

Sustainability.
Status 2008



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Foreword

Dear Readers,

As part of our regular reporting I take pleasure in providing you with an update on WestLB's current sustainability management activities.

Events at WestLB in the past twelve months have been dominated by the developments in the international financial markets, resulting in a profound revision of our business model and far-reaching restructuring measures. However, I want to make one thing clear - we remain committed to our sustainability policies which will be developed further as we move forward. We want to remain a leader in this respect and have demonstrated this aspiration by integrating sustainability aspects into our business processes and by rolling out our sustainability programme across our various business units. These efforts are documented in this 2008 Status Report.

I would like to highlight the fact that we have succeeded in developing a Policy for Environmental and Social Issues in conjunction with external environmental and development organisations. This policy defines our minimum standards of sustainability which are applied to all new business taken on by our Bank. As we continue to create leaner processes, we also push ahead the integration of sustainability aspects into our credit approval processes. For example, by simplifying the Equator Principles process for high-income OECD countries, we have freed capacities which can now be used to do more in-depth research on projects involving greater challenges in terms of sustainability.

2007 saw an almost doubling of the number of transactions actively monitored by our Sustainability Management unit. Apart from financing a number of projects in the renewables space, we also launched several innovative capital investment products including a derivative instrument investing in greenhouse gas certificates from climate protection projects abroad.

Our efforts and progress in the field of sustainability attracted positive comments and coverage also in 2007. The sustainability credentials of our products were expressly singled out by the auditors conducting the ISO 14001 certification attained by WestLB in 2007. The Financial Times and the International Finance Corporation, a member of the World Bank Group, awarded a special prize to WestLB and other institutions for their successful evolution of the Equator Principles.

On the following pages you will find further information on our product-related and operational sustainability aspects, our annual report on the Equator Principles compliance as well as the Progress Report Under the Global Compact. Your criticism and suggestions are welcome.



Heinz Hilgert

Chairman of the Managing Board of WestLB AG

Managing Environmental and Social Aspects

WestLB pays great attention to risk management aspects particularly during a period of structural change. Our management of ecological and social risks sets standards for our industry. The ambitious goals defined in our 2007-2009 Sustainability Programme are meant to strengthen our pioneering role. During the reporting period we were successful in developing cross-business sustainability principles and in further improving the sustainability assessment processes in our lending business.

Policy for Environmental and Social Issues

In autumn 2007 the Managing Board endorsed the WestLB Policy for Environmental and Social Issues which is binding for all new business taken on by WestLB AG. The principles underlying this policy were developed in a moderated process which benefited from close cooperation between WestLB's business units as well as from the involvement of German and international environmental and development organisations and other stakeholders. The definitions of ecological and social minimum standards were derived from internationally recognised environmental and social standards and complemented by specific internal regulations. These principles are currently being integrated into the structures and processes of our individual business units. Com-

plementary principles are being developed for businesses which call for the application of special sustainability requirements, such as bio fuels energies and climate protection.

Sustainable Lending Business

As one of the initiators of the Equator Principles we responded to the 2006 revision of this international project finance benchmark by further refining our own lending assessment processes. This became necessary because we remain one of the world's leading providers of specialised finance and operate in a sector which places ever higher demands on comprehensive assessments of environmental and social factors.

Incorporating Environmental and Social Aspects Into the Lending Process

We have expanded our four-step approach (see chart) with a view to addressing ecological and social aspects as early and appropriately as possible in our customer relationships. Our Sustainability Management unit is now involved in the regular meetings of our regional "New Deal Committees (NDC)" and the approval process for transactions in high-income OECD countries has been simplified and accelerated.

While responsibility for compliance with WestLB's Policy for Environmental and Social Issues in the lending process (project finance, pre-export finance etc.) lies with our front-office units, implementation and verification are handled by Credit Risk Management and Sustainability Management.

OPTIMISED LENDING DECISION PROCESS AT WESTLB

Step 1 Customer meetings

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.

Unit: Front-office units

Step 2 Initial deal assessment

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

Step 3 Lending process, incl. EP process (cf. page 18 of 2007 Sustainability Report)

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

Step 4 Credit file

Action: Documentation of management requirements in the credit documentation, regular reviews, auditing of the processes

Units: Credit Risk Management, Audit, Environmental Management Officers

Reporting Under the Equator Principles

Under the revised Equator Principles of 2006, the Equator Principles Finance Institutions (EPFI) have committed themselves to publishing annual compliance reports. WestLB fulfilled this requirement voluntarily already in prior years.

Project Finance by Risk Categories

Under the Equator principles, each project finance transaction has to be categorised as being "high" (A), "medium" (B) or "low" (C) risk. A total of 125 transactions were submitted for review by the Sustainability Management unit in 2007. This fig-

ure was clearly higher than in the preceding years, reflecting the early and comprehensive involvement of the Sustainability Management unit in the credit approval process. With a view to categories "A" and "B", both the project statistic and the experience from the category assignment are indicative of the fact that climate change and bio fuels issues are increasingly being included in project finance risk assessments. At the same time, category "A" reflects the undiminished sustainability relevance of mining projects which account for approximately one third of all projects in this category.

2007 PROJECTS BY SECTORS

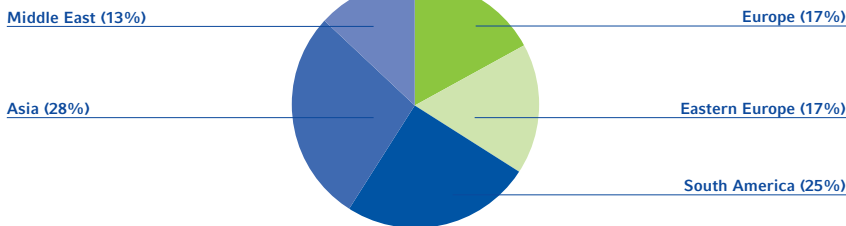
		Projects assessed	Accepted without conditions	Accepted subject to conditions
Category A		42	13	29
Metals and mining	2005	3	0	3
	2006	4	0	4
	2007	8	3	5
Oil and Gas	2005	7	3	4
	2006	1	0	1
	2007	4	2	2
Power generation	2006	1	0	1
	2007	3	1	2
Energy technology*	2007	3	1	2
Infrastructure	2006	2	0	2
	2007	5	3	2
Hotels/resorts**	2007	1	0	1
Category B		157	102	55
Metals and mining	2005	6	4	2
	2006	2	2	0
	2007	4	3	1
Oil and Gas	2005	13	8	5
	2006	6	2	4
	2007	10	7	3
Power generation	2005	16	13	3
	2006	17	10	7
	2007	27	19	8
Energy technology*	2007	14	6	8
Infrastructure	2005	8	3	5
	2006	10	8	2
	2007	13	10	3
Hotels/resorts**	2007	11	7	4
Category C		50	31	19
Metals and mining	2007	1	0	1
Power generation	2007	4	3	1
Energy technology*	2007	6	6	0
Infrastructure	2005	15	1	14
	2006	3	3	0
Hotels/resorts**	2007	11	8	3
Telecommunications	2005	7	7	0
	2006	3	3	0
Total		249	146	103

* until 2006: energy technology and power generation included in energy sector

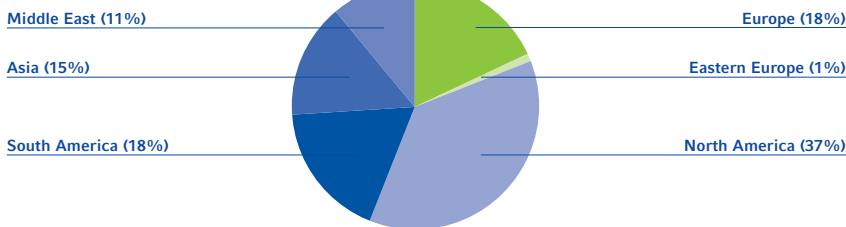
** until 2006: included in infrastructure sector

2007 PROJECTS BY REGIONS

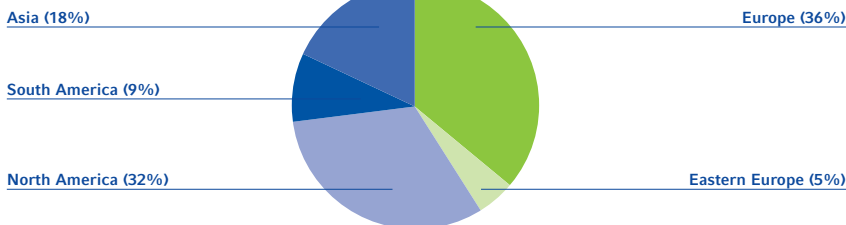
Category A: 24 projects



Category B: 79 projects



Category C: 22 projects



Advisory Role of Sustainability Management

During the reporting period, WestLB's Sustainability Management unit advised not only on proposed project finance deals but also on another 18 business opportunities including pre-export finance transactions. The year 2007 once again showed the importance of on-site visits for the meaningful assessment of projects to be financed. In the past year, members of WestLB's Sustainability team visited various South and Central American as well as Asian countries.

No proposed project was declined solely based on a negative vote by the Sustainability Management department during the reporting period. In several cases, however, the latter's assessment of environmental and social risks resulted in the Bank as a whole taking a cautious view of proposed lending transactions. Three such transactions were declined by WestLB in 2007. These included two project finance deals - a gold mine project in Mainland South East Asia and the exploration of a natural gas field in the Indonesian archipelago - as well as an export finance arrangement for nuclear facilities in Eastern Europe.

Sustainable Capital Investments

In the capital markets products department, the reporting period saw the development of a structured investment product investing in greenhouse gas certificates from climate protection projects in the emerging markets. We worked with the investment advisor to define a high standard of sustainability to be laid down in the fund company's purpose and its investment criteria. For example, all projects are in the areas of renewable energies and energy efficiency and need to demonstrate that they become feasible only through the additional revenues from the sale of the greenhouse gas certificates. Depending on the type of project, appropriately conservative calculations are applied in order to achieve the highest possible climate protection effects.

In addition to the already existing sustainability-oriented stock basket and index certificates, the business unit in charge of structured investment products worked with the Sustainability Management unit to develop strategies for Sustainable Alternative Investments (investment products apart from stock, bond, money market and other securities and fund investments). The volumes of sustainable investments managed by WestLB Group asset managers (WestLB Mellon Asset Management and Banque d'Orsay) rose by 58 percent to a total of EUR 112 million in the 2005 to 2007 period.

Sustainability and Reputation

The growing integration of sustainability aspects is also exemplified by a newly created process for managing reputational risks. This process covers all of the Bank's products and services. Employees are obliged to report particular reputational risks and potential reputational damages. The subsequent analysis involves all relevant departments in a clearly structured decision process, with sustainability criteria playing an important role. For example, this process may serve to define supporting measures or conditions allowing to go forward with a flagged transaction without exposing the Bank to undue reputational risks. In extreme cases, a proposed transaction may even be declined.

Institutionalised Stakeholder Dialogues

We use a variety of forums to engage in dialogue on the further development of sustainability management and sustainable business activities. The Chairman of the WestLB Managing Board is represented on our Sustainability Advisory Council which facilitates dialogue on ecological and social issues. The WestLB dialogue forum on sustainability is a moderated platform for bringing together WestLB's Sustainability Management team with representatives of leading environmental and development organisations.

Special Award for Sustainability

In 2007, WestLB once again garnered the much-noted sustainability award of the Financial Times and the International Finance Corporation, a member of the World Bank Group; WestLB was among the institutions singled out for their special contributions to the further development of the Equator Principles.

Certified Environmental Management

In recent years WestLB Germany has installed an environmental management system covering its three largest buildings in Düsseldorf, the offices in Frankfurt and the Schloss Krickenbeck conference hotel. In December 2007, all locations were successfully certified to the international environmental management standard ISO 14001. The auditors confirmed that WestLB had succeeded in analysing the Bank's environmental impact and



in implementing or launching suitable projects for improvement. The auditors made special mention of our newly introduced management system for product ecology, while also noting the energy savings achieved, the use of food produced with particular respect for both the environment and for social standards in our staff restaurants, and our activities aimed at promoting employee involvement. Notwithstanding the progress attained on several fronts there is still potential for further improvement. We will undergo annual monitoring audits with a view to maintaining, and improving on, the results attained to date. External recertification is planned for the year 2010.

Financial Key Figures

Balance sheet total and results: The WestLB Group's financial year 2007 was overshadowed by two events. The annual result was weighed down by losses incurred in the Bank's own trading in spread positions between ordinary and preference shares during the first half year. Against the background of the crisis in the international financial markets, WestLB subsequently also had to absorb valuation losses which had a substantial impact on the overall 2007 result. The negative Group result of EUR 1,601 million was balanced by drawing on the capital reserve and by

charging pro-rated losses against the 2003 silent contributions to capital. The remaining deficit was charged against the profit reserves. In the first quarter of 2008, a EUR 23 billion portfolio of structured securities was transferred to an independent single-purpose company as part of the WestLB Risk Shield arrangement, leading to a EUR 962 million transfer gain in the half-year result. This allowed the portfolio writedowns to be largely absorbed in the 2007 financial accounts. In the first half of 2008, WestLB reported a pre-tax profit of EUR 657 million.

FINANCIAL KEY FIGURES AT A GLANCE

	2006	2007	30.06.2008
Balance sheet total in EUR billion	285.3	286.5	267.9
Equity in EUR billion	6.8	4.4	5.1
Employees (FTE)	5,862	6,147	5,994
Net interest income in EUR million	1,012	1,090	561
Impairment charge for credit losses in EUR million	202	-238	-186
Net fee and commission income in EUR million	325	406	193
Net trading result in EUR million	561	-1,616	674
Result from financial investments in EUR million	551	291	99
Administrative expenses in EUR million	1,830	1,576	756
thereof personnel expenses in EUR million	1,031	823	408
Profit/loss before income tax in EUR million	1,006	-1,502	657
Income taxes in EUR million	-207	-99	-77
Group result in EUR million	799	-1,601	580

Social Key Figures

Employment: As of December 31, 2007, the WestLB Group employed 6,477 people. This represents 6,149 full-time employees. 96.5 percent of them worked in OECD countries. The headcount increased by approximately 5 percent primarily due to the consolidation of readybank ag and WestLB Asset Management (US) LLC.

Job tenure and age structure: In 2007, WestLB AG's employee turnover rate stood at 8.8 percent worldwide; at 5.4 percent, the rate in Germany was much lower. The average job tenure is nine years on an international scale and eleven years in Germany. 23 percent of WestLB Group employees are between 36 and 40 years old. Another 21 percent are between 41 and 45 years old. Under 36-year-olds and over 45-year-olds account for 31 and 26 percent, respectively.

Female promotion: The percentage of women in executive positions at WestLB AG Germany has risen clearly - from 17 percent in the year 2006 to just under 23 percent in the reporting period. The female share of highly qualified positions not covered by the collective employment agreement shows a consistently positive trend.

Vocational training: Notwithstanding the reduced headcounts, WestLB AG Germany did not cut the number of apprentices and trainees. All apprentices/trainees who were interested in permanent employment after completion of their training were offered a job in the Bank. In 2007, 21 apprentices/trainees completed their vocational training at WestLB, while 37 young people started their training.

Working standards: Employees of WestLB AG (72 percent of the Group's total headcount) benefit from high social standards throughout the world. The company complies with the standards of the International Labour Organization (ILO) for 100 percent of its workforce (maternity protection, workers' freedom of association, weekly working hours, paid leave). Moreover, more than 90 percent of our employees are covered by a pension scheme as well as a company or state health insurance scheme.

Accidents: In 2007, WestLB AG employees based in Germany incurred 42 work accidents and 35 accidents on the way to work.

SOCIAL KEY FIGURES AT A GLANCE

	2005	2006	2007
Employees			
Full-time employees Group	6,353	5,862	6,147
Full-time employees AG (total)	4,909	4,659	4,654
Full-time employees AG (Germany)	3,341	3,250	3,285
Apprentices (AG Germany) in %	3.5	3.8	2.9
Women (AG Germany) in %			
In all positions	46.3	44.7	45.7
In executive positions	14.6	17.0	22.7
In positions not covered by the collective employment agreement	23.9	25.3	26.9
Working standards (AG total)			
Employees with 25 vacation days and more in %	89	89	88
Employees with 30 vacation days and more in %	70	71	72
Employees with less than 40 working hours/week in %	97	97	97
Employees with up to 48 working hours/week in %	100	100	100
Employees benefiting from full freedom of association in %	100	100	100
Employees represented by Staff Council members in %	70	71	72
Employees covered by company/state pension scheme in %	94	94	94
Employees covered by company/state health insurance in %	97	97	97
Further training (AG Germany)			
Employees eligible for further training in %	100	100	100
Employees using further training opportunities in %	32	40	66
Average number of training days per participant	5.4	2.3	1.9
Average number of training days per employee	1.7	1.0	1.3

Environmental Key Figures

Data collection: Unless stated otherwise, the environmental data presented here refers to WestLB AG Germany's domestic branches housed in 20 buildings and WestLB Akademie Schloss Krickenbeck. The WestLB Group's international representative offices in 24 buildings in 19 cities have been covered completely since 2006. Differences relative to the headcount numbers in the Annual Report are due to the fact that the operational ecology reports also include external employees working, and contributing to consumption figures, on WestLB's premises. By the same logic, homeworkers and employees on parental leave are not included in the operational ecology reports.

2006: 4,382 people
 WestLB Germany
 2,013 people
 WestLB International
 2007: 4,458 people
 WestLB Germany
 2,143 people
 WestLB International

Space used: 2007 saw a further reduction of the total space used by WestLB AG in Germany even though the headcount rose slightly. This measure had an impact on the operational ecology figures presented below.

Energy consumption: WestLB's absolute energy consumption has declined steadily since 2004, namely from 84,337 MWh in 2004 to 67,721 MWh in 2007. This decline is due to savings measures resulting from the successful sensitisation of employees and the refurbishment of the main building. The per-capita energy consumption figures are also clearly down, with the specific heating and electricity consumption figures declining by approximately 15 percent.

CO₂ emissions: The CO₂ emissions were determined in accordance with the Greenhouse Gas Protocol (www.ghgprotocol.org) and refer to electricity and heating energy, transportation, paper and drinking water. Emissions caused by WestLB's German sites have declined steadily since 2004 – from 41,879 tonnes to 34,907 tonnes, reflecting the reduced energy consumption. In contrast, the reporting period saw absolute CO₂ emissions caused by the international sites rise from 27,110 to 28,611 tonnes. The international per-capita figures are clearly higher than in Germany as well.

ENVIRONMENTAL KEY FIGURES AT A GLANCE

	Unit	2004	2005	2006	2007
Specific energy consumption					
Electricity/employee (AG Germany)	MWh	12.7	12.2	9.8	8.5
Electricity/employee (AG International)	MWh			13.8	13.7
Heating energy/employee (AG Germany)	MWh	10.2	9.5	7.7	5.9
Heating energy/employee (AG International)	kWh			5.8	5.0
Specific CO₂ emissions					
CO ₂ emissions/employee (AG Germany)	t	10	10.5	8	
CO ₂ emissions/employee (AG total)	t			9.7	9.3
Specific water consumption					
Water consumption/employee (AG Germany)	l	207.0	200.4	185.5	158.3
Specific paper consumption (incl. advertising materials)					
Paper consumption/employee (AG Germany)	kg	131.2	108.6	85.4	79.8
Specific waste volume					
Waste volume/employee (AG Germany)	kg	452	531	511	489

Water consumption: Water consumption per employee has declined steadily in the last three years, reflecting the ongoing replacement of conventional heating and air-conditioning equipment as well as sanitary fittings with water-saving alternatives.

Paper consumption: In 2007, WestLB AG's domestic operations used 306 tonnes of office paper and produced some 50 tonnes of advertising materials. The share of recycled paper in total office paper consumption declined from 81 percent to 75 percent during the reporting period. Paper consumption per employee averaged 79.8 kilograms in 2007, which is 6.6 percent less than in 2006. FSC-approved paper (Forest Stewardship Council) accounted for 94 percent of all printed materials included in the count.

Waste volume: At approximately 2,200 tonnes, the waste volume remained almost steady in absolute terms but showed a slight improvement in specific terms. An appreciable increase in hazardous wastes resulted from WestLB's first-time inclusion of wastes removed by external contractors e.g. as part of regular maintenance work. This accounting change was adopted in response to a suggestion made by the ISO 14001 auditors. Approximately 50 percent of the total waste is residual waste. The second most important component is waste paper which accounts for some 22 percent. Our new waste management concept is designed to clearly reduce the amount of residual waste and further improve the recycling ratio.

Progress Report Under the Global Compact

WestLB supports the United Nations Global Compact with the aim of making a contribution to the worldwide implementation of its ten principles. The table below shows the WestLB guidelines, programmes and management systems (systems) which support the ten principles of the Global Compact in the Bank's sphere of influence. It also shows the practical measures taken in the reporting period with regard to each principle and where specific results have been achieved (achievements). The sphere of influence of a financial service provider goes beyond the management of its own business operations, which is why the aspects shown below also refer to WestLB's business relationships. This list of examples is not conclusive.

Objective	Systems	Measures	Achievements
Principle 1: Protection of human rights	Policy for Environmental and Social Issues (p. 2) Equator Principles (p. 3)	Development and implementation of the Policy for Environmental and Social Issues (p. 2); refinement of the Equator Principles (p. 3)	
Principle 2: No abuse of human rights	Policy for Environmental and Social Issues (p. 2); Equator Principles (p. 3)	Examination in project financings and other business activities; categorisation of potential or financed projects (p. 4)	Assessment in accordance with Equator Principles in project financings in 2007 and 2008. Conditions imposed for some projects, adjustment in some cases (p. 3); review also for other business activities (p. 4)
Principle 3 Uphold the freedom of association	Group staff councils (see Sustainability Report (SR) 2007, p. 33) For business activities: See principle 2	For business activities: See principle 2	100% of WestLB employees enjoy unlimited freedom of association (p. 7) For business activities: See principle 2
Principle 4: Elimination of all forms of forced and compulsory labour	For business activities: See principle 2	For business activities: See principle 2	For business activities: See principle 2
Principle 5: Effective abolition of child labour	For business activities: See principle 2	For business activities: See principle 2	For business activities: See principle 2
Principle 6: Elimination of discrimination	Internally: Enterprise agreement "Fairness am Arbeitsplatz" (Fairness in the Workplace), "Anti-Bullying at Work" (UK) and "Non-Harassment-Policy" (USA) agreements (see SR 2007, p. 32) For business activities: See principle 2	Equal Opportunities Plan (see SR 2007, p. 32) For business activities: See principle 2	Internally: Increase the percentage of women in executive positions (p. 7) For business activities: See principle 2
Principle 7: Precautionary approach to environmental challenges	Environmental management system to ISO 14001 (p. 5) For business activities: See principle 2	Framework concept "Nachhaltige Bildung" (Sustainable Education and Training) (see SR 2007, p. 31, 55) For business activities: See principle 2	CO ₂ balance according to GHG Protocol (p. 8) For business activities: See principle 2
Principle 8: Initiatives to promote greater environmental responsibility	Group sustainability programme (see SR 2007, p. 54/55)	Energy-efficient modernisation of the headquarters in Düsseldorf (see SR 2007, p. 44) Raising employee awareness for energy saving measures (see SR 2007, p. 44) Use of organic food in the canteen (see SR 2007, p. 46) Use of environmentally compatible paper in the Bank (see SR 2007, p. 47)	Reduction in flight kilometres on business trips (see SR 2007, p. 45) Reduction in paper consumption (p. 9)
Principle 9: Development and diffusion of environmentally friendly technologies	Provision of appropriate financial services and products (p. 2 et seq.)	Loans for renewable energies (p. 2 et seq.) Participation in research projects for the initiation of environmental innovations (see SR 2007, p. 25)	Financings (project financings, loans) and capital investment products (p. 2 et seq.)
Principle 10: Work against corruption	Code of conduct (see SR 2007, p.11)		

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