

## **WestLB – Balance sheet to GRI**

**As at September 12, 2011**

The table below shows our CSR performance in accordance with the guidelines of the third version of the Global Reporting Initiative (GRI, G3).

The balance sheet contains all core indicators recommended by the G3 guidelines including the GRI Financial Services Sector Supplement published in 2008. Based on our self-assessment, the information presented herein complies with GRI application level B.

## **Content**

### **(Reporting to GRI)**

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## 1. Strategy and analysis

### 1.1 Statement by the senior decision-maker of the organisation

WestLB contributes to sustainable development and is one of Germany's leading financial institutions in terms of sustainability. We embrace, support and enact a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption. We understand the principles of the United Nations' Global Compact as a general framework for our corporate responsibility.

The continuous development of our sustainability management forms an important basis for our business activity. Over the past six years, we consistently expanded our sustainability management system and activities. The Group-wide WestLB Policy for Environmental and Social Issues, which is mandatory for all transactions, is considered an integral element of our socially and ecologically responsible approach to day-to-day business. In addition, the Equator Principles for project finance, to whose development we made an important contribution, and the recommendations of the Financial Institutions Initiative of the United Nations Environmental Programme (UNEP FI) define the framework for our business activity. Our employees are encouraged to report all potential reputational risks and damage that may arise with regard to the sustainability of products and services.

The present GRI balance sheet is designed to show our stakeholders to what extent we implemented sustainability in all relevant fields of our business activity in the year 2010. This balance sheet thus complements our Sustainability Report 2011, which was published on September 27, 2011. For information about our sustainability performance, you may also refer to the 2010 Annual Report as well as to earlier reports, e.g. "Sustainability. Status 2010".

*Dietrich Voigtländer, Chairman of the Managing Board of WestLB AG*

### 1.2 Key sustainability risks, opportunities and impacts

Headquartered in North Rhine-Westphalia, WestLB operates four business segments - "Verbund & Mittelstand", Corporates & Structured Finance, Capital Markets and Transaction Banking - which offer a wide range of products and services. Among the Bank's key strengths are the close and strategic alliance with the savings banks and great expertise in the development of innovative capital market products and individual structured financings for German and international clients.

In accordance with the requirements imposed by the European Commission, WestLB is currently undergoing a comprehensive restructuring.

Financial risks: The fiscal year 2010 saw the WestLB Group influenced by two main factors: a positive trend in earnings and costs at the operating level contrasted with considerable burdens resulting from the structural reorganisation of the Group. In accordance with the German Financial Market Stabilisation Fund Act, the transfer of non-strategic assets to Erste Abwicklungsanstalt (EAA) was completed. This led to a Group result of EUR -240 million in fiscal 2010 (previous year: EUR -531 million). Total assets were down EUR 50.8 billion or 21 percent on the previous year to EUR 191.5 billion. Equity capital increased by EUR 0.4 billion to EUR 4.1 billion.

Responsibility for our employees: We take our responsibility towards our employees very seriously. As a

result of the restructuring of the Bank, the number of employees in 2010 was down by approx. 10 percent on the previous year. This means that the target of a headcount reduction by roughly 1,350 full-time employees as compared to December 2007 was reached in full. Out of responsibility for our employees, we continued to implement the change process in a trusting and socially compatible manner.

Responsible banking operations: WestLB has installed a comprehensive environmental management system and has reduced the environmental impact of its operations for many years. We also want to minimise social and ecological risks in the supply chain through consistent supplier management. Our economic success hinges on the confidence placed in us by the public and the markets. We therefore expect all our employees and partners to act with integrity and have installed a process to manage reputational risks.

Lending and special finance: As a world-leading project financier, we are also responsible for the sustainability impacts of the projects we finance. We therefore take great care in examining the potential impacts of a project on people's lives and the environment on the basis of the Equator Principles. This commitment is supported by complementary requirements such as the "Policy for Business Activities related to Coal-Fired Power Generation" or the Bioenergy Policy, which is currently being developed.

Investments: Through our structured investment products conforming to Environment/Social/Governance (ESG) standards and our specialised sustainable investment offerings, we exert strong influence on ecologically and socially compatible as well as economically stable development.

## 2. Organisational profile

### 2.1 Name of the company

WestLB AG

### 2.2 Primary brands, products and services

The Bank's key strengths include its close and strategic alliance with the savings banks and its great expertise in the development of innovative capital market products and individual structured financings for German and international clients.

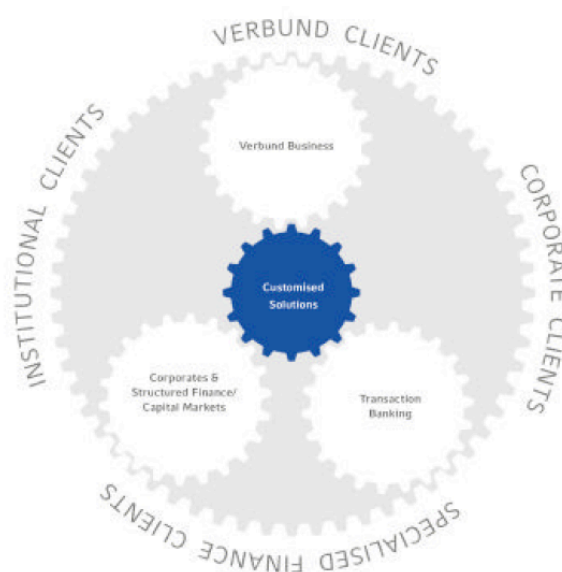
As the central institution of the savings banks, WestLB acts as a link between the financial market and 119 savings banks. The latter's approximately 2,800 branches provide the Bank with the largest branch network in Germany and give it access to a total of 11.5 million customers. WestLB provides solutions for traditional corporate finance, project finance, structured finance and capital market transactions for corporate and public-sector clients. As the leading German provider of project finance, we support our clients in complex energy and infrastructure projects.

Our international activities focus on Europe. As a financial partner to large corporations and medium-sized companies, to institutional and public-sector clients, we also serve our customers outside Europe.

### 2.3 Operational structure and major divisions

The four business units - Verbund & Mittelstand, Corporate Finance & Structured Finance, Capital Markets and Transaction Banking (as of 08/2011) - are geared to four client groups:

- Verbund clients
- Corporate clients
- Special finance clients
- Institutional clients



**2.4 Location of the organisation's headquarters**

Düsseldorf, Germany

**2.5 Number/names of countries with major operations (or specific relevance to sustainability issues)**

As an international commercial bank, WestLB AG has a presence in the world's leading financial centres. Our international activities focus on Europe. In agreement with the European Commission, WestLB will continue to maintain a presence in London, New York, Hong Kong, Moscow, Sydney, Istanbul and Sao Paulo.

**2.6 Nature of ownership**

WestLB is the result of the 1969 merger of Landesbank für Westfalen Girozentrale, Münster, and Rheinische Girozentrale und Provinzialbank, Düsseldorf, which were established as "Provincial Support Funds" in 1832 and 1854, respectively. On August 30, 2002, WestLB was converted into a joint stock company following the spin-off of its public-mission activities to Landesbank NRW (today's NRW.BANK), which was established on August 1, 2002.

WestLB AG is owned by Rheinischer Sparkassen- und Giroverband (25.032%), Sparkassenverband Westfalen-Lippe (25.032%), the State of North Rhine-Westphalia (17.766%), NRW.BANK (30.51%) and the two regional associations of the Rhineland (0.83%) and of Westphalia-Lippe (0.176%).

## 2.7 Markets served

€ millions	Verbund & Mittelstand	Corporates & Structured Finance	Capital Markets	Transaction Banking	Corporate Center	Other	Core Bank	Portfolio Exit Group – PEG/ Unbundling	WestLB Group
<b>Net interest income</b>									
2010	18	485	588	27	- 28	6	1,096	361	1,457
2009	25	443	827	27	- 35	- 120	1,167	701	1,868
<b>Impairment charge for credit losses</b>									
2010	8	- 116	- 5	- 5	0	- 65	- 183	- 59	- 242
2009	- 6	- 133	0	0	0	- 2	- 141	- 655	- 796
<b>Net fee and commission income</b>									
2010	9	279	12	41	- 23	- 1	317	51	368
2009	7	268	- 11	40	- 17	- 8	279	102	381
<b>Net trading result</b>									
2010	0	0	- 121	0	0	49	- 72	- 406	- 478
2009	0	- 15	- 77	0	0	- 243	- 335	147	- 188
<b>Result from financial investments</b>									
2010	4	- 6	8	- 2	- 5	16	15	- 103	- 88
2009	- 6	25	- 2	0	- 4	0	13	- 23	- 10
<b>Administrative expenses</b>									
2010	21	129	110	23	625	- 87	821	202	1,023
2009	21	135	115	24	609	36	940	252	1,192
<b>Other operating expense and income</b>									
2010	0	39	- 1	- 4	7	23	64	47	111
2009	- 2	- 2	4	- 4	12	29	37	- 76	- 39
<b>Restructuring expenses</b>									
2010	0	0	0	0	0	1	1	237	238
2009	0	0	0	0	0	- 16	- 16	479	463
<b>Expenses for public-sector guarantees</b>									
2010	0	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	64	64	0	64
<b>Internal charging</b>									
2010	7	- 182	- 307	- 40	674	- 121	31	- 31	0
2009	- 1	- 176	- 285	- 38	653	- 47	106	- 106	0
<b>Profit before income tax</b>									
2010	25	370	64	- 6	0	- 7	446	- 579	- 133
2009	- 4	275	341	1	0	- 475	138	- 641	- 503
<b>Segment assets</b>									
Dec. 31, 2010	3,280	37,891	160,401	934	3,196	- 74,578	131,124	60,399	191,523
Dec. 31, 2009	4,550	40,366	187,524	1,674	2,705	- 93,665	143,154	99,157	242,311

## 2.8 Scale of the reporting organisation

WestLB's four business segments - Verbund & Mittelstand, Corporate Finance & Structured Finance, Capital Markets and Transaction Banking - offer a wide range of products and services. In the fiscal year 2010, WestLB posted a Group result of EUR -240 million (previous year: EUR -531 million). Total assets were down EUR 50.8 billion or 21 percent on the previous year to EUR 191.5 billion. Equity capital increased by EUR 0.4 billion to EUR 4.1 billion.

As of December 31, 2010, the WestLB Group employed 4,712 people or 4,473 full-time employees (FTEs), down from 5,214 people or 4,971 FTEs at the end of 2009. Compared to the previous year, the headcount declined by approx. 10 percent. This means that the target of a headcount reduction by roughly 1,350 FTEs as compared to December 2007 was reached in full.

## 2.9 Significant changes regarding size, structure, or ownership

In 2010, significant changes resulted from the implementation of the measures taken in response to the decision by the European Commission dated May 12, 2009 and the resulting comprehensive restructuring of the Bank. As part of the latter, the Bank closed its Cologne Branch and withdrew from Dubai and Paris.

For an overview of the structural development of the Bank, please refer to the 2010 Annual Report, pages 16-18.

## **2.10 Awards received in the reporting period**

- Top Employer 2011: In 2011, WestLB won its seventh consecutive “Top Employer” listing. This means that every year since 2005, WestLB has been ranked among Germany’s top 105 employers by the Corporate Research Foundation (CRF) in cooperation with “karriere“ magazine and the geva-Institut.
- Project finance awards: In 2010, WestLB again received many awards for its project financing commitments. Trade magazines “Finance Asia“ and “Asiamoney“ voted our financing of the Collgar Wind Farm in Australia “Best Project Finance Deal for Australia & New Zealand 2010“ and “Best Project Financing Australia 2010“, respectively. The “Shepherds Flat“ wind farm project of the year 2010 won two awards, namely “Renewable Energy Deal of the Year“ from “Environmental Finance“ and “Best Renewables Deal“ from the Internet platform “Power Finance & Risk“.
- oekom rating: In 2010, WestLB was awarded “Prime“ status for sustainability-oriented investors, which ranks the Bank among the top players in the German financial sector.
- Sustainalytics rating: With a score of 66 and place 9, the Frankfurt rating agency ranks WestLB far above the average of the 63 banks surveyed in 2011.
- imug rating: In 2010, rating agency imug also placed WestLB above the average and awarded the Bank a “Positive“ rating with a focus on bond issues.

### 3. Report parameters

#### 3.1 Reporting period

All figures in this GRI balance sheet refer to the period from January 1, 2010 to December 31, 2010. Information outside this period is marked with the respective date.

#### 3.2 Date of most recent previous report

WestLB's Sustainability Report is published annually; the most recent report was published on September 27, 2011. Information on our sustainability performance in 2010 is also provided in the report entitled "Sustainability. Status 2010", which was published on September 15, 2010.

#### 3.3 Reporting cycle

Annual.

#### 3.4 Contact point for questions regarding the report

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#### 3.5 Processes for defining report content (e.g. materiality, priorities)

We observe the international guidelines of the Global Reporting Initiative (GRI) including the Financial Services Sector Supplement, the values of the UN Global Compact as well as our commitment to annual reporting on implementation of the Equator Principles.

#### 3.6 Boundary of report

Unless stated otherwise, this publication refers to the WestLB Group.

The environmental figures for 2010 refer to the German locations in Düsseldorf, Frankfurt/Main (six buildings), Akademie Schloss Krickenbeck as well as 11 international locations. External staff working in the buildings were included in the calculation, whereas employees who work from home or are on parental leave were not included. The data thus covers 85.2 percent of all employees in Germany and 100 percent of the employees at the Group's international locations. This means that we complied with the standard of the "Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen e. V. (VfU)" in all cases.

#### 3.7 Statement on specific limitations concerning the report's scope

This GRI balance sheet complements the 2011 Sustainability Report of WestLB.

### **3.8 Basis for the reporting on joint ventures, subsidiaries, etc.**

Unless stated otherwise, this publication refers to the WestLB Group.

### **3.9 Data measurement techniques and bases of calculations**

The data presented herein was taken from our management systems, e.g. the environmental management systems (certified since 2007) at our German locations in Düsseldorf, Frankfurt/Main (six buildings), Akademie Schloss Krickenbeck as well as 11 international locations. The following staff numbers were taken as the basis for the calculation of the environmental figures:

- 2008: 3,602 people at WestLB Germany, 1.884 people at WestLB International
- 2009: 3,769 people at WestLB Germany, 1.684 people at WestLB International
- 2010: 3,622 people at WestLB Germany, 1.292 people at WestLB International

Deviations from the staff numbers in the Annual Report are due to the fact that external staff working in WestLB's buildings and consuming resources were included in the calculation of the ecological data. By contrast employees who work from home or are on parental leave were not included in the calculation.

### **3.10 Explanation of the nature and effect of any restatements of information**

None.

### **3.11 Significant changes from previous reporting periods in the scope, boundary or measurement methods applied**

Since 2007, our environmental figures have included the representative offices of the WestLB Group. Also since 2007, the CO<sub>2</sub> emissions have been determined in accordance with the Greenhouse Gas Protocol and relate to energy, transportation, paper and drinking water. To calculate the greenhouse gas emissions, the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU) Factors, Update 2010, were used for the first time in the reporting period.

### **3.12 GRI index – table form**

The present GRI balance sheet presents an overview in table form.

### **3.13 External verification of the report**

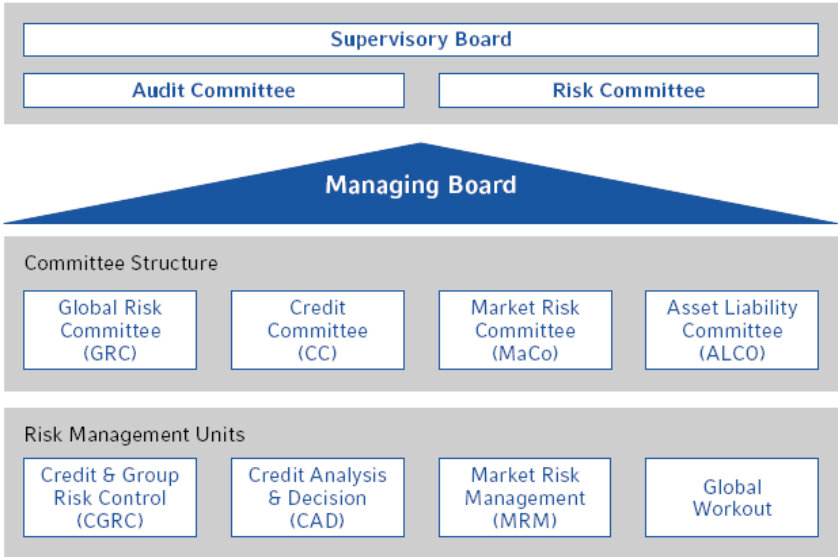
The information presented herein was not subjected to external verification

**4. Governance, commitments and engagement**

**4.1 Governance structure**

WestLB AG is a joint stock company (“Aktiengesellschaft”) under German law. The Bank is currently led by a 5-strong Managing Board. Our risk-oriented Bank-wide control system aims to achieve a sustainable improvement in the Bank’s risk profile.

The chart below shows the committees and risk units that are responsible for Bank-wide control:



For a presentation of the management and organisational structure of WestLB AG by Board responsibilities, visit [www.westlb.com](http://www.westlb.com) > WestLB > About us > Organisational Structure.

**4.2 Independence of the Supervisory Board Chairperson**

WestLB AG is governed by the German Stock Corporation Act, which provides for a dual board system, with an independent Supervisory Board as the controlling body. The Supervisory Board appoints the members and the chairperson of the Managing Board and supervises and supports the work of the Managing Board.

**4.3 Controlling body and/or number of independent Supervisory Board members**

The Supervisory Board of WestLB AG consists of 20 members. In accordance with the German Co-Determination Act, it is composed of 10 shareholder representatives and 10 employee representatives.

In the year under review, the Supervisory Board regularly advised the Managing Board at 15 meetings, supervised the management and actively supported the Bank in the context of the tasks for which it is held responsible by law.

In accordance with the requirements of section 161 of the German Stock Corporation Act for listed companies, WestLB AG regularly reports on compliance with the recommendations of the Government Commission on the German Corporate Governance Code in its Annual Report and on its website at [www.westlb.com](http://www.westlb.com) > WestLB > Corporate Responsibility > Corporate Governance. In compliance with the German Corporate Governance Code, WestLB AG keeps previous Declarations of Conformity available on

its website for a minimum of five years. The Declaration of Conformity for the year 2010, in which the Bank complied with the recommendations of the Code save for five exceptions, is also available on the website.

#### **4.4 Mechanisms for shareholders and employees to provide recommendations to the Managing Board/Supervisory Board**

WestLB is not listed on the stock exchange.

Our employees are encouraged to communicate suggestions for improvement and recommendations to the management at all times.

#### **4.5 Linkage between senior management compensation and achievement of sustainability goals**

Management compensation has come to be the focus of public debate in recent years. Several national and international regulatory authorities such as the Federal Financial Supervisory Authority (BaFin), the Financial Stability Board (FSB) or the Committee of European Banking Supervisors (CEBS) have launched legislative initiatives to ensure better regulation of the compensation schemes in the banking sector.

WestLB signed the “Freiwillige Selbstverpflichtungserklärung“ (voluntary undertaking) towards the BaFin already back in late 2009 and has evolved its compensation systems in light of the various regulations. In 2010, the German parliament issued extended provisions in the form of the Bank Compensation Directive (“Institutsvergütungsverordnung”) of October 12, 2010 and the Restructuring Act (“Restrukturierungsgesetz”) of November 26, 2010, which are considered to be stricter than the respective international regulations. WestLB has incorporated these provisions in its compensation system. In 2010, for instance, the Bank implemented a deferred compensation scheme, under which the variable compensation is linked to sustainable, longer-term performance figures.

WestLB AG discloses the compensation of the Managing Board in its Annual Report and the fundamental principles of the compensation system for the Managing Board members are explained in the Corporate Governance Report. The latter also includes information on the composition and the amount of the compensation received by the Supervisory Board. Apart from this, the publication of the compensation of the members of the controlling/executive bodies complies with the Financial Market Stabilisation Fund Act (FMStFG) and the contracts signed with the Financial Market Stabilisation Fund (SoFFin). In addition, WestLB AG publishes an external compensation report to inform about the compensation system for its employees.

#### **4.6 Process for the highest governance bodies to ensure conflicts of interest are avoided**

The members of the Supervisory Board are obliged to act in the company’s interest. According to the Rules of Procedure of the Supervisory Board, conflicts of interest must therefore be disclosed to the Supervisory Board. To avoid potential conflicts of interest, individual Supervisory Board members did not participate in certain resolutions or abstained from voting in the year under review.

WestLB generally expects all employees to avoid everything that could prevent them from performing their professional tasks objectively and without conflicts of interest. Before accepting a new mandate or starting work on a new account, employees must first undergo a conflict check by the Compliance Department.

#### **4.7 Expertise of the highest governance bodies in terms of sustainability issues**

The Sustainability Management Department, which is responsible for planning, managing and controlling

all sustainability activities, is part of the Group Development unit and reports to the Chairperson of the Managing Board.

#### **4.8 Corporate mission, values and codes of conduct**

We want to be a role model and make a contribution to the economically stable, ecologically responsible and socially fair development of our society. WestLB therefore embraces, supports and enacts a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption. We understand the principles of the United Nations' Global Compact as a general framework for our corporate social responsibility. To implement this, WestLB has defined special areas of action:

- Minimise risks and conflicts relating to environmental protection and social justice in our core business
- Exploit growth opportunities with the help of future-orientated products
- Provide products and services that support the sustainable success of our clients
- Cut costs and the consumption of resources through effective in-house environmental management
- Seize the development opportunities arising from a corporate culture characterised by respect and fairness

All employees are expected to gradually integrate sustainability aspects in their fields of work. In autumn 2007, the Managing Board endorsed the "WestLB Policy for Environmental and Social Issues", which applies throughout the Group. In 2010, the Policy was revised in cooperation with the business units and with non-governmental organisations operating in the fields of environmental protection and development and finally approved and adopted by the Managing Board in April 2011. The revision focused on the updating of the underlying standards, the inclusion of a description of reputational management and of strategies for a critical and constructive dialogue with our clients to improve our sustainable business practice. Complementary regulations are developed for individual business segments, Business Units or credit risk strategies; examples include the "Policy for Business Activities related to Coal-Fired Power Generation" or the Bioenergy Policy, which is currently being developed.

To ensure compliance with all legal and regulatory requirements and live up to WestLB's commitment to responsible action and integrity, we have developed uniform behavioural standards and incorporated them into the Compliance Guidelines of the WestLB Group, which apply to all employees worldwide. They are complemented by local guidelines that reflect the regulatory requirements of the countries in which WestLB operates.

Our ethical, social and ecological standards also apply to our supply chain, which is why we have incorporated them into a code of conduct for our suppliers.

#### **4.9 Board-level processes for overseeing environmental, economic and social risks and opportunities**

Sustainability management is an integral element of our corporate strategy and our risk management approach. The goals and tasks of the Sustainability Management Department, which reports to the Chairperson of the Managing Board, are laid down in a constantly refined sustainability programme and monitored with the help of sustainability indicators.

#### 4.10 Processes for evaluating the Managing Board's performance on sustainability matters

We regularly describe the goals and activities of our sustainability programme and comment on the achievement of goals in our sustainability reports.

#### 4.11 Implementation of the precautionary principle

WestLB supports the United Nations Global Compact and is committed to complying with and promoting the 10 principles for sustainability. The Equator Principles for project finance, to whose development we made an important contribution, and the recommendations of the Financial Institutions Initiative of the United Nations Environmental Programme (UNEP FI) also serve as a framework for our socially and ecologically responsible approach to day-to-day business.

WestLB has explicitly integrated the management of non-financial risks in its risk management systems. Special attention is paid to the lending business. Credit decisions are therefore taken in a four-step process:

##### OPTIMISED LENDING DECISION PROCESS AT WESTLB

<b>Step 1</b>	<b>Customer meetings</b>
Action:	Draw customer attention to the Equator Principles (EP) and the WestLB Policy for Environmental and Social Issues. Identify any environmental and social risks and sensitise the customer to these risks.
Units:	Front-office units
<b>Step 2</b>	<b>Initial deal assessment</b>
Action:	Assessment of the project prospects in the NDC, taking into account environmental and social aspects
Units:	Front-office units, Credit Risk Management, Legal Department, Sustainability Management
<b>Step 3</b>	<b>Lending process, incl. EP process (cf. page 18 of 2007 Sustainability Report)</b>
Action:	Environmental and social due diligence in accordance with the WestLB Policy for Environmental and Social Issues as well as EP
Units:	Credit Risk Management, Sustainability Management, Reputational Risk Management, Legal Department
<b>Step 4</b>	<b>Credit file</b>
Action:	Documentation of management requirements in the credit documentation, regular reviews, auditing of the processes
Units:	Credit Risk Management, Audit, Environmental Management Officers

Our risk management approach also includes the consistent management of reputational risks. The Bank's employees are therefore obliged to report special reputational risks and potential reputational damage. If such risks are reported, appropriate measures or conditions are defined to allow a transaction to be completed under safe conditions. In extreme cases, it may be decided to forego a transaction altogether.

#### 4.12 External initiatives that the organisation endorses

- United Nations Global Compact
- United Nations Environment Programme Finance Initiative (UNEP FI)
- Equator Principles

- Carbon Disclosure Project (CDP)
- European Sustainable Investment Forum (Eurosif)
- Roundtable on Sustainable Palm Oil (RTSP)
- Research project “Mainstreaming of climate risks and opportunities in the financial sector“

#### **4.13 Significant memberships in industry and business associations**

- The Association of German Public Sector Banks
- German Savings Banks Association (DSGV)
- Forum Nachhaltige Geldanlagen
- Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V. (VfU)
- International Institute for Management Development (IMD), Center for Corporate Sustainability Management

#### **4.14 List of stakeholder groups engaged by the organisation**

We engage in an intensive dialogue with our stakeholder groups, which include

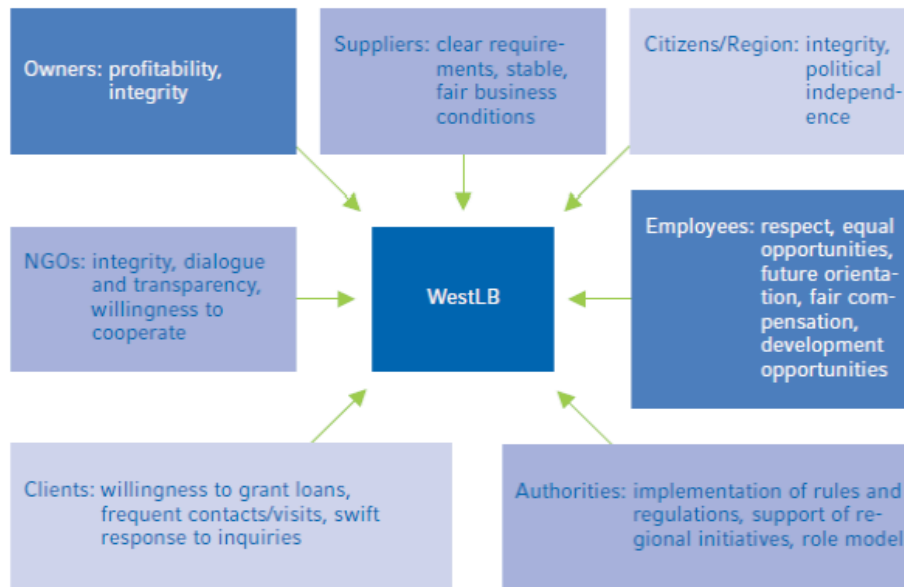
- our owners/investors
- our employees
- our clients
- our suppliers
- authorities and political decision-makers at all levels
- national and international non-governmental organisations (NGOs)
- the population of the regions in which we operate.

#### **4.15 Basis for identification of stakeholders**

Responsible corporate governance and a successful business activity can evolve only in a close exchange with our stakeholders. Our stakeholders are special-interest groups, who also provide us with important information on the risks and opportunities of our business and, hence, our corporate strategy. We are convinced that close cooperation means added value for all concerned.

The expectations and requirements of our stakeholders are differentiated and diverse. WestLB is therefore exposed to conflicting interests. We want to give due consideration to these interests through the use of selected and systematic dialogue instruments.

## CONFLICTING INTEREST SURROUNDING WESTLB



### 4.16 Approaches to stakeholder engagement

See 4.17

### 4.17 Key topics and concerns raised through stakeholder engagement and response by company

Our regular reports on sustainability issues are designed to provide our stakeholders with comprehensive information on our sustainability strategy and our sustainability performance. Established in 2005, the "Sustainability Dialogue Forum" provides important stakeholders with a regular platform where they can express criticism regarding the sustainability of our operations, make suggestions and discuss solutions. The meetings are held at regular semi-annual intervals. The members of the Forum include representatives of Amnesty International, BankTrack, Germanwatch, Urgewald, Südwind Institut, Wuppertal Institut and the WWF. We also communicate regularly with our stakeholders at conferences and bilateral meetings.

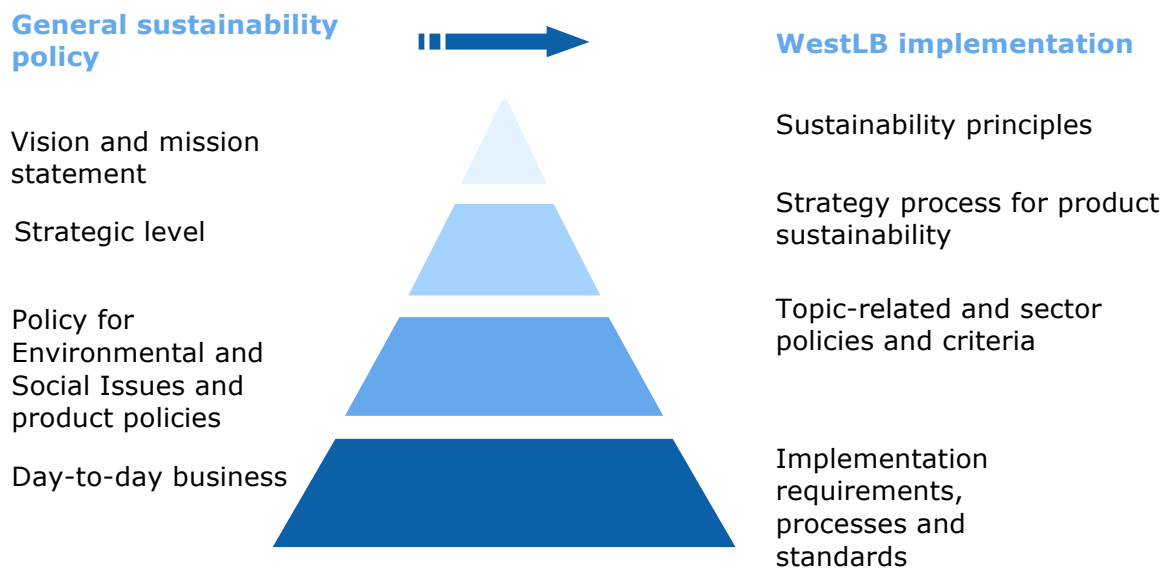
## 5. Management approach and performance indicators

### 5.1 Impact of products and services

#### Management approach

We want our products and services to make an important contribution to sustainable development. Our sustainability management approach underlines our pioneering role in aspects of modern sustainability management and responsible project finance. We continue to integrate sustainability aspects into our business processes and implement the sustainability programme in the individual business units. This applies in particular to our Bank-wide Policy for Environmental and Social Issues, which is mandatory for all transactions (see FS1 to FS6).

Starting in 2011, the business units of WestLB have been obliged to consider sustainability-relevant issues in their business planning in a systematic and documented manner in order to identify opportunities that arise from the challenges of sustainable development at an early stage. As a result, WestLB now operates clear regulations for the integration of sustainability aspects at four levels (see chart).



#### FS1 Environmental and social policies in the business units

The Policy for Environmental and Social Issues forms the framework for our sustainability activities and has been mandatory for all business units and all new business with national and international clients since 2007. It is based on internationally accepted human and employee rights and environmental standards. In 2010, the Policy was revised in cooperation with the business units and with non-governmental organisations operating in the fields of environmental protection and development and finally approved and adopted by the Managing Board in April 2011. The revision focused on the updating of the underlying standards, the inclusion of a description of reputational management and of strategies for a critical and constructive dialogue with our clients to improve our sustainable business practice.

With regard to the financing of coal-fired power plants, we developed and implemented the “WestLB Policy

for Business Activities related to Coal-Fired Power Generation” in 2009. WestLB is currently revising this Policy to put it in more concrete terms. Following research and interviews, we developed minimum and knock-out criteria for financings in the field of deep-sea oil exploration in 2010/2011. Complementary policies are being developed for further business fields exposed to special sustainability challenges, e.g. the bioenergy sector.

## **FS2 Processes for assessing and screening environmental and social risks in the business units**

Being one of the initiators of the Equator Principles, we have refined our own lending assessment processes and expanded our four-step credit decision-making process on the basis of international project finance standards (see chart under point 4.11). A key role in the consideration of sustainability data in the project financing process of our Bank is played by the regular New Deal Committees, which discuss and review new projects in close cooperation with the Sustainability Management Department. All reviews are risk-oriented – while transactions in countries with high environmental and social risks are reviewed very closely, the Equator Principles (EP) provide for simplified and faster processes for projects in high-income OECD countries. The analysis is supported by an IT system, which was introduced specifically for EP-relevant projects.

An important element of the review process is the categorisation and assessment of projects based on the risk categories of the Equator Principles. This categorisation is preceded by intensive research, the study of environmental appraisals and interviews with the parties involved. In accordance with the Equator Principles, WestLB requires environmental and social assessments as well as an Environmental Management Plan (EMP) for high-risk projects and some medium-risk projects. Prior to this, each project is checked for key exclusion criteria, especially child labour, deforestation of primary forest or the conversion or degradation of critical natural habitats.

In 2010, a total of 90 project financings were fully reviewed and categorised by Sustainability Management, which represented a strong increase of 64 percent on the year 2009. This is primarily attributable to WestLB's growing activity in the energy sector and the commodities markets. At the same time, the Bank was able to increase the number of deals closed due to improved internal processes. Project financings accounted for 65 percent of all transactions addressed by Sustainability Management in 2010. One project financing in the infrastructure sector was rejected after having been reviewed by Sustainability Management.

### **Project financings by regions in 2010**

<b>Region</b>	<b>Category A Number / Percent</b>	<b>Category B Number / Percent</b>	<b>Category C Number / Percent</b>
<b>Europe</b>	14/45	17/41	11/61
<b>Eastern Europe</b>	7/23	0/0	0/0
<b>North America</b>	2/6	7/17	6/33
<b>South America</b>	4/13	7/17	0/0
<b>Asia/Pacific (APAC)</b>	3/10	8/20	1/6
<b>Middle East</b>	1/3	1/2	0/0
<b>Africa</b>	0/0	1/2	0/0

The credit decision-making process is complemented by a Group-wide process for the management of reputational risks, which must be applied to all products and services of the Bank. Our employees are obliged to report special reputational risks and potential reputational damage. The risks are analysed

systematically and appropriate measures are taken. In extreme cases, it may be decided to withdraw from a transaction altogether.

In 2010, WestLB was part of a select group of Equator Principles signatories who initiated a project to test the application of the principles to other credit products, especially corporate financings. The process was examined for its feasibility for the corporate client business in a three-month test. Corporate financings were screened in accordance with the Equator Principles where their total amount exceeded EUR 10 million and at least 50 percent for which there was known use of proceeds of the funds raised. During the test phase, WestLB analysed a total of 150 corporate financings. In 21 cases, the review was conducted on the basis of the Equator Principles. Three transactions were subjected to a more detailed review of environmental and social factors. The insight gained will be used to refine the Bank's internal credit processes and will also be incorporated into the revision of the Equator Principles, which is scheduled to be completed in March 2012.

### **FS3 Process for monitoring clients' compliance with environmental and social contractual conditions**

Responsibility for compliance with the principles of the lending process rests with the front-office, e.g. with our account managers or sales staff. This is supported and monitored regularly by our Credit Risk and Sustainability Management Departments and the Internal Audit Department. The Policy for Environmental and Social Issues as well as the "Policy for Business Activities related to Coal-Fired Power Generation" are publicly available on WestLB's website.

### **FS4 Process(es) for improving staff competency in addressing environmental and social risks and opportunities**

Our employees are obliged to report special reputational risks and potential reputational damage.

Sustainability-relevant training courses which are compulsory for most employees include quality-assurance seminars on compliance (with laws and regulations), money laundering, data protection and operational risk management. Employees working in business units that have to do with specialised finance undergo extensive training with respect to environmental and social issues.

Each individual employee plays an important role in the consistent implementation of our Policy. To raise employees' awareness for our high environmental and social standards at an early stage and ensure correct application of the Policy, we have incorporated it into our basic training and several specialist training courses. In addition, comprehensive electronic information is available to all employees. The Policy is also included in the Bank's electronic manuals.

**FS5 Description of interactions with clients and other stakeholders regarding environmental and social risks and opportunities**

See 4.16

**Aspect: Product portfolio**

**FS6 Portfolio of business units broken down by regions, size and sectors**

Sustainability aspects in WestLB’s core business

	Structured Finance	Debt and Equity Markets	Corporate & Structured Finance Products	Corporates & Verbund
Products (examples)	Financing of complex infrastructure projects in Germany and abroad	Capital investment products for institutional and private investors	Capital market products and services for enterprises and investors	Corporate lending
Implementation of sustainability (examples)	Social and environmental standards in the assessment and financing of projects (Equator Principles)	Sustainable investments, certificates, integrated ESG financial analysis and corresponding equities business	Capital issues, mergers and acquisitions as well as IPOs in the fields of renewable energies and energy efficiency	Social and environmental standards for large loans, expansion of business with medium-sized companies in the field of environmental technology

For the regional positioning of WestLB and the economic importance of the individual units of the Bank, please refer to 2.5 and 2.7.

**FS7 Products and services with a social focus broken down by business units**

We finance numerous projects that serve society, e.g. important infrastructure projects for social and economic development in the regions.

**FS8 Products and services with an environmental focus broken down by business units**

We offer our private clients various capital market products and services allowing them to incorporate sustainability aspects into their investment decisions. Basket certificates such as “Open-End New Energy-Active”, “Solarthermie-Plus-Active” or “Klimawandel-Active”, for instance, give them the opportunity to invest in the renewable energy sector. Another example is the “Open-End ESG-Sustainability” certificate (ESG: Environmental, Social, Governance), which is based on high sustainability standards as defined in our Extra Financial Rating system and therefore covers only those companies that are the ESG leaders in their respective sectors. Corporate clients are supported by WestLB in analysing potential ESG investors and approaching them, e.g. in the context of ESG roadshows or conferences.

In the context of our project financing activities, we also support many projects offering value added relating to the environment, e.g. in the field of renewable energies. In this market segment, we again received numerous awards in 2010. The financial magazines “Finance Asia” and “Asiamoney” voted our financing of the Collgar Wind Farm in Australia “Best Project Finance Deal for Australia & New Zealand 2010” and “Best Project Financing Australia 2010“, respectively. The “Shepherds Flat“ wind farm project of the year 2010 won two awards, namely “Renewable Energy Deal of the Year“ from “Environmental Finance” and “Best Renewables Deal“ from the Internet platform “Power Finance & Risk“.

**Aspect: Audit**

**FS9 Audits assessing the implementation of environmental and social policies and processes for**

**risk analysis**

In the context of our Bank-wide Policy for Environmental and Social Issues, we have implemented audit processes for the assessment of social and environmental risks and specified clearly defined responsibilities (also see FS2 and FS3).

**Aspect: Active involvement****FS10 Equity investments where a dialogue on environmental and social aspects was held**

No investments in the reporting period.

**FS11 Fixed assets valued according to environmental and social aspects**

We also want to promote sustainability in the capital market through our products and services, e.g. through a structured product investing in greenhouse gas certificates from climate protection projects or our Open-End ESG Sustainability Share Certificate (ESG = Environmental, Social and Governance; see FS8).

Apart from the investments in sustainability certificates of WestLB AG, the sustainable investments managed by the WestLB Group's asset management arm (WestLB Mellon Asset Management) currently represent between 0.5 and 2 percent of the assets under management, depending on the asset class. Going forward, we intend to expand our range of sustainable investment products significantly.

Since 2008, we have also focused on the systematic integration of ESG (Environmental, Social and Governance) criteria into our equity and equity product activities. For this purpose, we have pooled our award-winning Extra Financial Research unit with the conventional Equity Research unit.

**FS12 Exercise of voting rights regarding environmental and social issues of investee companies**

Not reported.

## 5.2 Economic: Management approach and performance indicators

### Management approach

We want to make an important contribution to sustainable economic growth and aspire to be one of Germany's leading financial institutions in terms of sustainability. In the past years, we have therefore integrated sustainability aspects into our core business and defined clear areas for sustainability action. In this context, we want to exploit not only our own growth opportunities with the help of forward-looking products but also offer our clients products and services that contribute to their sustainable success.

This is done on the basis of our strong positioning: As a service provider to the largest savings bank network in Germany, we have strong regional roots and cooperate closely with our alliance partners. At the same time, we have long-standing international experience and offer customer-oriented solutions building on our structuring and capital market expertise. Consistent risk and reputation management is a key element of our sustainability management activities.

Our economic activities are based on clear ethical, social and environmental policies and guidelines, in particular:

- the 10 principles of the UN Global Compact
- the Equator Principles
- the recommendations of the German Corporate Governance Code
- the WestLB Policy for Environmental and Social Issues
- the Compliance Guidelines of the WestLB Group

### Aspect: Economic performance

#### EC1 Economic value created and distributed

##### Overview of financial key performance indicators of the WestLB Group

	2008	2009	2010	Jan. 1 - June 30, 2011
Total assets in € billion	288.1	242.3	191.5	160.4
Equity in € billion	3.8	3.7	4.1	4.2
Employees (full-time)	5,663	4,971	4,473	4,376
Credit risk provisions in € million	1,216	1,868	1,457	565
Net fee and commission income in € million	-479	-796	-242	- 5
Net trading result in € million	341	381*	368	120
Result from financial investments in € million	47	-188*	-478	26

Administrative expenses in € million	-19	-10	-88	9
thereof personnel expenses in € million	1,341	1,192	1,023	480
Profit before income tax in € million	645	598	486	251
Income tax in € million	26	-503	-133	50
Group result in € million	-8	-28	-107	-14
Total assets in € billion	18	-531	-240	36

\* In the year under review, the recognition of commission expenses related to held-for-trading transactions was modified and the prior year figures were adjusted accordingly.

## EC2 Financial implication of climate change

As a financier of large international infrastructure projects, we are aware of the environmental, economic and social risks resulting from climate change. We therefore include these risks in our risk analysis (see FS2).

As a large bank and project financier, we also want to make an active contribution to climate protection – e.g. by achieving a global breakthrough for renewable energies. This also opens up great economic potential for the Bank, which is why we are developing on an ongoing basis our climate strategy in this direction.

We have demonstrated our expertise in climate-friendly energy generation in the context of various large-scale projects. Here, too, we closely examine the potential social and environmental risks of the projects, obliging producers, suppliers and offtakers to answer detailed questions about their production standards.

In cooperation with other banks and with non-governmental organisations, WestLB has made important preparations for a Bioenergy Policy in 2010/2011. Besides a general Biofuels Policy, the aim is to define minimum criteria for palm oil, soy, wood and sugar cane. In this context, the new sustainability standards imposed by the EU for bioenergy could play a central role, e.g. with the bank requiring its clients to apply the most widely accepted standards. Until the Policy is adopted, the Bank will scrutinise each individual case.

## EC3 Coverage of benefit pension plan obligations

### Provisions 2009 - 2010

(in EUR millions)	2009	2010
Provisions for pensions and similar obligations	829	806
Provisions in the lending business	63	42
Provisions for personnel expenses	338	292
Restructuring provisions	528	575
Other provisions	240	189
<b>Total provisions</b>	<b>1,998</b>	<b>1,904</b>

Most active and former employees are covered by defined contribution or defined benefit pension plans with commitments to provide retirement benefits, survivors' benefits and disability benefits. The benefits provided by the Group are determined in accordance with the legal and tax conditions applicable in each country.

#### **EC4 Financial assistance received from government**

At the Annual General Meeting in April 2010, the owners of WestLB signed the agreements for the spin-off of the main portfolio of non-strategic activities and risk-bearing assets of the Group in an amount of approx. EUR 71 billion. The spin-off and absorption pursuant to section 123 para. 2 No. 1 and section 131 para. 1 of the German Transformation Act (UmwG) in conjunction with section 8 a para. 8 of the German Financial Market Stabilisation Fund Act (FMStFG) was entered in the Düsseldorf Commercial Register on April 30, 2010. The main portfolio was transferred to Erste Abwicklungsanstalt (EAA) with retroactive effect from January 1, 2010. Including the sub-portfolio of approx. EUR 6 billion spun off in December 2009, the total portfolio transferred by the Group amounted to approx. EUR 77 billion.

Erste Abwicklungsanstalt (EAA) received equity capital totalling approx. EUR 3 billion through the spin-off from WestLB as well as guarantees worth EUR 1 billion from WestLB's owners. The latter are obliged to compensate for any losses incurred by EEA which are not covered by the equity capital or the guarantees. SoFFin, in turn, holds a silent participation of EUR 3 billion in the WestLB Core Bank (WestLB after the spin-off of the EUR 77 billion portfolio).

#### **Aspect: Market activity**

#### **EC6 Spending on locally based suppliers**

Not reported.

#### **EC7 Local hiring for senior management positions**

Our human resources selection and development processes are exclusively based on the skills, the development potential and the individual performance of applicants and employees.

#### **Aspect: Indirect economic benefits**

#### **EC8 Infrastructure investments and services provided primarily for public benefit**

As part of our commitment to society, we pay special attention to the promotion and development of underprivileged and vulnerable groups. WestLB's "Zukunft NRW" Foundation, for instance, supports the "Health and Fitness in Children and Youths" project. In view of the growing number of overweight and obese children and youths in Germany, the project is aimed at developing, testing and the long-term supply of instructional materials for fitness and a healthy diet of children and young people. The project focuses on the development of an Internet platform providing various services, which is scheduled to go online in December 2011. The initiative is particularly aimed at children from disadvantaged families or with a migration background, who are especially affected by overweight. The project is hosted by the German Research Centre of Competitive Sports, "momentum", of the German Sports University in Cologne.

In cooperation with “Düsseldorfer Drogenhilfe e.V.”, WestLB’s “Zukunft NRW” Foundation launched the “Beratung vor Ort” (local advice) project in February 2010, which is specifically targeted at young Russian-speaking immigrants. The project aims to create new and better ways to reach young Russian immigrants in order to support their integration into society. The core elements of the project include secondary addiction prevention and early intervention, inclusion and networking of local offerings, better contactability and local advice of the parents as well as educating and training multipliers.

Another important social topic is the promotion of educational quality. WestLB’s “Zukunft NRW” Foundation therefore supports a project that is designed to increase students’ interest in maths-based subjects and promote their respective skills. For this purpose, the “Fraunhofer-Institut für Algorithmen und Wissenschaftliches Rechnen” has developed innovative teaching modules to train students’ mathematic and algorithmic thinking. The modules aim to provide an insight into the mathematics on which everyday applications such as mobile phones, MP3 players or credit cards are based and to provide teachers with materials for innovative teaching. We support the project as we hope it will have positive medium to long-term effects on the number of young people training in technology-related professions and lead to better qualification of young people seeking vocational training.

We also aim to enhance the quality of university education, e.g. by providing financial support to outstanding and/or innovative chairs, especially in the banking and financial sector. For many years, WestLB has been one of the main sponsors of Handelshochschule Leipzig, to which we have funded a chair for “Business Administration - Banks and Financing”.

In addition, WestLB promotes young musical talent in North Rhine-Westphalia by providing them with instruments; in cooperation with the WestLB Foundation “Zukunft NRW”, the Bank sponsors the North Rhine-Westphalian “Jugend musiziert” competition.

### 5.3 Environmental: Management approach and performance indicators

#### Management approach

In contrast to the manufacturing sector, a bank's direct impact on the environment primarily relates to buildings and offices, procurement and mobility. To make these factors as sustainable as possible, WestLB has established a comprehensive environmental management system. The documentation of our material and energy flows in an eco-balance (since 1997) allows us to identify and exploit potential savings – in the interest of environmental protection and cost reduction. For this purpose, we use the web-based "SoFi" software to collect and assess the environmental data of our operations. In accordance with the applicable standards defined by "Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V. (VfU)" (Association for Environmental Management and Sustainability in Financial Institutions), the environmental data is divided into three categories – Inventories, Input and Output.

Since 2007, our German locations in Düsseldorf (3 buildings) and Akademie Schloss Krickenbeck have been certified to the international ISO 14001 environmental management standard. Our environmental management system was successfully recertified in 2010. The environmental auditors have thus confirmed that WestLB systematically analyses its environmental impact and is constantly working to reduce it. The Environmental Management Department forms part of the organisational unit (OU) "Occupational Safety and Operational Ecology", which is part of the "Organisation & Services" business unit. Headed by the Environmental Protection Officer for Operational Ecology, the Department evaluates existing environmental protection measures, increases their efficiency, identifies potential for optimisation and defines responsibilities. Equally important is the involvement of employees, whose behaviour at work makes an important contribution to saving natural resources and reducing environmental impacts.

Our environment management objectives have been compiled in the Environmental Programme for 2010–2012. We report on these objectives and the state of implementation in the context of our sustainability programme in our 2011 Sustainability Report.

WestLB Mellon Asset Management, the asset manager of the WestLB Group, is a signatory of the annual questionnaire of the Carbon Disclosure Project.

#### Information on data collection

We present key environmental figures and their changes in annual environmental reports that are based on the eco-balance. Data collection is based on the accounting standards of VfU. The environmental key performance indicators relate to the German locations in Düsseldorf, Frankfurt/Main (six buildings), Akademie Schloss Krickenbeck and 11 international locations. External staff working in WestLB's buildings were included in the calculation, whereas employees who work from home or are on parental leave were not included. The data thus covers 85.2 percent of all employees in Germany and 100 percent of employees at the Group's international locations. This means that we complied with the VfU standard in all cases. Unless stated otherwise, the specific values have been extrapolated to 100 percent of the workforce. The following staff numbers (FTE + external staff) were taken as a basis for the calculation of the environmental figures:

WestLB Germany: 3,622, WestLB international: 1,292, WestLB as a whole: 4,914

## Aspect: Consumption of materials

### EN1 Weight/volume of materials used

Paper consumption at WestLB AG was reduced significantly in 2010 compared to the previous year. While 211.4 tons (t) of paper (excluding advertising materials) were used in Germany in 2009, this dropped to 166.71 t in 2010, a reduction by 21 percent. Per-capital consumption was reduced by over 20 percent. It is gratifying to see that the percentage of recycled paper in Germany picked up again, namely from 43.7 percent in 2009 to 52.2 percent in 2010.

At the international locations, the specific figures were down by 32 percent and 12 percent, respectively.

### Paper consumption WestLB 2008 to 2010

	2008	2009	2010
Absolute office paper consumption in Germany (t)	252.76	211.44	166.71
Absolute office paper consumption international (t)	108.94	79.22	53.54
Specific office paper consumption in Germany (kg/empl.)	53.5	56.1	45.7
Specific office paper consumption international (kg/empl.)	55.4	48.3	41.4

The staff canteen at our Düsseldorf headquarters is a good place for sustainable and environmentally friendly activity. The purchase of organic products (13.2 percent) or regional products (19.8 percent) makes it possible to reduce the environmental impact considerably and to support regional suppliers.

During the reporting period, the canteen at Akademie Schloss Krickenbeck started to purchase organic products (3.5 percent) as well as produce from local farmers (32.4 percent).

### Food consumption Düsseldorf 2008 to 2010

	2008	2009	2010
Absolute food consumption (t)	1,434.5	1,363.2*	1,496.5
Percentage of convenience products (%)	56.7	56.7	56.7
Percentage of organic products (%)	13.2	13.2	13.2
Percentage of conventional products (%)	10.4	10.4	10.3
Percentage of regional products (%)	19.7	19.7	19.8

\* The deviation from the 2009 GRI balance sheet is attributable to the retrospective adjustment of the figure. We consider it appropriate to report the most recent available figures.

**EN2 Percentage of materials used that are recycled**

The recycled paper ratio increased by 8.5 percent from 43.7 percent in the previous year to 52.2 percent. Going forward, we will therefore focus on increasing the ratio again. We have set a target of 75 percent for the year 2012.

**Percentage of recycled paper WestLB AG Germany 2008 to 2010**

	<b>2008</b>	<b>2009</b>	<b>2010</b>
Recycled paper (post-consumer recycled) in %	63.6	43.7	52.2

**Aspect: Energy**

### EN3, EN4 Direct and indirect energy consumption

We constantly work to improve the energy management of our buildings. The savings we have achieved show that the consistent leveraging of optimisation potential pays off from an environmental and economic point of view. We want to establish this process permanently and therefore plan to have the process certified to the new DIN-EN 16001 Energy Management standard at the end of 2011.

We were again able to achieve energy savings in 2010. Primary energy consumption at WestLB AG in Germany declined by 13 percent in absolute terms and by 9 percent in per-capita terms. The calculation was based on the new VfU Factors, Update 2010.

The savings are attributable to the decline in kilometres travelled and reduced energy consumption.

While primary energy consumption at the international locations declined by 23 percent in absolute terms, the per-capital figures remained unchanged from the previous year, which is due to the staff reductions.

#### Direct and indirect energy consumption WestLB AG Germany 2009 to 2010

Primary energy [GJ]	2009 absolute	2010 absolute	2009 per capita	2010 per capita
Direct energy	206,974	233,123	54.7	64.4
Indirect energy	352,491	274,672	93.1	75.8
Other indirect energy	122,011	86,755	32.2	24.0
Total energy	681,476	594,550	180	164.2

#### Direct and indirect energy consumption WestLB AG international 2009 to 2010

Primary energy [GJ]	2009 absolute	2010 absolute	2009 per capita	2010 per capita
Direct energy	118,152	89,382	70.1	69.2
Indirect energy	257,683	199,641	153.0	154.5
Other indirect energy	57,030	43,066	33.9	33.3
Total energy	432,865	332,089	257.0	257.0

#### Aspect: Water

**EN8 Total water withdrawal by source**

WestLB consumes water for technical purposes, the kitchens and the sanitary facilities. Water consumption at all locations was much higher in 2010 than in the previous year. Water consumption at the German locations and the international locations increased by 13 percent and 26 percent, respectively, in absolute terms.

The German locations exclusively withdraw drinking water from the public network. Only insufficient data is available for the international locations. The structure of water consumption suggests that most of the water supplied worldwide is drinking water.

**Water consumption WestLB 2008 to 2010**

	2008	2009	2010
Total drinking water consumption WestLB Germany (m <sup>3</sup> )	134,466	104,834	118,497
Total drinking water consumption WestLB international (m <sup>3</sup> )	54,633	35,176	44,426
Total water withdrawal per employee WestLB Germany (l/empl./day)	161	139	156
Total water withdrawal per employee WestLB international (l/empl./day)	138	102	164

**Aspect: Biodiversity****EN11 Land used in protected areas**

The locations of WestLB AG and its subsidiaries are not situated in protected areas. The only exception is WestLB-Akademie in the historical Krickenbeck castle, with 95 hectares of woodlands. WestLB has incorporated the site into the "Krickenbecker Seen" nature reserve and built a "biological station".

**EN12 Significant impacts of activities on protected areas**

Not relevant in direct banking operations.

**Aspect: Emissions, wastewater and waste**

**EN16, EN17, EN18 Direct and indirect and other indirect greenhouse gas emissions**

The VfU Factors, Update 2010, were used for the calculation of the greenhouse gas emissions for the first time in 2010.

The total amount of green house gas emissions was reduced at all WestLB locations. While emissions in Germany were reduced by 21 percent, the international locations achieved savings in excess of 32 percent. Here, too, the savings are attributable to the decline in business travel and the reduced energy consumption.

Business travel: In the reporting period, WestLB employees in Germany and at the international locations travelled at total of 28.4 million km and 22.2 million km, respectively, on business trips. In Germany, car travel accounted for 49 percent, while rail and air travel represented 9 percent and 42 percent, respectively. The kilometres travelled per employee were down by 12 percent on the previous year.

At the international locations, the per-capita figures increased by 37 percent, while the absolute figures were up by 5 percent. Here, too, the staff reductions made themselves felt. Accounting for 96 percent, air travel accounted for the bulk of the kilometres travelled, followed by rail and car travel with 2 percent each.

The incorporation of carbon emissions in the company car regulations has been implemented; we are still working on a reduction in air travel through greater use of video conferences.

**Greenhouse gas emissions WestLB Germany 2008 to 2010**

	2008	2009	2010
Total emissions (t CO <sub>2</sub> e)	32,171	28,133	22,075
Direct emissions (t CO <sub>2</sub> e)	4,656	4,140	8,090
Indirect emissions (t CO <sub>2</sub> e)	18,846	15,872	10,129
Other indirect emissions (t CO <sub>2</sub> e)	8,669	8,121	3,855

**Greenhouse gas emissions WestLB international 2008 to 2010**

	2008	2009	2010
Total emissions (t CO <sub>2</sub> e)	23,651	19,985	13,556
Direct emissions (t CO <sub>2</sub> e)	1,600	1,347	3,029
Indirect emissions (t CO <sub>2</sub> e)	13,258	12,391	9,524
Other indirect emissions (t CO <sub>2</sub> e)	8,793	6,247	1,003

**EN19 Ozone-depleting substances**

Not relevant due to the operational and product structure of a financial service provider.

**EN20 NOx, Sox and other significant air emissions**

Not relevant due to the operational and product structure of a financial service provider.

**EN21 Total amount and quality of water discharge**

Not relevant due to the operational and product structure of a financial service provider.

## EN22 Waste by type and disposal method

Most of the Bank's waste is paper, packaging material and residual waste. The waste management concept introduced in 2009 aims to optimise the separation of these waste components.

In 2010, the total waste volume in Germany stabilised at a high level of 1,938 t. The per-capita waste volume in Germany declined from 544 kg in 2009 to 535 kg in 2010. These figures are still high and are attributable to the waste produced in conjunction with the branch closures.

The percentage of reusable waste declined from 43.5 percent to 29.8 percent in Germany.

### Waste volume\* by disposal methods WestLB AG Germany 2008 to 2010

	2008	2009	2010
Total waste volume (t)	2,074	1,938	1,938
Specific waste volume (kg/empl.)	595	544	535
Sorted and reusable resources (%)	38.9	45.3	29.8
Waste for incineration (%)	61.1	54.2	69.5
Specially treated waste (t)	3.9 t	9.5	0.7

### Waste volume\* by disposal methods WestLB AG international 2008 to 2010

	2008	2009	2010
Total waste volume (t)	674	601	415
Specific waste volume (kg/empl.)	276	319	321
Sorted and reusable resources (t)	233.02	114.6	60.5
Specially treated waste (t)	6.6	2.5	2.6

\* Does not include those waste components that were stated only in units (toner cartridges = 3,898 units; fluorescent lamps = 4,773 units and refrigerators = 7 units).

\*\* Deviations from the figures in the 2009 and 2010 Sustainability Reports are attributable to the German Tenancy Act. The energy consumed in the leased offices is charged with a certain delay, which means that estimates had to be used in some cases.

## EN23 Release of hazardous substances such as oils, chemicals, etc. by numbers and volumes

Not relevant due to the operational and product structure of a financial service provider.

### Aspect: Products and services

## EN26 Initiatives to mitigate environmental impacts of products and services

See points 4.11, FS1 and FS2.

**EN27 Percentage of products whose packages were recycled**

Not relevant due to the operational and product structure of a financial service provider.

**Aspect: Compliance**

**EN28 Fines and sanctions for non-compliance with environmental regulations**

None.

## 5.4 Society

### 5.4.1 Working environment and working conditions

#### Management approach

It is essential that WestLB's responsibility and sustainability structure are supported by the Bank's employees. Otherwise, sustainability will remain an empty phrase and business potential will remain unused. We therefore lay the foundation for fair and responsible dealings with each other, which builds on trust, respect and equal opportunities. The process in which all employees should address and embrace our values is a long-term one. Therefore, sustainability management is also change management and a challenge that needs to be mastered under the pressure of day-to-day business. This is why WestLB's Sustainability Management Department, in cooperation with the Human Resources business unit, has begun to incorporate sustainability issues into the Group's training offerings (see Our Sustainability Programme).

We can master the structural and economic challenges only if our employees deliver top performance. We also expect them to embrace our corporate values and to put them into practice in day-to-day business. At the same time, we promote the diversity and creativity of our staff by creating conditions under which every single one of them can unfold their potential to optimum effect. As we know that the skills and knowledge of our employees are key to our success, we offer effective qualification enhancement measures and concentrate our HR management activities on the development of young talent.

In 2011, WestLB was voted one of Germany's "top employers" for the seventh consecutive time. Since 2004, we have been awarded the "Fair Company" seal, which shows that WestLB offers fair conditions to career starters.

#### Aspect: Employment

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

As of December 31, 2010, the WestLB Group employed 4,712 people, which is equivalent to 4,473 full-time employees. 95 percent of them worked in OECD countries.

#### LA2 Breakdown of employee turnover by age group, gender and region

Global employee turnover in the WestLB Group amounted to 11.9 percent in 2010, 5.5 percent of the employees terminated their employment. The average job tenure for the WestLB Group as a whole is eleven years, compared to 13 years in Germany and eight years abroad.

#### Aspect: Co-determination

#### **LA4 Employees covered by collective bargaining agreements**

WestLB expressly acknowledges employees' right to internal and unionised representation of interests and supports collective bargaining. The regulations and agreements reached between WestLB AG and the Staff Council generally apply to all employees in Germany (with the exception of executives). This means that 99 percent of the German workforce is represented by staff councils.

#### **Working hours and basic social insurance WestLB AG total 2008 to 2010**

	<b>2008</b>	<b>2009</b>	<b>2010</b>
Percentage of employees with 25 vacation days and more	89 %	89 %	<b>89 %</b>
Percentage of employees with 30 vacation days and more	73 %	73 %	<b>74 %</b>
Percentage of employees with less than 40 working hours/week*	97 %	97 %	<b>97 %</b>
Percentage of employees with up to 48 working hours/week *	100 %	100 %	<b>100 %</b>
Percentage of employees benefiting from full freedom of association	100 %	100 %	<b>100 %</b>
Percentage of employees represented by staff council members	73 %	72 %	<b>74 %</b>
Percentage of employees covered by company/state pension scheme	94 %	94 %	<b>93 %</b>
Percentage of employees covered by company/state health insurance	97 %	97 %	<b>97 %</b>

#### **LA5 Minimum notice periods regarding operational changes**

The decision taken by the European Commission in May 2009 required us to further streamline the national and international branch network. The employees affected by the closure of the Cologne Branch - just like all employees affected by closures in Germany - were offered comparable jobs in Düsseldorf. Outside Germany, the locations in Dubai and Paris were closed and the subsidiaries WestLB Bank Polska S.A., WestLB International S.A. Luxemburg and Banque d'Orsay were sold.

In keeping with past practice, the staff reductions were implemented in a socially compatible manner based on mutual agreements. Our employees are kept informed of the ongoing and planned restructurings and the staff council holds regular staff meetings.

By the end of 2010, the number of employees had been reduced by approx. 10 percent compared to the previous year. As of December 31, 2010, the WestLB Group employed 4,712 people or 4,473 full-time employees, compared to 5,214 people and 4,971 FTEs at the end of 2009.

#### **Aspect: Safety and health**

#### **LA7 Injuries, absentee rates and fatalities**

The number of work accidents increased from 36 in 2009 to 48 in 2010. This includes 30 accidents on the way to work, 17 accidents at work and one company sports accident. Reducing the number of accidents is an important objective for next year.

#### **LA8 Risk-control programmes regarding serious diseases**

In-house Medical Service: This is available to all employees free of charge. In addition, we have organised preventive activities (e.g. back training and business yoga) for over ten years.

Coping with stress: This has been a fixed item on the agenda of our Training Academy at Schloss Krickenbeck (Germany) for many years and is complemented by in-house courses offered by WestLB's Social Counselling Service and a "health day" organised in 2010.

Ergonomic design of workplaces: We have all workplaces regularly checked in accordance with the latest medical findings and take corrective measures wherever required. As many as one third of our (domestic) workforce already work at electronically height-adjustable desks.

Social Counselling Service: The Social Counselling Service performs an important preventive task and has therefore installed an internal, confidential counselling desk that offers effective help at an early stage; it coordinates the social network activities such as access to (external) bodies and services.

Addiction prevention: This is a key aspect of our prevention work. The Social Counselling Service supports executives, HR managers and special interest representatives in talks with affected employees and in the reintegration of employees who have completed therapy.

#### **Aspect: Vocational training and further education**

#### **LA10 Training hours by employee category**

Training/Further education: With a view to maintaining the qualifications of our employees at a high level and enhancing them in line with actual requirements, WestLB again invested in compulsory and voluntary training for staff development in 2010. Training courses that are compulsory for all or most employees include quality-assurance seminars on compliance (with laws and regulations), money laundering, data protection and operational risk management. Employees working in business units that have to do with specialised finance undergo extensive environmental and social training.

Vocational training: In 2010, 28 apprentices/trainees completed their vocational training at WestLB, while 20 young people started their training. Apprentices and trainees accounted for 2.3 percent of the total workforce in 2010.

#### **Further education WestLB Germany 2008 to 2010**

	<b>2008</b>	<b>2009</b>	<b>2010</b>
Percentage of employees eligible for further training	100 %	100 %	100 %
Percentage of employees using further training opportunities	67 %	84 %	78 %
Average number of training days per participant	2.4	2.9	2.7
Average number of training days per employee	1.6	2.4	2.7

#### **Aspect: Diversity and equal opportunities**

**LA13 Composition of senior management and breakdown of employees (e.g. age/gender/culture).**

Percentage of women in management positions: In 2010, the percentage of women in qualified specialist positions was up by 0.2 percent on the previous year to 27.6 percent. By contrast, the percentage of women in management positions declined moderately to 21.8 percent. At 45.3 percent, the total percentage of women was down by 0.2 percent on the year 2009.

**Percentage of women in management positions WestLB AG 2008 to 2010**

	2008	2009	2010
Total percentage of women	43.9 %	45.5 %	45.3 %
Women in management positions	23.4 %	22.8 %	21.8 %
Women in positions not covered by the collective employment agreement	27.7 %	27.4 %	27.6 %

Age structure: 63 percent of the employees of the WestLB Group are aged between 36 and 50 years. 21 percent are younger than 36 years, while 16 percent are older than 50.

**Age structure in WestLB AG 2008 to 2010**

Age	2008	2009	2010
up to 25	3 %	2 %	2 %
26 - 30	10 %	9 %	8 %
31 - 35	14 %	13 %	11 %
36 - 40	22 %	20 %	19 %
41 - 45	23 %	24 %	24 %
46 - 50	16 %	18 %	20 %
51 - 55	8 %	9 %	11 %
from 56	4 %	5 %	5 %

**LA14 Rate of basic salary of men to women by employee category**

The compensation of our employees is not gender-based. The salaries are fixed depending on responsibilities and tasks, qualification and performance.

## 5.4.2 Human rights

### Management approach

WestLB embraces, supports and enacts a set of core values in the area of human rights. We understand the principles of the United Nations' Global Compact as a general framework for our corporate responsibility and apply them throughout the Group.

We incorporate sustainability criteria in our contracts with suppliers and in the objectives agreed in the context of our supplier development activities. This includes clearly defined requirements regarding fair working conditions, the prohibition of child labour and corruption and the obligation to act in an environmentally compatible manner. Our sustainable procurement standards and objectives have been laid down in our Procurement Manual. In addition, we offer special training courses on sustainability management for our procurement staff.

### HR1 Percentage/number of investment agreements with HR clauses or screening

Screening is obligatory for all project loans.

### HR2 Percentage of suppliers and contractors that underwent screening on human rights

As a financial service provider, we currently see no need to subject our suppliers to comprehensive screenings on human rights.

### Aspect: Anti-discrimination

### HR4 Incidents of discrimination and action taken

None.

### Aspect: Freedom of association and collective bargaining rights

### HR5 Operations with significant risks to freedom of association

In view of our operational and product structure, we see no risk to the freedom of association arising from our business activities.

### Aspect: Child labour

### HR6 Operations with significant risk for incidents of child labour and measures taken

In view of our operational and product structure, we see no risk regarding child labour arising from our business activities.

### Aspect: Forced labour

### HR7 Operations with significant risk for incidents of forced or compulsory labour and measures taken

In view of our operational and product structure, we see no risk regarding forced or compulsory labour arising from our business activities.

### 5.4.3 Society

#### **Fundamental principles of our social commitment**

WestLB takes its social and ethical responsibility very seriously and has defined a Donation Policy, which consists of five development guidelines.

- North Rhine-Westphalia: “We assume social responsibility for our home region of North Rhine-Westphalia.“
- Sustainability: “We are committed to sustainability in life and business.“
- Innovation: “We support innovative approaches to solving social problems.“
- Partnership and Sponsorship: “Together we are stronger - WestLB remains a reliable partner and sponsor.“

#### **Compliance management**

In its capacity as a European commercial bank WestLB provides financial services and products to customers based in many different countries and jurisdictions. As a result, our operations are subject to a wide variety of legal and supervisory regulations. All WestLB employees are bound to comply with the entirety of these provisions and regulations in particular with regard to securities dealings and investments as well as in terms of anti money-laundering regulations and provisions regarding the financing of terrorist activities.

To this end, we have drafted a unified code of conduct and implemented a set of Group-wide compliance regulations which are valid for all employees. These unified standards are complemented by local provisions reflecting the regulatory requirements imposed by the countries and jurisdictions where WestLB does business. Compliance criteria are also incorporated into our contracts with suppliers and the objectives agreed in the context of our supplier development activities.

WestLB’s Group Compliance unit is represented at all major national and international WestLB branches and offices. Its remit is to advise, train and support all employees involved in rendering relevant services with a view to preventing violations of applicable laws and regulations, thereby precluding the risk of WestLB incurring sanctions and reputational losses. The activities of Group Compliance are also designed to help ensure that all WestLB customers and all other market participants are treated fairly and free from conflicts of interest without compromising the Bank’s legitimate commercial interests and objectives.

Having recognised the importance of, and its responsibility for, full compliance with all relevant rules and codes, WestLB has demonstrated its commitment to compliance by setting up a self-contained Group Compliance unit which reports directly to the Chairman of the Managing Board.

#### **Data protection**

Above and beyond the statutory obligation to ensure data protection, the Group Data Protection Officer and the local Data Protection Officers ensure the Group-wide data protection organisation and the local responsibilities. All employees are trained in data protection on the basis of the Group’s Data Protection Principles, a Data Protection Guideline and a compilation of data protection regulations for banks in Germany as well as rules for the cross-border traffic of personal data. In addition, employees are kept informed of data protection issues. A number of internal regulations lay down the regulations that are

relevant for data protection in the WestLB manuals.

**Aspect: Direct environment**

**SO1 Policy to manage impacts on communities in areas affected by activities**

See FS1 and FS2.

**FS 13 Access to financial services in sparsely populated or economically disadvantaged regions**

People in sparsely populated or economically disadvantaged regions have access to all our financial services through our partnership with the savings banks (retail business).

**FS14 Initiatives to improve access for people with disabilities or limited mobility**

Not reported

**Aspect: Corruption**

**SO2 Business units analysed for risks related to corruption**

All

**SO3 Percentage of employees trained in the organisation's anti-corruption policies**

All

**SO4 Action taken in response to instances of corruption**

Not reported.

**Aspect: Politics**

**SO5 Participation in public policy development and lobbying**

We make no donations in cash or kind to political parties or political institutions.

**Aspect: Compliance with laws**

**SO8 Fines/sanctions for non-compliance with laws and regulations**

None

## 5.5 Product responsibility

### Management approach

The sustainability of our products and services is one of our key objectives, as we are committed to exploiting our own growth opportunities through future-orientated products and providing products and services that support the sustainable success of our clients. This commitment is an integral element of our corporate strategy.

The interests of our clients are the focus of our global service network. We want to achieve high customer satisfaction through high quality. Transparency and competent advice are key to this.

To guarantee the high quality of our products and avoid adverse impacts on the environment and society, we follow the WestLB Business Policy and the international standards of the Equator Principles for project finance. The strict application of this Policy and these standards helps us avoid potential risks from the very beginning (see SO1). Other important guidelines governing our responsibility for our products and services include the WestLB Compliance Guidelines and our Conduct of Business Rules.

### FS15 Responsibility for the fair design and sale of financial products and services

We have developed consistent behavioural standards for our services, especially securities dealings and investments, and laid them down in the Compliance Guidelines of the WestLB Group, which apply to all employees worldwide. Our Conduct of Business Rules also have worldwide validity. Compliance with these rules and guidelines is supported and monitored by Group Compliance.

#### Aspect: Customer safety and health

### PR1 Life cycle stages in which health and safety impacts of products are assessed

Not relevant due to the operational and product structure of a bank.

#### Aspect: Labelling of products and services

### PR3 Principles/measures relevant to production information/labelling

We comply with all legal requirements regarding the provision of information about risks related to our products.

### FS16 Initiatives to promote specific financial knowledge by target groups

Not reported.

#### Aspect: Advertising/Promotion

### PR6 Programmes for adherence to laws and voluntary codes

We comply with all laws on advertising and sales promotion. We have not implemented any special additional guidelines.

#### Aspect: Compliance with laws

**PR9 Fines for non-compliance with regulations concerning the use of products and services**

None