religion, belief, disability, age, sexual orientation and identity. In order to demonstrate their commitment to diversity, NORD/LB and Bremer Landesbank signed the "Charta der Vielfalt" (Diversity Charta) in Germany in 2013. Further Group companies plan to sign it in 2014.

The share of men and women employed by the NORD/LB Group was constantly 50 per cent each from 2011 to 2013. Among the nine members of the Erweiterter Vorstand (the Extended Managing Board which includes the Chairmen of the Managing Boards of Bremer Landesbank, Deutsche Hypo and NORD/LB Luxembourg) was one woman (11.1 per cent) in 2013; among the members of the Supervisory Board were four women (22.2 per cent) at the end of 2013.

The percentage of female managers in the NORD/LB Group is 18.3 per cent (2013), and 22.7 (2013) in NORD/LB. Since 2013 female high potentials have been targeted for management positions in order to increase the share of women in management positions. Since mid-2013 the Personnel Department has also measured how many women and men apply for advertised management positions. An ambitious milestone in NORD/LB's internal promotion of women saw the Bank communicate for the first time in 2013 voluntary commitments to increase the share of women management positions in the Bank's departments.

The signing of the "Charta der Vielfalt" will not only result in an increase in the share of women in management positions, but also in the development of additional short and medium-term targets for diversity management. A further milestone for diversity was set at the end of 2013 with the first publication of a NORD/LB Diversity Report.

Employees by age group (in %)	2011	2012	2013
30 and under	19.3	18.1	17.3
31–50	58.8	59.0	59.2
51 and over	21.9	22.9	23.5

LA14: Ratio of basic salary of men to women by employee category

The remuneration of pay-scale employees 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, therefore the principle of equal pay for the same job regardless of gender applies.

Employees by remuneration ¹⁾ (in %)	2011		2012		2013	
	female	male	female	male	female	male
Pay-scale employees	40.8	22.8	29.2	21.7	39.0	21.2
Non-pay-scale employees	8.9	27.5	10.4	28.7	10.8	29.0

¹⁾ Employees whose remuneration is not based on the collective agreement were assigned to the corresponding pay-scale.

HUMAN RIGHTS

Management approach

As part of the Relaunch Sustainability project, NORD/LB developed a Guideline for Human Rights and Labour Standards in 2013 which also addresses the rights of indigenous peoples. It is the higher-level guideline for social responsibility. The individual sustainability guidelines are currently being implemented, whereby ESG aspects will be further integrated into the organisational structure and procedures and established in key business processes.

Signatories of the UN Global Compact also agree to comply with its human rights principles. This helps customers to optimise their own sustainability-related opportunities and risks, which in turn improves the risk position of the Bank. The aim is also to report NORD/LB's success in terms of the value it contributes to the economy and society. This can not only be viewed as a factor for the business success of the Bank, but is also linked to the requirement of being a strong and sustainable investment for investors.

Further relevant NORD/LB guidelines which touch on human rights are the Guideline for ESG Requirements for Project Finance and the Guideline for Hydroelectric Power. They explicitly require compliance with the relevant Global Compact principles.

Investment and procurement practices

HR1: Significant investment agreements that include human rights clauses or that have undergone human rights screening
and

HR2: Significant suppliers and contractors that have undergone human rights screening

After the UN Global Compact was signed in May 2013, human rights clauses were included in supplier management and the ten principles were integrated into the purchasing guideline and supplier agreements.

As a result, suppliers and service providers are also required to act in accordance with these principles. We are not aware of any breaches of these supplier guidelines.

HR3: Human rights training for staff

(GRI additional indicator)

All staff receive regular training on individual banking-related issues. This also includes training on sustainability issues, such as the relevant content of the guidelines approved as part of the Relaunch Sustainability project in 2013 and listed in 4.8. Specific training on managing with respect add to the professional and labour-law knowledge of managers in the individual divisions of the Bank.

For the area of compliance there is an extensive range of web-based training courses which all staff have to complete.

Non-discrimination

HR4: Incidents of discrimination

NORD/LB's ethical principles explicitly exclude any form of discrimination on the basis of e.g. gender, age, disability, ethnic origin, religion, belief, sexual identity, political views or union activity. Any breach of this principle may result in disciplinary consequences, including dismissal. We are not aware of any such incidents in 2013.

Freedom of association

HR5: Operations in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights

Due to the structure of the Bank, the activities of the NORD/LB Group do not represent a risk in respect of a possible restriction of freedom of association. As with child labour and forced/compulsory labour, NORD/LB follows the ten principles of the UN Global Compact and has also integrated these into its supplier management and updated its purchasing guideline accordingly. Indirect risks are addressed with among other things the guidelines listed in 4.

Child labour

HR6: Operations identified as having significant risk for incidents of child labour and measures to contribute to the elimination of child labour

This issue is the subject of the Guideline for Human Rights and Labour Standards approved in 2013. With the updating of supplier management and the integration of this issue in supplier agreements, suppliers and services providers are also included in this issue.

In order to support the economic development of the region, wherever possible local and regional suppliers are invited to tender for contracts to supply goods and services. Almost 95 per cent of its goods and services are procured directly from Germany. In addition, orders (e.g. for IT components) are placed with service providers and suppliers from high-income OECD countries which are committed not only to satisfying the economic requirements, but also the environmental and social requirements in their supplier management. The regular monitoring of this in the form random samples has to date proven to be sufficient. We are not aware of any breaches of the applicable child labour prohibitions.

Forced and compulsory labour

HR7: Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour

The information regarding HR6 also applies for HR7, including the statement regarding any breaches.

Security practices

HR8: Security personnel trained in the guidelines for human rights

(GRI additional indicator)

For Germany, where the NORD/LB Group is for the most part represented, training for security personnel on human rights is not relevant. In its branches outside of Europe in New York, Singapore and Shanghai, NORD/LB is one of many tenants in a building complex. It therefore has no influence on the employment of security personnel.

Indigenous rights

HR9: Incidents of violations involving rights of indigenous people

(GRI additional indicator)

None.

The consideration of the rights of indigenous people is addressed explicitly in the NORD/LB Guidelines for Hydroelectric Power and ESG Requirements for Project Finance. The Guideline for Hydroelectric Power requires compliance with international standards, the recommendations of the World Commission on Dams the UNESCO Guidelines on Integrated Water Resources Management at the River Basin Level.

SOCIETY

Management approach

Accepting responsibility is part of a bank's everyday business. In its decision-making, NORD/LB also asks itself how it can best justify the trust that has been placed in it. It does so in particular from the viewpoint of the local region. NORD/LB sees in its business a duty to contribute to the region's infrastructure. This includes the Bank avoiding business and social exposures which might put this infrastructure role at risk.

For this purpose, the RepRisk Committee was established in order to manage reputation risks (see the chapter on Economic Performance Indicators FS2). While the issues addressed touch on regulatory matters, the responsibility lies with the Compliance Officer, who heads NORD/LB's Compliance Department. Here around 35 staff work in the four main areas of Regulatory Compliance, Capital Market Compliance, Market Conformity Control and Money Laundering Prevention/Fraud Compliance. The subsidiaries have also developed compliance organisations relevant for their respective size and legal requirements. The issue of preventing money laundering and the financing of terrorism is also addressed consistently due to the appointment of a Group Money Laundering Officer.

In the Compliance Department all of the relevant banking regulations are identified. The relevant departments of the Bank are regularly informed of new and amended rules/regulations. The Managing Board is informed in a comprehensive and unbiased manner of new legal requirements and the progress of their implementation in the departments. As part of the Bank's resolute action against money laundering, the financing of terrorism and other criminal offences, the comprehensive risk analysis has been extended to cover all white-collar crime and appropriate prevention measures have been defined within the Bank's existing risk management. 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 for the benefit of white-collar crime or facilitate anonymous transactions. An essential requirement for a business relationship is the full identification of customer data. If there is any indication of suspicious transactions, the suspicious activity is always reported. Staff awareness of this issue is raised with regular internet-based learning programmes, classroom training and newsletters.

In October 2013 the Managing Board approved the revised Guideline for Prevention of Money Laundering. The Bank's expectations, which exceed regulatory requirements, of the values-driven and fair conduct of all members of the Managing Board, management and staff are summarised as binding principles in the Bank's Ethical Principles. They include specific and clear rules, for instance on how to handle conflicts of interest or confidential information, on protection against discrimination and on the acceptance and giving of benefits, gifts and invitations. The whistle-blowing system allows all staff and customers to inform an external ombudsman of criminal offences. The ombudsman has a duty of confidentiality and allows anonymous reporting to ensure that NORD/LB behaves with integrity. In order to meet its duties as a good taxpayer to ensure balanced social development, a Guideline for Dealing with Tax Law Requirements was developed in 2013. As a company in the finance sector, NORD/LB is not only a taxpayer itself, but also has to take into account the tax situation of its customers. The guideline sets out the requirements of staff so that they always meet all of the relevant tax law requirements, behave in a professional and cooperative manner towards the tax authorities and do not help customers to break tax laws. With these extensive activities, key milestones have been set to prevent the potentially negative impact of business activities and in the process ensure that that NORD/LB is fit for the long-term future.

Community

S01: Nature, scope, and effectiveness of any programmes and practices that assess and manage the impact of operations on communities

As a landesbank (state bank), the impact of operations are assessed at local level in Germany by the associated savings banks. In addition, the consequences of operations are assessed in NORD/LB's analyses of the regional economy (see EC9). Due to the location of NORD/LB's head office in Lower Saxony, Deutsche Hypo in Hanover and subsidiaries in other cities in the region such as Braunschweig, we play an important role in the job market and in the regional economy (see also EC2 and EC8).

In order to help customers to manage the impact of project finance, NORD/LB has developed guidelines for environmental and social issues of corporate control and implemented these in its processes. These guidelines also consider the impact of projects on the respective communities concerned (see also FS1 and FS2).

FS13: Access to low-populated or economically-disadvantaged regions

The regional Braunschweigische Landessparkasse has numerous branches and provides financial services across the region.

FS14: Initiatives to improve access to financial services for disadvantaged people

Braunschweigische Landessparkasse introduced 6,258 so-called citizen accounts at the end of 2013. The citizen account (Bürgerkonto) is a giro account on a credit basis which also allows people with a difficult financial background to make payments without the use of cash.

Corruption

S02: Business units analysed for risks related to corruption

NORD/LB is analysed annually for risks related to corruption in the fraud risk analysis. The six major Group companies (NORD/LB, Bremer Landesbank, Deutsche Hypo, NORD/LB Luxembourg, NORD/LB AM and KreditServices Nord) are examined in full. In 2013, 150 units of the Bank were included in the risk analysis. The obligation to do so stems from the Guideline for Prevention of Money Laundering approved in 2013. All units are assessed using the same X Risk Matrix method developed jointly with the accounting firm Pricewaterhouse Coopers (PwC). In the analysis, department-related risk scenarios for corruption and other criminal acts are assessed and their criticality is rated using external statistics and internal assessments. This analysis is compared with the existing prevention measures and the residual risk is established. If necessary, additional prevention measures are taken in order to further reduce the risks. In 2013, four external audits took place, while Internal Audit conducted 15 audits.

S03: Percentage of employees trained in the organisation's anti-corruption policies and procedures

All of NORD/LB's staff and managers participate in online training on corruption and fraud risks immediately after joining the Bank and thereafter at least every three years. Units that are particularly affected also receive classroom training on the risks every 1.5 years. In 2013, three web-based training courses on money laundering, fraud and capital market compliance as well as additional risk-oriented classroom training courses were held. Every year on average between 30 and 40 per cent of staff and managers receive training on the NORD/LB group's anti-corruption policies.

S04: Actions taken in response to incidents of corruption

As a member of the Bundesverband Öffentlicher Banken Deutschlands (VÖB, German Federal Association of Public-Sector Banks), NORD/LB constantly assesses its risk of loss due to corruption based on loss events involving various institutes and adjusts its prevention measures, if necessary several times a year. Major losses result in immediate prevention measures. In the event of major losses within the Bank, an Ad-hoc Committee consisting of department heads convenes immediately after the loss event and concentrates on measures to limit the losses and in particular prevent similar losses in the future by adjusting the Bank's rules and controls. In 2013, there were no losses caused by corruption in the Group thanks to the comprehensive prevention measures.

Public policy

S05: Public policy positions and participation in public policy development and lobbying

NORD/LB actively participates in the development of a binding and transparent regulatory framework for the financial services sector and in so doing meets both its economic and social responsibility. It plays an active role in a number of organisations, including the UN Global Compact, UNEP FI, the Association for Environmental Management and Sustainability in Financial Institutions (VfU) and the Association of German Public Sector Banks (VÖB), whose current President is the Chairman of NORD/LB's Managing Board, Dr. Gunter Dunkel (see the Profile, 4.13).

S06: Contributions to political parties, politicians, and related institutions

(GRI additional indicator)

According to NORD/LB's Guideline for Funding, contributions to political parties and organisations related to political parties are not allowed.

S07: Legal actions for anticompetitive behaviour, anti-trust and monopoly practices

(GRI additional indicator)

and

S08: Monetary value of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations

None.

PRODUCT RESPONSIBILITY

Management approach

(including **FS15: Policies for the fair design and sale of financial products and services**)

NORD/LB attaches great importance to a relationship between the Bank and its customers that is built on trust. The product and advisory services for finance and investment help to ensure that customers are well positioned for the future and therefore at the same time create new opportunities for the Bank. In the interest of this mutual benefit, ethical integrity in the design of product and advisory services is essential. NORD/LB therefore attaches the utmost importance to a responsible, transparent and trustworthy working relationship with customers, shareholders, investors and the public.

In order to avoid conflicts of interest as far as possible, staff comply with binding internal ethical principles and mandatory external compliance regulations. In many cases guidelines have been drawn up for individual areas. However, if conflicts of interest occur, these are disclosed in an appropriate manner in order to protect the interests of customers. Departments with access to sensitive customer data are strictly separated from one another. All staff must act in accordance with the German Federal Data Protection Act (Bundesdatenschutzgesetz), including after their contract of employment has come to an end.

Customers obtain all of the information they require for a balanced business decision, regardless of the product, their individual level of knowledge and the market standard. NORD/LB has a central Securities Quality Management department so that customer complaints can be handled appropriately. The staff ensure that complaints are handled in a customer-oriented manner and replied to quickly.

On the investment side, analyses by external sustainability rating agencies are increasingly being used. One example is the EDG Pension fund set up by NORD/LB AM (for further information see FS11 or the website www.nordlb-am.de).

Customer health and safety

PR1: Life cycle stages in which health and safety impacts of products (or services) are assessed for improvement

Not relevant for financial services providers.

As stated in the various sustainability guidelines (see Profile, 4.8. and the chapter on Economic Performance Indicators, FS1), NORD/LB aims to prevent any potential loss as, for instance, an indirect consequence of project finance.

PR2: Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services

(GRI additional indicator)

Not relevant for financial services providers.

Product and service labelling

PR3: Type of product and service information required by procedures, and percentage of products and services subject to such information requirements

Financial products are not subject to labelling requirements in the narrower sense. The legal regulations concerning information requirements are of course complied with without exception. The legally required consultation protocols are recorded. Staff who provide investment advice have the required qualifications in accordance with the German Investor Protection Act (Anlegerschutzgesetz) and are accordingly registered with the Federal Financial Supervisory Authority (BaFin).

PR4: Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling

(GRI additional indicator)

None.

PR5: Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

(GRI additional indicator)

NORD/LB focuses on the needs of customers, with sustainable customer relationships as a goal. The Bank therefore wants to know whether its commitment, reliability and professionalism meets customer expectations and regularly conducts customer satisfaction surveys.

NORD/LB conducted satisfaction surveys with corporate customers in 2005, 2006, 2009 and 2011. The next one is planned for 2014. 219 customers took part in the 2011 survey, which equates to 71 per cent (58 per cent). One of the most important findings was that customers remain loyal in difficult times: 96 per cent (92 per cent) stressed that they would like to continue to work with NORD/LB. 93 per cent (90 per cent) rate customer loyalty as 1 or 2 on a scale of 1 (very high) to 6 (very low). And 84 per cent (83 per cent) associate NORD/LB with a positive image. Credit services are rated by 80 per cent (79 per cent) as 1 or 2. Customers also highlighted very clearly their expectations. For example, the processes in complaints management need to be further optimised.

In Braunschweigische Landessparkasse various target groups were questioned about their customer satisfaction in 2013. Users of online banking had the opportunity in April/ May to take part in a satisfaction survey for the second year in a row. More than 3,000 users took the opportunity and provided feedback on the service, advice and online banking. The results have improved compared to the previous year, with 40 per cent of online banking users very satisfied or satisfied. This represents an increase of 5 per cent. The level of satisfaction with the customer advice and services rose by 3 per cent, and with online banking by as much as 7 per cent. In a survey of companies in May/June 2013, 1,000 companies with an annual turnover of more than € 50,000 were questioned. The survey not only provided information about the market and the position of competitors, customers also gave their assessment of the service range and the quality of the service and advice. Braunschweigische Landessparkasse achieves a coverage of 38 per cent in its business region and a main bank share of 31 per cent. Its biggest competitors are the cooperative banks. What matters to customers is continuity regarding their contact person and intensive support for private customers. Customers also want greater speed and more flexibility and transparency in the credit process. In addition, test purchases are regularly conducted in branches of BLSK. The aim is to establish and analyse the level of service orientation, the quality of advice, the level of sales orientation and the degree to which quality standards are met. With comprehensive feedback given following the test purchase, this instrument is primarily used for staff development purposes.

FS16: Initiatives to enhance financial literacy by target group

Braunschweigische Landessparkasse runs together with the Freiwilligen-Agentur (Volunteers Agency) the Money Bin Project, which explains to school pupils how they can manage their money responsibly.

The members of NORD/LB's Managing Board participate in lecture events at various universities. In 2009 research cooperation was agreed with a university with the focus on sustainable risk management. This involves a foundation professorship at the Leuphana University Lüneburg, supplemented by a scholarship programme aimed at business students. The aim is to provide scholarship holders with specific specialist knowledge and familiarise them with the principles of sustainable business and management. We give them the opportunity to further their knowledge of banking in a placement at NORD/LB and at the same time offer them the opportunity of working in the Bank's Sustainability Management department among others.

Marketing communications

PR6: Programmes for adherence to laws, standards and voluntary codes related to marketing communications

As part of the Relaunch Sustainability project, NORD/LB has developed a Group-wide Guideline for Responsible Marketing. This guideline is based on the ICC Code Marketing of the International Chamber of Commerce. The 23 articles of the ICC Code Marketing cover fully the various aspects of responsible marketing. Currently the guideline applies for NORD/LB and Bremer Landesbank and therefore around 75 per cent of the NORD/LB Group. A widening of the scope to further Group companies is currently being planned.

With regard to active and reactive media work, the guideline for external communication to media, which was developed based on the NORD/LB's ethical principles, is considered.

PR7: Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship

(GRI additional indicator)

None.

Protection of customer data

PR8: Total number of substantiated complaints regarding breaches of customer data

The confidential, sensitive handling of customer data has the utmost priority in NORD/LB. This applies both to the processing of personal staff and customer data and the personal data of suppliers, consultants and other contract partners in the NORD/LB Group. The strict security standards are reviewed at the highest level and are constantly being adjusted and updated. This includes the separate disposal of data carriers and papers requiring data protection in the Bank's waste management.

In 2013, the measures to raise staff awareness in the whole of the NORD/LB Group were extended. Training courses (including mandatory training courses) were held, departments were informed in a targeted manner and audits were conducted in individual departments and at selected service providers. The audits did not find any breaches of data protection. We also ensure that there is a consistently high level of data protection in the foreign branches. A concept for the transfer of data within the NORD/LB Group has been developed and published.

Compliance with legal regulations

PR9: Significant fines for non-compliance with relevant laws and regulations

None.

GRI INDEX AND PROGRESS REPORT TO THE UN GLOBAL COMPACT

GRI Content Index (G3 core indicators)		Level of compliance	Page	UN Global Compact
1. Strategy and Analysis			6	
1.1.	Statement from the most senior decision-maker	●	6	1–10
1.2.	Key sustainability impacts, risks and opportunities	●	7	
2. Organisational Profile			8	
2.1.	Name of the organisation	●	8	
2.2.	Primary brands, products and services	●	8	
2.3.	Operational structure	●	8	
2.4.	Location of the head office	●	8	
2.5.	Countries where the organisation operates	●	8	
2.6.	Nature of ownership and legal form	●	8	
2.7.	Markets served	●	9	
2.8.	Scale of the reporting organisation	●	9	
2.9.	Significant changes during the reporting period	●	9	
2.10.	Awards received in the reporting period	●	10	
3. Report Parameters			11	
3.1.	Reporting period	●	11	
3.2.	Date of most recent previous report	●	11	
3.3.	Reporting cycle	●	11	
3.4.	Contact point for questions regarding the report	●	11	
3.5.	Process for defining report content	●	11	
3.6.	Boundary of the report	●	11	
3.7.	Limitations on the scope or boundary of the report	●	11	
3.8.	Basis for the reporting on subsidiaries and joint ventures	●	11	
3.9.	Methods and basis for data collection	●	11	
3.10.	Changes from previous reporting periods due to re-statements of information and new interpretations	●	12	
3.11.	Changes from previous reporting periods in the scope, boundary or measurement methods applied	●	12	
3.12.	GRI content index	●	12	
3.13.	External assurance of statements made in the report	●	12	
4. Governance, Commitments and Engagements			13	
4.1.	Governance structure	●	13	1–10
4.2.	Independence of the chairman of the supervisory board	●	13	
4.3.	Highest governance body for companies that do not have a supervisory board	●	13	
4.4.	Mechanisms for communication between shareholders/staff and the managing board/supervisory board	●	13	
4.5.	Linkage between remuneration of members of the managing board and business performance	●	13	
4.6.	Processes to avoid conflicts of interest	●	13	
4.7.	Qualification and expertise of governance bodies in the area of sustainability	●	14	1–10

● Fully complied with ● Partially complied with ○ Not complied with Core indicators are in bold

GRI Content Index (G3 core indicators)		Level of compliance	Page	UN Global Compact
4.8.	Mission statement, corporate values and code of conduct	●	14	1–10
4.9.	Processes for managing and controlling sustainability performance at managing board level	●	15	
4.10.	Processes for evaluating the sustainability performance of the managing board	●	15	
4.11.	Application of precautionary approach	●	16	7
4.12.	Support of external standards, agreements and initiatives	●	16	1–10
4.13.	Memberships of associations and stakeholders	●	17	
4.14.	List of stakeholder groups engaged	●	18	1–10
4.15.	Procedure for identifying stakeholders	●	18	
4.16.	Methods and frequency of stakeholder dialogue, by stakeholder group	●	18	
4.17.	Consideration of key stakeholder concerns	●	18	1–10
Economic Performance Indicators			19	
Management approach		●	19	1, 6, 7
EC1	Economic value	●	19	
EC2	Financial implications and risks and opportunities due to climate change	●	20	7
EC3	Coverage of the organisation's defined benefit plan obligations	●	21	1, 6
EC4	Financial assistance received from government	●	21	
EC5	Ratio of standard entry-level wage to local minimum wage	●	21	1, 6
EC6	Procurement from locally-based suppliers	●	21	
EC7	Recruitment of local personnel	●	21	6
EC8	Investments and services provided mainly for the public benefit	●	22	
EC9	Indirect economic impacts	●	23	
Product and service impact			23	
Management approach		●	24f., 28	
FS1	Policies with environmental and social components in the core business	●	23	
FS2	Procedures for assessing and screening environmental and social risks in business lines	●	23	
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements and transactions	●	23	
FS4	Training of staff on environmental and social guidelines and processes	●	24	
FS5	Interactions with clients, investees and business partners regarding environmental and social risks and opportunities	●	24	
FS6	Percentage of the portfolio for business segments by region, size and sector	●	25	
FS7	Monetary value of products and services with special social benefit	●	25	
FS8:	Monetary value of products and services with a special environmental benefit	●	26	
FS9	Coverage and frequency of audits to assess the implementation of environmental and social policies and risk assessment procedures	●	27	

● Fully complied with ◐ Partially complied with ○ Not complied with Core indicators are in bold

GRI Content Index (G3 core indicators)		Level of compliance	Page	UN Global Compact
FS10¹⁾ Percentage and number of companies in the portfolio with which the reporting organisation has interacted on environmental or social issues		●	27	
FS11¹⁾ Percentage of assets subject to positive and negative environmental or social screening		●	27	
FS12 Voting guidelines for environmental and social issues for shareholdings		●	28	
Environmental Performance Indicators			29	
Management approach		●	29	7–9
Aspect Materials	EN1 Materials used by weight or volume	●	29	8, 9
	EN2 Percentage of materials used that are recycled input materials	●	29	8, 9
Aspect Energy	EN3 Direct energy consumption by primary energy source	●	30	8
	EN4 Indirect energy consumption by primary energy source	●	30	8
	EN5 Energy saved due to conservation and efficiency improvements	●	30	7
	EN6 Initiatives to provide products and services with higher energy efficiency	●	31	9
	EN7 Initiatives to reduce indirect energy consumption and reductions achieved	●	31	8
Aspect Water	EN8 Total water withdrawal by source	●	31	8
	EN9 Water sources significantly affected by withdrawal of water	●	32	8
	EN10 Percentage and total volume of water recycled and reused	○		8
Aspect Biodiversity	EN11 Use of land in protected areas	●	32	8
	EN12 Significant impacts of activities, products, and services on biodiversity in protected areas	●	32	8
	EN13 Protected or restored habitats	●	32	8
	EN14 Strategies, current actions and future plans for managing impacts on biodiversity	●	32	8
	EN15 Number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	●	32	8

¹⁾ We are not yet able to make any quantitative disclosures as the internal discussion and coordination process concerning the further development of trading strategies to include sustainability aspects had not been completed in 2013.
Within the scope of this further development we are examining the data collection process and plan to report on this from 2014 onwards.

GRI Content Index (G3 core indicators)			Level of compliance	Page	UN Global Compact
Aspect Emissions, Waste Water and Waste	EN16	Total direct and indirect greenhouse gas emissions	●	33	8, 9
	EN17	Other relevant greenhouse gas emissions	●	33	8
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	33	7–9
	EN19	Emissions of ozone-depleting substances	●	33	8
	EN20	NO_x, SO₂ and other significant air emissions	●	34	8
	EN21	Total waste water discharge by quality and destination	●	34	8
	EN22	Total weight of waste by type and disposal method	●	34	8
	EN23	Total number and volume of significant spills	●	34	8
	EN24	Exports of hazardous waste abroad	●	34	
	EN25	Impact of waste water discharge	●	34	
Aspect Products and Services	EN26	Initiatives to mitigate the environmental impact of products and services and extent of impact mitigation	●	35	7–9
	EN27¹⁾	Percentage of products sold and their packaging materials reclaimed	○		
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	35	
Aspect Transport	EN29	Significant environmental impacts of transporting products, materials and staff	●	35	8
Aspect General	EN30	Total environmental protection expenditure and investment	○		7, 8
Social Performance Indicators				36	
LABOUR PRACTICES AND DECENT WORK				36	
Management approach			●	36	1, 3, 6
LA1	Total workforce by employment type, employment contract and region		●	37	
LA2	Employee turnover		●	38	6
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		●	38	
LA4	Percentage of employees covered by collective bargaining agreements		●	38	1, 3
LA5	Minimum notice period(s) regarding operational changes		●	38	1, 3
LA6	Percentage of the total workforce represented in health and safety committees		●	39	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region		●	39	1
LA8	Training, counselling, prevention, and risk-control programmes for staff and their families regarding serious diseases		●	39	

¹⁾ This indicator does not apply for NORD/LB as a company in the finance sector.

GRI Content Index (G3 core indicators)		Level of compliance	Page	UN Global Compact
LA9	Health and safety topics covered in formal agreements with trade unions	●	39	
LA10¹⁾	Further training and education: hours by employee category	◐	39	
LA11	Programmes for skills management and lifelong learning	◐	40	
LA12	Percentage of employees receiving regular performance and career-development reviews	●	40	
LA13²⁾	Breakdown of employees by category according to gender, age group, minority group membership and other indicators of diversity	◐	40	1, 6
LA14	Ratio of basic salary of men to women by employee category	●	41	1, 6
HUMAN RIGHTS			41	
Management approach		●	41	1–6
HR1	Significant investment agreements that include human rights clauses or that have undergone human rights screening	●	42	1–6
HR2	Significant suppliers and contractors that have undergone human rights screening	●	42	1–6
HR3	Human rights training for staff	◐	42	1–6
HR4	Incidents of discrimination	●	42	1, 2, 6
HR5	Operations in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	●	42	1–3
HR6	Operations identified as having significant risk for Incidents of child labour and measures to contribute to the elimination of child labour	●	42	1, 2, 5
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	●	43	1, 2, 4
HR8	Security personnel trained in the guidelines for human rights	●	43	1, 2
HR9	Incidents of violations involving rights of indigenous people	●	43	
SOCIETY			43	
Management approach		●	43	1–10
S01	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impact of operations on communities	●	44	
FS13	Access to low-populated or economically-disadvantaged regions	●	44	
FS14	Initiatives to improve access to financial services for disadvantaged people	●	44	
S02	Business units analysed for risks related to corruption	●	45	10
S03	Percentage of employees trained in the organisation's anti-corruption policies and procedures	●	45	10
S04	Actions taken in response to incidents of corruption	●	45	10
S05	Public policy positions and participation in public policy development and lobbying	●	45	1–10

¹⁾ Average training hours are currently not reported; these will be reported in future.

²⁾ Due to the high level of data protection, the data cannot be broken down to show minority group membership.

● Fully complied with ◐ Partially complied with ○ Not complied with Core indicators are in bold

GRI Content Index (G3 core indicators)		Level of compliance	Page	UN Global Compact
S06	Contributions to political parties, politicians, and related institutions	●	45	
S07	Legal actions for anticompetitive behaviour, anti-trust and monopoly practices	●	45	
S08	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations	●	45	
PRODUCT RESPONSIBILITY			46	
Management approach¹⁾ (including FS15 Policies for the fair design and sale of financial products and services)		◐	46	1, 8
PR1	Life cycle stages in which health and safety impacts of products (or services) are assessed for improvement	●	46	1, 8
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	○		
PR3	Type of product and service information required by procedures, and percentage of products and services subject to such information requirements	●	46	8
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	●	47	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	●	47	
FS16	Initiatives to enhance financial literacy by target group	●	47	
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications	●	48	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship	●	48	
PR8	Total number of substantiated complaints regarding breaches of customer data	●	48	
PR9	Significant fines for non-compliance with relevant laws and regulations	●	48	

¹⁾ Customer health and safety does not apply for NORD/LB as a company in the finance sector.

In the performance indicators above, the mandatory indicators are in bold. Disclosures for the additional indicators that are not in bold are voluntary. FS indicators originate from the GRI Financial Services Sector Supplement.



Statement GRI Application Level Check

GRI hereby states that **NORD/LB** has presented its report "Sustainability Report 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 11 April 2014

A handwritten signature in dark ink, appearing to read "Ásthildur Hjaltadóttir".

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 3 April 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

Imprint

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