



New Answers in Banking

Asking Questions. Sustainability Report 2007



About This Report

The 2007 Sustainability Report continues a WestLB tradition that began in the form of detailed reports on the Bank's environmental protection activities already prior to the publication of the first Sustainability Report in 2005.

The present Report generally refers to the WestLB Group. Where data or information refer only to part of the company, this is marked accordingly. Figures in the data section are shown for the past three fiscal years (calendar years). This data refers to WestLB AG's German branches (56 percent of the WestLB Group's headcount) and therefore does not reflect all structural changes in the Group.

In the 2005/2006 reporting period, readybank, WestLB Mellon Asset Management and Weberbank joined the WestLB Group. A brief profile of all three is provided in this Report (see page 48).

We were the first German financial services provider to prepare our Sustainability Report in accordance with the Global Reporting Initiative's Sustainability Reporting Guidelines (GRI). The present Report complies only with part of the Guidelines as amended in October 2006, as our data capture system does not yet take the new more complex requirements into account. An index on the inside back cover page shows our compliance with the Core Indicators. Information on the [sector-specific additional criteria](#)¹ is published on the Internet.

The structure of the present Report is similar to that of the first Sustainability Report 2005. We have learned from our stakeholders that they found the choice of topics covered and the structure of the 2005 Report to be relevant and useful. Our stakeholders apparently attach prime importance to the core business and above all to project finance. However, they also want to know what we do for our employees, for society at large and for the environment in our quest to live up to our ideal of a responsible company.

The 2007 Sustainability Report has been reviewed by [Maplecroft](#)², a consulting firm specialising in sustainability issues, against compliance with key requirements of sustainability reporting with regard to the choice of topics and comparability. Maplecroft also examined whether the information in this Report is presented clearly and credibly (see page 56).

More information on WestLB AG, on the structure of the WestLB Group and on the subsidiaries of WestLB AG, is provided in the latest [Annual Report](#)³.

¹ www.globalreporting.org

² www.maplecroft.com

³ www.westlb.com > Investor Relations

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Foreword

Dear Readers,

Two years ago, we published our first Sustainability Report, in which we committed ourselves to the objectives of sustainable development and set ourselves the target to become Germany's leading bank in terms of sustainability in the coming years. We remain fully committed to this cause.

In the past two years, we have established ourselves as the bank that provides "New Answers in Banking" in a hotly contested market. The motto of the present Report "Asking questions" is therefore no coincidence. Because one can give new answers only by asking the right questions. This is what we live up to when advising our clients as well as when contributing to environmental protection or the development of society. And you can give new answers only if you commit yourself to sustainability and try new solutions for yourself.

Despite comprehensive restructuring measures we therefore pushed ahead our sustainability activities with determination and have achieved progress in many areas. This includes the ongoing integration of sustainability aspects into our core business, especially project finance and asset management. Projects co-financed by us are carefully reviewed for compliance with the Equator Principles. In addition, we lead an intensive dialogue with non-governmental organisations (NGOs) in order to address critical aspects at an early stage. The fact that the Financial Times awarded us the title of "Sustainable Bankers of the Year" in 2006 shows that our commitment to sustainability is recognised also externally. Our Asset Management unit has increased the percentage of sustainable investments despite a rise in total volumes. Also, in March 2007, we launched the "Klimawandel-OpenEnd'-Active" certificate to offer investors the possibility to gear their portfolios to climate protection aspects.

Our contribution to climate protection is something we still want and need to improve. While the turnaround has been achieved with regard to energy consumption at our German locations and the traffic-related CO₂ emissions from business trips, we want to anchor our commitment to climate protection more effectively in our core business. The fact that we are already among Germany's leading financiers of renewable energies is a good basis.

The demographic development represents a special challenge, as it leads to a rising average age of our workforce, especially in Germany. Keeping these employees fit with the help of health management and further training is therefore an important task. Retaining qualified women with the company is also of special importance. Although we have been able to achieve numerous female promotion objectives, we have failed to push the share of women in executive positions to 30 percent as we had planned. We do hope, however, that the "Work & Family" audit of the Hertie Foundation will help us get closer to this target.

As we attach importance to transparency and the international comparability of our performance, this Report has been prepared in accordance with the Guidelines of the Global Reporting Initiative (GRI) and reviewed by Maplecroft.

We are looking forward to your feedback, whether it's positive or negative, as we strive to make constant improvements.



Alexander Stuhlmann
Chairman of the Managing Board



Dr. Hans-Jürgen Niehaus
Managing Board member



Dr. Norbert Emmerich
Vice Chairman of the Managing Board



Werner Taiber
Managing Board member



Dr. Wolfgang Nickels
Managing Board member

Company Profile

WestLB is an international commercial bank with strong roots in North Rhine-Westphalia, Germany's most densely populated federal state. The WestLB Group comprises WestLB AG and 14 affiliated companies. Total assets of EUR 285.3 billion (Dec. 31, 2006) make us one of Germany's leading financial services providers. Headquartered in Düsseldorf and Münster (Germany), WestLB is owned by the two North Rhine-Westphalian Savings Banks Associations, the State of North Rhine-Westphalia (directly and indirectly through NRW.BANK) and the Regional Associations of the Rhineland and of Westphalia-Lippe. All owners are represented on the Supervisory Board.

At the end of 2006, the WestLB Group employed 6,149 people (2005: 6,700), who represent 5,862 full-time employees (2005: 6,353).

Local Roots, International Presence

WestLB performs the function of a central bank for the savings banks in North Rhine-Westphalia and Brandenburg. The Bank is also the central institution for the 121 savings banks in North Rhine-Westphalia and Brandenburg, acting as their link to the global financial markets. In close partnership with the savings banks, WestLB thus provides the full range of services of a universal bank, with the main emphasis on lending, specialised finance, capital markets and private equity products, private banking, asset management, transaction services and real estate finance. Our target clients are large corporate clients and mid-sized companies, institutional and public-sector clients and through our Weberbank subsidiary a growing number of high net worth individuals as well as foundations.

As an international commercial bank, WestLB has a presence in the world's leading financial centres and serves its customers in 28 countries through branches, representative offices and subsidiaries. While our international activities focus on Western Europe, we also serve our clients through offices in the Americas, the Middle East, South Africa and Asia-Pacific.

Memberships and Initiatives

We actively contribute our knowledge and represent our interests in a number of organisations and initiatives, of which a selection is shown below:

The Association of German Public Sector Banks, VÖB
▶ www.voeb.de

German Savings Banks Association, DSGV
▶ www.dsgv.de

European Social Investment Forum
▶ www.eurosif.org

Equator Principles
▶ www.equator-principles.com

Carbon Disclosure Project
▶ www.cdproject.net

UNEP Financial Institutions Initiative
▶ www.unepfi.org

Forum Nachhaltige Geldanlagen
▶ www.forum-ng.de

United Nations Global Compact
▶ www.globalcompact.org

Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen
▶ www.vfu.de

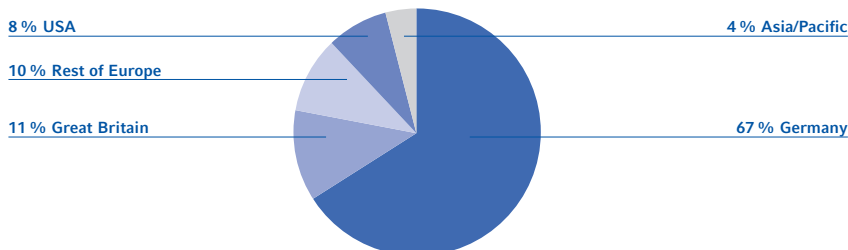
CONSOLIDATED TOTAL ASSETS AND NET PROFIT 2005 AND 2006

Year	Total assets	Net profit
2005	EUR 294.4 bn	EUR 0.7 bn
2006	EUR 285.3 bn	EUR 0.8 bn

PROFIT BEFORE INCOME TAX BY SEGMENTS 2006

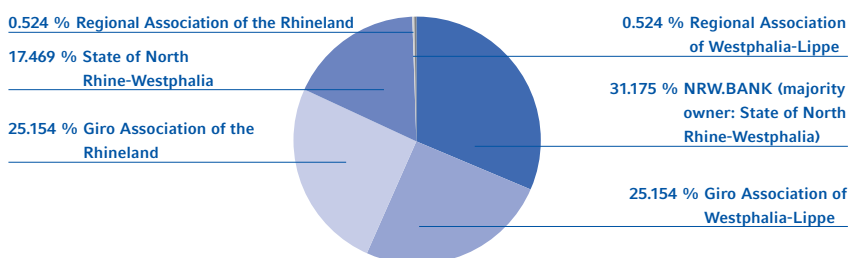
Corporates and Sparkassen	EUR 86 m
Capital Markets	EUR 517 m
Asset Liability	EUR -7 m
Corporate Center	EUR 0 m
Other segments	EUR 410 m
WestLB Group total	EUR 1,006 m

WESTLB AG EMPLOYEES BY REGIONS 2006



Total: 6,149 employees (permanent employees as of Dec. 31, 2006), which represents 5,862 full-time employees; 95.2% of them worked in OECD countries.

SHAREHOLDERS OF WESTLB AG



As of July 2007

Committed to Sustainability

The WestLB management is committed to complying with international standards of corporate governance. As we are aware of our social responsibility, we gear our activities to the principles of sustainable development also in the interest of our shareholders. National and international agreements such as the UN Global Compact form the basis.

WestLB's sustainability approach has also met with an excellent response in external assessments. In 2006, for instance, we won the "Sustainable Banking Award" of the Financial Times and the International Finance Corporation in the "Sustainable Bankers of the Year" category. In oekom research's Corporate Responsibility Rating, WestLB was ranked third among a total of 31 banks in 2007. In 2005, we made eighth place in SiRi Company's Corporate Sustainability Score, which covered 57 financial institutions; the 2007 rating update was still pending at the time of going to press.

What Goals
Should We Set Ourselves?



As a leading German bank in terms of sustainability, WestLB also draws on external expertise. A Sustainability Advisory Council was formed in 2005. Among its members is Prof. Dr. Ulrich Steger of the Institute for International Management Development, Lausanne (Switzerland). He describes his view of WestLB's positioning as follows:

"While Landesbanks and savings banks no longer benefit from the advantages that arose from the public sector's guarantor liability, they continue to be subject to close public and political scrutiny. There are many who question the public ownership of the Landesbanks. But from what does the legitimacy of a public-sector bank arise? Certainly it can only be the fact that it differs from a private bank. But this difference can obviously not refer to the standards of service which customers rightfully expect from their bank. Also, a public-sector bank must at least generate the cost of capital and finance its growth. But a public-sector bank can differ from its private-sector competitors through the seriousness and effectiveness of its sustainability policies. The public structure can be justified only by being successful in business and sustainable at the same time. A dream?"

A look across the border may be helpful. The Dutch Rabobank, a cooperative bank, has paved the way for alternatives to intensive livestock farming and was the pioneer in sustainable capital investments. And this bank is economically successful. Why shouldn't the same be true of WestLB in a few years' time? After all, WestLB did not scale down its sustainability efforts in the face of a serious crisis which tied down substantial capacities as the bank focused on laying solid foundations for the future. But its capacities were fully used as solid foundations had to be laid. And when it comes to anchoring sustainable project evaluation in the business processes, WestLB is probably best in class. Together with the Managing Board and competent employees we will now think of how WestLB can continue to point out new ways of combining business and sustainability."

Sustainable Management

For WestLB, sustainability management means minimising ecological and social risks and, through this, seizing economic opportunities that ensure the Bank's continued growth. But we understand compliance with the principles of sustainable development and good corporate governance not only as effective risk management. We also want to be a role model and make a contribution to the economically stable, ecologically responsible and socially fair development of our society.

These objectives have become integral elements of our corporate strategy. All parts of the company are expected to gradually integrate sustainability aspects in their fields of work, both organisationally and in terms of contents. The Sustainability Management Department, which is firmly anchored in the company, provides support and pushes ahead the ongoing refinement of our sustainability strategy.

Standards and Principles

WestLB 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 responsibility. In 2003, the WestLB Managing Board adopted Group-wide "Sustainability Action Areas" (see box), which provide orientation for all business units and across all hierarchical levels.

We understand responsible and transparent corporate governance not only as a commitment towards society but also as a foundation for our company value. At the beginning of 2006, we therefore voluntarily introduced the [German Corporate Governance Code](#)¹. WestLB intends to comply with the relevant version of the Code, irrespective of the fact that this is mandatory only for listed companies. We feel committed to the Code also because it helps us to strengthen the confidence placed in our management and

control mechanisms. Ultimately, this will also help improve our competitive position in the market. The Equator Principles for project finance (see page 18), 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.

Building on these guidelines and standards, we will develop general principles for the integration of environmental and social aspects in all our business activities by the end of 2007. In this context, suggestions from external experts and other stakeholders will also be taken into account. Moreover, our Ideas Management Team has also raised employees' awareness of these issues. For sensitive sectors, we are working on more concrete specifications, which will lead to specific sector principles.

Our Sustainability Action Areas

WestLB's sustainability strategy focuses on the following action areas, to which we will continue to gear our strategic development:

- Minimise risks and conflicts relating to environmental protection and social justice in our core business
- Exploit growth opportunities with the help of forward-looking 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
- Exploit the development opportunities of a corporate culture characterised by respect and fairness

Implementing Sustainability in the Organisation

Our Sustainability Management Department is responsible for planning, managing and controlling all sustainability activities. The Department is part of BU Board Office and reports directly to the Chairman of the Managing Board. Its tasks and objectives have been laid down in an updated sustainability programme (see page 54/55). The progress achieved is reflected in detail in the sustainability figures (see pages 49–53). Our activities are communicated internally and

externally, e.g. on the Intranet, the Internet, in our staff magazine and in the present Sustainability Report.

The Sustainability Management Team has five members at the Düsseldorf headquarters as well as contacts in Asia and the Americas. We have also expanded our decentralised capacities in the business units:

Additional experts are responsible for sustainability research and sustainable investments. A dedicated Environmental Management Team addresses ecological aspects of day-to-day operations. To complement our in-house expertise, we maintain an ongoing exchange with a high-calibre Sustainability Advisory Council and with representatives

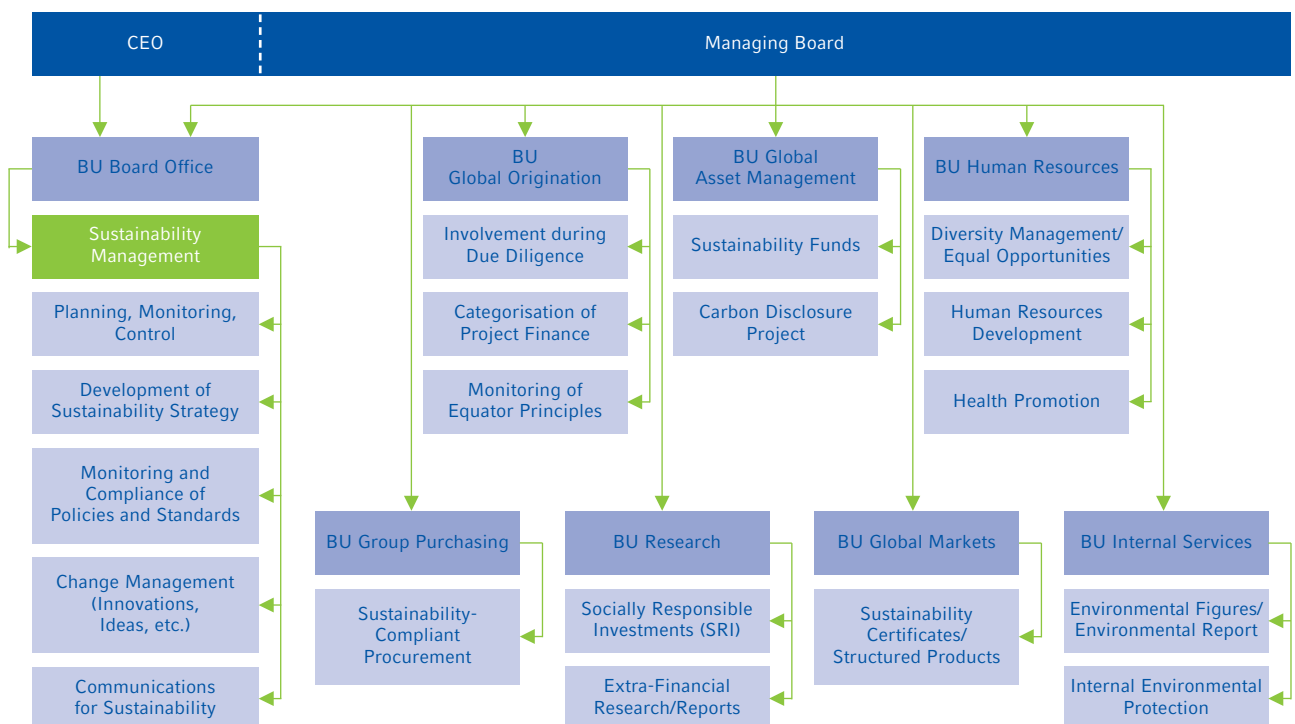
from the academic community and society in the context of the "Dialogforum Nachhaltigkeit" (Sustainability Dialogue Forum) (see page 11).

Behavioural Standards and Controlling Mechanisms

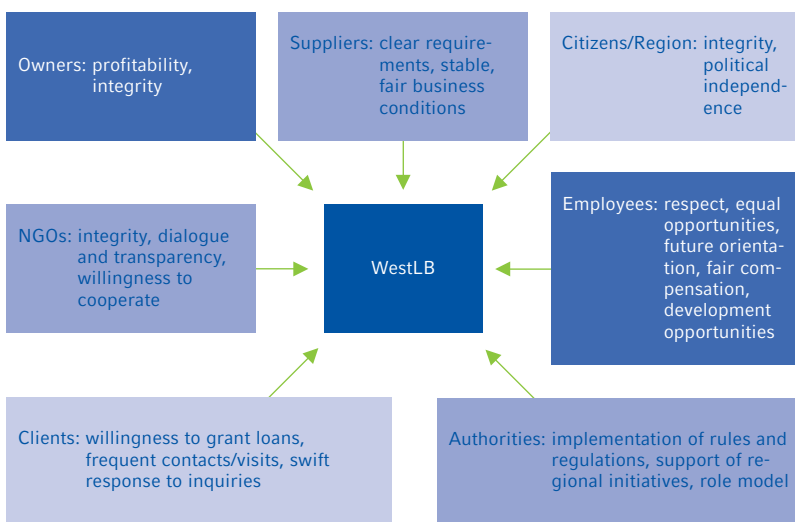
The success of a financial services provider hinges on its integrity and reputation. WestLB therefore attaches great importance to the due and proper business conduct of each individual employee.

In 2005, our behavioural standards were laid down in the "Compliance Guidelines". These serve to highlight legal, economic or reputational risks and conflicts of interest that arise from our day-to-day business.

SUSTAINABILITY MANAGEMENT



CONFLICTING INTEREST SURROUNDING WESTLB



We expect our employees not to regard the behavioural standards as a constraint. Rather, we want them to grasp and understand their contents and to make these ethical concepts an integral element of all their business activities. The Group Compliance Department helps them to prevent infringements of laws and regulations. Employees who fail to comply with the code of conduct will face disciplinary measures, which may even include a termination of employment.

After violations of WestLB’s proprietary trading regulations were revealed in early April 2007, our compliance function was strengthened even further.

Dialogue with Our Stakeholders

Responsible corporate governance and a successful business activity can evolve only in a close exchange with our stakeholders. These include, in particular, our owners, employees, customers and the local authorities but also non-governmental organisations and the populations in the regions in which we operate. Since 2004, WestLB has therefore engaged in a constructive dialogue with civil society groups who are willing and ready to jointly shape a sustainable future. The exchange with our stakeholders provides us with valuable feedback on our activities, plans and strategies.

We understand the involvement of our stakeholders in the strategic development as an ongoing process. Among the members of the “Sustainability Dialogue Forum”, which has met four times so far, are ten non-governmental organisations and academic institutions that are committed to sustainable development. To be able to lead discussions in an atmosphere of openness and trust, confidentiality has been agreed with the members. Parallel to the Dialogue Forum, we also exchange ideas and opinions with individual members of the group as well as with other organisations. Opportunities for such talks arise, for instance, during conferences, meetings between the Equator Principles financial institutions and NGOs or during bilateral meetings.

2 ▶ www.westlb.com > Corporate Responsibility > Compliance

3 ▶ www.westlb.com > Corporate Responsibility > Sustainability > WestLB Dialogue

Management Systems

The risk strategy is an important element of the business strategy. WestLB has explicitly integrated the management of extra-financial risks in its risk management systems. Our management system for ecological and social risks is one of the most effective in the banking sector. This is not least due to the close cooperation – coordinated by the Head of BU Board Office – between the Sustainability Management Department and the Chairman of the Managing Board.

Risk Management

We are working to review, with due care and a sensible effort, all global business processes for environmental and social risks. This process is based on three integrated elements. The Sustainability Management Team regularly attend meetings of our globally networked New Deal Committees, which are convened in many areas of the Bank. This way, the Sustainability Managers get an idea of

relevant transactions and, whenever potential risks are identified, can express their reservations and propose changes at an early stage. The second element for project finance is a close review for compliance with the Equator Principles (see pages 18–20). Additionally, potential reputational risks are monitored by the Risk Management Departments. The Sustainability Management Department is regularly involved in these processes.

Environmental Management

WestLB has reduced its environmental impact for many years. This is not least reflected in our environmental figures, which we have presented in the Eco Reports and in the Sustainability Report since 2001 and 2005, respectively. Our environmental management system takes account of all actual and potential impacts on the environment and the consumption of resources, identifies weaknesses and makes suggestions for improvement.

SUSTAINABILITY ROADMAP

1997 – 1999	2000 – 2002	2003 – 2004	2005 – 2006
Environmental figures	Guidelines for sustainable development	Eco Reports 2002 and 2003	First Sustainability Report (2005)
	Eco Report 2001	Initiation and adoption of Equator Principles	Systematic dialogue with non-governmental organisations and other special interest groups
	Signing of UNEP declaration for financial institutions (UNEP FI)	Adoption of the Sustainability Action Areas	Establishment of a Sustainability Advisory Council
		Creation of the Sustainability Management Department	Signing of UN Global Compact
		Equal Opportunities Plan 2004–2006	Ongoing internal training on the Equator Principles
		Enterprise agreement “Fairness at Work”	

We contribute to environmental protection and support the local economy through forward-looking purchasing of office materials and products for our canteen, through intelligent mobility management, an optimised waste management system and comprehensive information offerings for our employees. This way, we have laid the foundation for certification to the international environmental management standard (ISO 14001:2004) in 2007 (see page 19/20). In the context of this certification, which will initially cover our German locations, our existing environmental management system will be expanded with a view to product-related ecological aspects.

Human Resources Management

WestLB’s responsibility and sustainability culture must be supported by the Bank’s employees. Otherwise, it will not be effectively embedded in the company and business potential

will remain unused. We are therefore promoting a policy of fair and responsible interaction based on trust, respect and equal opportunities.

The process in which all employees understand and internalise our values is of a long-term nature. Sustainability management therefore also means change management and thus represents a challenge under the pressures of the day-to-day business. This is why WestLB’s Sustainability Management Department has teamed up with BU Human Resources to integrate sustainability in the Group’s training offerings (see page 31). Also with a view to developing a value-based corporate culture, WestLB encourages employees to do pro-bono work and has developed a programme to support this corporate volunteering.

Supplier Management

In 2005, BU Group Purchasing implemented a supplier management system, which assesses suppliers in accordance with a standardised method. This assessment covers criteria such as compliance with processes, quality, handling of complaints and contractual compliance. Our standard agreements, which oblige our contractual parties to comply with local laws and regulations, ensure that minimum ecological and social standards are met. In addition, we regularly invite our strategic suppliers to review their performance and to jointly adopt measures for improvement, e.g. by way of specific supplier workshops. Our purchasers benefit from special training courses, e.g. on “Energy purchasing” or “Risk management in purchasing”.

2007	until 2009	until 2010
Group-wide data collection (environment and human resources)	Development of important sector-specific and business-specific policies	Continued development of sustainable investment
Final implementation of Equal Opportunities Plan	Development of a “Carbon Policy” for indirect emissions from the banking business	Development of new business segments conducive to sustainable development
Certification to ISO 14001:2004 (key locations in Germany)	Certification to ISO 14001:2004 at international locations	
Expansion of environmental and social standards for supplier management		
Bank-wide sustainability training concept		
Gear donation and sponsoring policy to sustainability		
“Carbon Management Plan” for the banking operations		
Completion and implementation of a Bank-wide sustainability policy		

In What Way
Can a Bank Contribute to
Climate Protection?



Ever since Sir Nicholas Stern, former Chief Economist of the World Bank, presented his review on climate change, climate protection has been a top priority on the political agenda. In October 2006, Stern projected that unless slowed down soon, climate change will entail multi-billion dollar amounts in costs. The reports presented by the UN Intergovernmental Panel on Climate Change in early 2007 also highlighted the importance of determined action. One thing is regarded as certain: If the atmosphere heats up by over two degrees, the consequences will no longer be manageable. Companies in Germany and all over the world are now looking at ways of contributing to climate protection.

What does that mean for a financial institution? While intelligent facility and mobility management can certainly help, it will definitely not be sufficient to achieve the 40 percent reduction in CO₂ emissions targeted by the German Government by the year 2020. This is why many companies are opting for compensation measures. What is far more effective and goes much further, however, is the integration of climate aspects into the core business. Here, financial institutions can achieve excellent results by offering “new” products such as loans for energy efficiency measures or special funds that finance renewable energies. Traditional project finance is also key to achieving a quick breakthrough for renewable energies. WestLB, for instance, lead-arranged the construction of the first commercial solar thermal plant in Spain. WestLB’s financing of an ethanol plant in the USA was voted “Environmental Deal of the Year 2006” by Project Finance International (PFI) magazine.

With energy becoming increasingly scarce, however, projects for the development of oil and gas reserves continue to boom. Our industrial society is not ready yet to do without these CO₂-intensive forms of energy. The Equator Principles, which have been endorsed by WestLB, help minimise negative implications for the environment and society, even though climate protection is not yet an element of the Equator Principles. Here, the future challenge will be to find solutions that make the use of fossil energy much more efficient. The Bank advocated the setting of a suitable framework and an international climate regime.

Sustainability in the Core Business

The biggest levers for contributing to sustainable development can be found in WestLB's core business in financing and investments. The Bank has a strong presence in project finance. The application of the Equator Principles in more than 80 percent of all international project financings has meanwhile made a significant contribution to the early identification and avoidance of environmental and social risks in project finance. On the one hand, it is therefore WestLB's aim as a business partner to influence sector or individual projects in such a way that adverse impacts on the environment and on society are reduced to a minimum. By intervening at an early stage, we want to prevent environmental and social risks from arising in the first place. On the other hand, we are increasingly making inroads into business segments with a strong sustainability orientation, thus supporting innovative industry sectors. This way, we have clearly strengthened our market position in renewable energies across the entire spectrum.

Our Business Strategy

In the increasingly global markets, we combine our international business strengths with our roots in our home region. This has made us one of the leading banks in Germany. We want to offer our clients efficient financial solutions and be their preferred partner, thus securing the long-term success of our institution for its shareholders and employees. The integration of sustainability aspects into our core business plays an important role in this context especially in project and corporate finance, capital and asset investments and research.

A European Commercial Bank in Close Alliance with the Savings Banks

Our business strategy rests on the three pillars described below:

- International capital markets business: Build on WestLB's structuring expertise to exploit growth opportunities in the global markets.
- Joint business with the savings banks: Expansion of our joint business, building on the expertise and close customer relationships of the 121 savings banks in North Rhine-Westphalia and Brandenburg.
- Corporate business in Germany: Expansion of the business with medium-sized corporate clients and increased cross-selling. In addition, Weberbank is to strengthen

en the Bank's position with high net worth individuals and foundations, while the integration of readybank should help expand the retail banking business.

Strategic Repositioning of the Bank Pushed Ahead

Since the publication of the last Sustainability Report, the Bank has made good progress in pushing ahead its strategic repositioning. The ratio indicating our cooperation with the savings banks in North Rhine-Westphalia has been increased to 76 percent in the first half of 2007. At the same time, the Bank has been able to maintain its outstanding position in the international capital markets business; WestLB remains one of the world's leading providers of structured finance. In the first half of 2007, the progress achieved was offset by proprietary trading losses from spread transactions between ordinary and preference shares.

OVERVIEW OF BUSINESS SEGMENTS

Product segments	Share in the Bank's business*	Relevance for sustainability	Reputational risk	Reputational opportunity
Corporates and Sparkassen	32.0 %			
■ Private Banking	1.0 %			
■ Corporate Finance**	6.3 %			
■ Global Origination**	19.5 %			
■ Others	5.2 %			
Capital Markets	46.3 %			
■ Research	0.1 %			
■ Asset Management	4.0 %			
■ Others	42.2 %			
Asset Liability Management	4.2 %			
Corporate Center	2.8 %			
Other segments	14.7 %			

■ High relevance ■ Medium relevance ■ Low relevance

*income from ordinary activities

**includes project finance

Focus on Specialised Finance

The ongoing globalisation of the markets presents international companies with numerous growth opportunities requiring capital-intensive investments. As an arranger building on an international network of specialists with long-standing experience in the world's capital markets, WestLB offers these companies customised financial solutions. According to a survey by consulting firm dealogic, 34 projects (2006) with a total volume of USD 4 billion (2006) once again made WestLB one of the world's leading Mandated Lead Arrangers for project finance in the reporting period. With a view to serving its clients' needs even more effectively, WestLB pooled its specialised financing competencies in the different industry sectors in 2006 and networked their teams around the world. The Bank focuses on the following sectors: energy, telecommunications, infrastructure, metals and mining, hospitality (hotels/resorts) and transport.

Banks Exposed to Conflicting Interests

Projects in fast-growing sectors such as commodity production, energy generation, infrastructure and telecommunications often interfere with nature and habitats. If these projects are not managed responsibly, investments may have seriously adverse effects on people and the

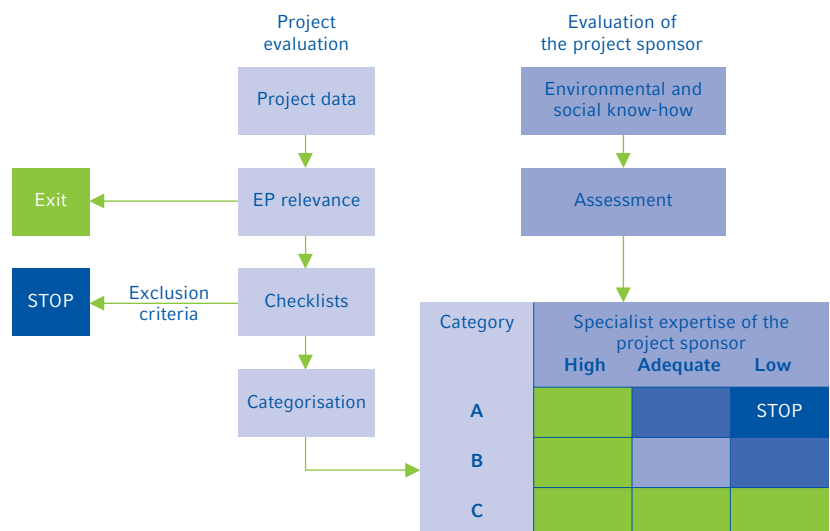
environment. This is particularly true in developing and emerging countries where environmental and social legislation is inadequate or inadequately enforced. At the same time, however, commodity projects are a major source of income for these countries and thus represent an indispensable basis for their economic and social development.

This is why projects that substantially interfere with the environment or society are monitored closely by non-governmental organisations and increasingly also by rating agencies. When choosing a project we therefore place growing emphasis on its potential implications for people and the environment. To do this, we also need to know the often conflicting interests and opinions. Before reviewing a project we therefore listen to many different positions. These also include the opinions of local special interest groups and international non-governmental organisations.

Equator Principles Guarantee High Standards

In accordance with our Sustainability Action Areas, we choose our projects conscientiously. When evaluating a project design, we take the criteria of both the Financial Institutions Initiative of the United Nations Environmental Programme (UNEP FI) and the United Nations' Global Compact into account. As early as 2003, we teamed up with other commercial banks to develop a set of voluntary principles based on the ecological and social standards of the International Finance Corporation (IFC), a World Bank affiliate. All projects financed by us must comply with these so-called [Equator Principles](#)¹, which were revised in 2006 and are now much stricter in some areas such as working conditions, the right to set up staff representations and the consultation of the public. Since their amendment, the Equator Principles have applied to all project financings

ASSESSMENT PROCESS AS REQUIRED UNDER THE EQUATOR PRINCIPLES



¹ www.equator-principles.com

PROJECT CATEGORISATION AND ASSESSMENT BASED ON THE EQUATOR PRINCIPLES 2005 AND 2006

		Projects assessed	Accepted	Subject to conditions
Category A		18	3	15
Metals and mining	2005	3	0	3
	2006	4	0	4
Oil and gas	2005	7	3	4
	2006	1	0	1
Energy (power plants)	2005	0	0	0
	2006	1	0	1
Infrastructure	2005	0	0	0
	2006	2	0	2
Category B		78	50	28
Metals and mining	2005	6	4	2
	2006	2	2	0
Oil and gas	2005	13	8	5
	2006	6	2	4
Energy (power plants)	2005	16	13	3
	2006	17	10	7
Infrastructure	2005	8	3	5
	2006	10	8	2
Category C		33	18	15
Energy (power plants)	2005	4	3	1
	2006	1	1	0
Infrastructure	2005	15	1	14
	2006	3	3	0
Telecommunications	2005	7	7	0
	2006	3	3	0
Total		129	71	58

with a total volume of USD 10 million (formerly USD 50 million) or more. Moreover, compliance with the Equator Principles has been extended to include advisory mandates and investments in new capacity. For all projects with a high potential risk (Risk Category A), the participating banks have voluntarily committed themselves to involving an independent environmental and social advisor.

WestLB actively participated in the amendment of the Equator Principles in 2006. In 2007, WestLB and other financial institutions received the International Finance Corporation's "Chairman's Award for Leadership in Sustainable Project Finance" in recognition of their leading role in the establishment and refinement of the Principles. The stricter regulations

have had no impact on our internal assessment process, given that we met these high standards already prior to the amendment. From now on, reports on the progress achieved in the implementation of the Equator Principles will be published on the Internet on an annual basis.

Project Balance by Risk Categories

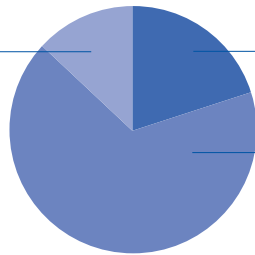
Under the Equator Principles, projects are assigned to one of three risk categories. These are "high" (A), "medium" (B) and "low" (C). This categorisation is preceded by intensive research, the study of environmental appraisals and interviews with the parties involved. In accordance with the Equator Principles, WestLB requires environmental and social assessments as well as an Environmental Management Plan (EMP) for Category A projects and some Category B 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. If a project meets any of these criteria, it is rejected straight away.

In 2005 and 2006, the Bank considered the financing of 129 projects that fell under the above criteria of the Equator Principles (see table). As a general rule, we require an Environmental Management Plan and, if applicable, resettlement plans, for all A and B projects. If necessary, WestLB also requests the institutionalisation of a complaints management system. In two infrastructure projects in Mexico and China, WestLB asked the operator to submit a Gap Analysis with

PROJECTS CATEGORISED BY WESTLB IN 2006

Infrastructure

13 % Category A

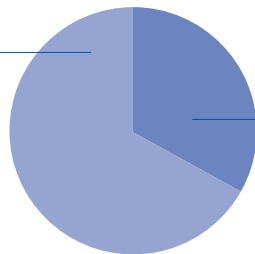


20 % Category C

67 % Category B

Metals and mining

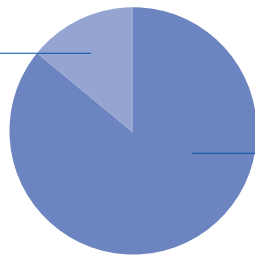
67 % Category A



33 % Category B

Oil and gas

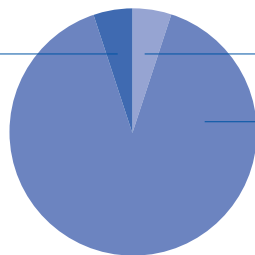
14 % Category A



86 % Category B

Energy (power plants)

5 % Category C

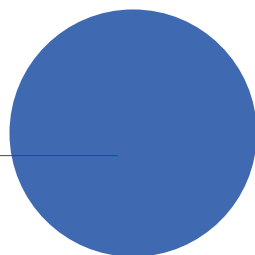


5 % Category A

89 % Category B

Telecommunications

100 % Category C



a view to meeting the standards of World Bank affiliate IFC in addition to local environmental and social requirements.

We have learned that on-site visits are an important element of our project support activities; going forward, we will therefore make more such visits to gain a first-hand idea of the projects we finance. In 2005/2006, members of the Sustainability Team travelled to countries such as Ecuador, Brazil, Mexico and some Asian countries, where we already have experience with critical project financings. We are convinced that such on-site inspections will help raise awareness of possible challenges in project finance, especially for Category A projects.

In the reporting period, intensive reviews by our Sustainability Management Department prompted us to decide against two corporate loans and an export finance loan in the timber, pulp and hydro power sectors. WestLB found that these deals were unable to meet the environmental and social standards even if specific conditions were imposed.

Current Project Examples

By financing commodity and infrastructure projects, we help many countries tap new sources of income. On account of the resulting interference with nature and community structures, some of these projects are viewed critically. At the same time, however, there are many projects that meet high environmental standards and help to improve the standards of living of the local population. Two current projects serve to illustrate this spectrum.

Gold Mining in Indonesia

WestLB is a member of a syndicate financing the Toka Tindung gold mining project in the Indonesian province of North Sulawesi. The mine is situated some five kilometres from the coast in a mountainous region with numerous coconut plantations. People on the coast primarily live from fishing. The Tangkoko National Park is located some ten kilometres to the south across some valleys. In the context of project finance, all national environmental and social regulations as well as the Equator Principles must be complied with. Our financing commitment hinged on an officially approved Environmental Assessment and an Environmental Management Plan. For this purpose, independent experts had to rule out any hazard to the environment (e.g. due to the consequences of an earthquake or technical or human failure). Also, comprehensive support by the local population must be ensured. This is achieved not only through numerous projects in the local communities or the human resources policy for the mine but also through construction measures. The operating company was eventually convinced to scrap their original plan of dumping the mine waste in the sea and to make substantially higher investments to ensure land-based disposal of the waste. As a result, ten village leaders and three clergymen living in the vicinity of the mine have officially expressed their support of the project in a letter to the Environment Ministry.

Preparations in the mine have largely been completed but the mining of the ores has not started yet. In Indonesia and Germany, public discussions about the mine and campaigns against it were launched. In February 2007, for instance, the responsible province governor asked the government in Jakarta to withdraw the environmental licence for the project and to refuse to approve the disposal of the mine waste. While the further development of the project is outside our sphere of influence, we have full confidence in the power of judgement of the environmental authorities. In July 2007, a final decision from all authorities involved (especially regarding the proposed land-based waste disposal) was still pending, which is delaying the project.

Waste Disposal Plant in Mexico

In Mexico, WestLB arranged a USD 19 million project finance for Abengoa S.A. for the construction of an industrial waste disposal plant. The project is being built within a 300 kilometre zone around Mexico's largest industrial conurbation in Zimapan, in the central federal state of Hidalgo, where over 60 percent of the country's hazardous waste is produced. Besides the plant itself, which stabilises and neutralises liquid and solid waste, the project comprises a landfill with leachate treatment with a capacity of 400,000 cubic metres of waste, which can be expanded tenfold. The plant will not only help solve the region's industrial waste disposal problems but will also stimulate the economy in the structurally weak region. Recently, Abengoa has asked WestLB to arrange a project loan for the safer disposal of poisonous mine waste in Chile's main mining region.

Renewable Energies a Booming Industry

We were able to prove our expertise in the growing climate-friendly energy generation sector in several large-scale projects. For instance, WestLB arranged a EUR 300 million loan for the first parabolic trough power plant in Europe. A collector surface of over 510,000 square metres and an output of 50 MW makes ANDASOL 1, which is being built in Andalusia in the south of Spain, the largest solar power plant in the world.

For approximately two years, WestLB has also been engaged, on a larger scale, in project finance in the bio-ethanol sector. In 2005 alone, we arranged syndicates with a combined volume of over USD 1.4 billion for ethanol projects, especially in the USA. Our participation in one of the world's single most important projects, an investment by ASAlliances BioFuels, LLC, was named "PFI Environmental Deal of the Year 2006" by the renowned trade magazine "Project Finance International (PFI)".

In view of the huge climate protection potential of biofuels, the demand for financing solutions will grow sharply also in the biodiesel market. Here, however, some ecological and social conflicts have already arisen, as the required plantations may pose a hazard to primeval forests and savannas

or affect the production of food. In order to serve our clients in this market reliably and in accordance with sustainability aspects, we participate, among other things, in the international [Roundtable on Sustainable Palm Oil, RSPO](#)² and take suggestions from the World Wide Fund For Nature (WWF) into account.

Low Influence in Pre-export Finance

Exporting companies are often dependent on advance funding. To prevent export transactions from failing due to a lack of liquidity, WestLB extends loans to the producers and exporters of raw materials or agricultural products. For instance, the Bank grants pre-export finance to increase the reliability of Germany's crude oil supplies, especially from Russia. The financing of companies in the ecologically sensitive oil and gas sector has repeatedly attracted public criticism, though. Also, some of the Brazilian agricultural producers whom we have granted pre-export finance are being criticised because of ecological and social problems associated with the cultivation of soybeans.

Contrary to project finance, however, we have only limited influence on the companies themselves. All we do is finance the delivery process of a commodity needed in Germany. While this gives us an opportunity to get to

know our partner companies and review the lending as such, we have no influence on the purposes for which the funds are used. It is therefore especially important to examine the client and business relationships particularly closely. Even though the Equator Principles, for instance, cannot formally be applied to pre-export finance transactions, we learn from experience gained in this field and apply it in a constructive exchange wherever possible. Seemingly simple solutions such as the downright refusal to grant pre-export finance to "complex" companies is no alternative to us.

² www.rspo.org

Focus on Sustainable Investment

Ecological, social and ethical aspects play an increasingly important role in the global capital markets. While private investors primarily want to invest their money with a good conscience and good returns at the same time, the main priority for analysts and institutional investors is to minimise non-financial risks such as a loss of reputation or claims for damages. In the past years, the market segment for socially responsible investments (SRI) has grown faster than the market as a whole. Having realised this, WestLB will continue to place a focus on sustainable investments.

Extra-Financial Research

WestLB is one of only a few financial institutions worldwide to offer research services that take an integrated look at the long-term opportunities and risks of listed companies with regard to sustainability aspects. Our Extra-Financial Research unit uses a proprietary rating process to identify and evaluate factors that may have an impact on the valuation and the share price of a company but are not yet explicitly addressed in traditional equities analysis. These include political, socio-economic and technological trends or corporate governance risks. This instrument is integrated with finance-oriented analyses and sustainability assessments. In addition, we publish our own studies which analyse in what way certain sectors and regions are challenged by sustainability issues. These include publications such as "China und Nachhaltigkeit", "Mobility in a Flat World" and "Corporate Ageing".

Successful Investment Funds

April 1, 2006 saw the launch of [WestLB Mellon Asset Management \(WMAM\)](#)³, a 50:50 joint venture between WestLB AG and Mellon Financial Corporation.

On July 1, 2007, Mellon Financial Corporation and The Bank of New York announced their merger; as an asset management partner company in the newly created BNY Mellon Asset Management Group, WMAM benefits even more strongly from the investment expertise, the extended product range and the global distribution network of the "The Bank of New York Mellon Corporation". Since the beginning of 2007, the German savings banks have additionally benefited from selected retail funds thanks to our marketing cooperation with Deka Bank. On August 22, 1997 (fund management changed effective October 9, 2006), Banque d'Orsay issued the "Orsay Croissance Responsible" sustainability fund. As of May 31, 2007, the fund had a volume of EUR 26.1 million.

For several years already, WestLB has offered funds (previously through the former WestAM) that are geared to sustainability criteria. These include the "Pension Dynamic" equity fund and the mixed "WestLB Mellon WerteFonds" fund. The Pension Dynamic fund exclusively comprises companies listed in the Dow Jones Stoxx Sustainability Index (DJSI STOXX) and is based on the best-in-class approach. The "WestLB Mellon WerteFonds" fund relies on the sustainability expertise of Swiss bank Sarasin. As of the end of 2006, WMAM managed EUR 83 million in these two retail funds, which represents 0.22 percent of the total assets under management.

Individual advice on socially responsible investments is provided by [Weberbank](#)⁴. From several thousand funds, our experts select those that meet investors' individual sustainable development needs to compose personal sustainability portfolios for interested customers.

Innovative Certificates

In 2002, WestLB was the first issuing house to issue Open End Index Certificates based on the DJSI STOXX. The companies in this index consistently integrate sustainability aspects into their core business, while at the same time offering a high potential for appreciation.

Since March 2007, WestLB has offered investors the possibility to integrate climate protection and climate change issues in their own portfolios. The initial stock basket of the "Klimawandel-'Open End' Active" certificate comprises 12 companies which develop new strategies and products that either contribute to climate protection or represent preventive measures for protection against the impacts of climate change. The selected companies – just like those included in the "New Energy 2-Active" certificate – should benefit from the market opportunities resulting from climate protection and climate change in the long term.

WestLB has dedicated an innovative certificate to another social trend – the ageing of society. The "Golden Age-Active" certificate is based on the shares of ten companies that will benefit disproportionately from the demographic development. These companies operate in the healthcare, medicine and nursing sectors.

Supporting Innovation

WestLB aims to be innovative also in other business segments, with the aim of supporting sustainable social and economic development. Addressing ecological and social challenges and initiating effective innovation processes is a key task in this context. For the Bank, this also means playing an active role as a partner in projects of the [Federal Ministry of Education and Research \(BMBF\)](#)⁵ and initiating bilateral cooperation projects with universities. The topics addressed range from aspects of sustainability communications in open markets to the creation of positive learning environments to the question whether poor nutrition in society may have an impact on the valuation of food producers in the capital markets.

Climate Protection in the Core Business

A central research project in which the Bank participates addresses the [“Mainstreaming of climate risks and opportunities in the financial sector”](#)⁶. Sponsored by Germanwatch, the [“Potsdam-Institut für Klimafolgenforschung \(PIK\)”](#), [“Deutsches Institut für Wirtschaftsforschung \(DIW\)”](#) and the [“Wuppertal Institut”](#), the project develops potential solutions for the appropriate consideration of climate-related risks and opportunities in company valuations as well as the

quantification and control of risks. The project, which will run until 2009, aims to develop instruments, processes and methods that allow financial analysts, asset managers and investors to better take climate protection into consideration in their decisions.

Sustainable Properties

Given that a major share of Germany's energy consumption and almost half of its CO₂ emissions are directly attributable to the building and housing facilities, sustainable property management is an important lever for climate protection. WestLB's Sustainability Management Department therefore aims to initiate forward-looking products in the real estate sector. With a view to developing starting points and criteria, we participate in the research project [“ImmoInvest – Grundlagen nachhaltiger Immobilieninvestments”](#) (“Fundamentals of sustainable property investments”) of the [Federal Office for Building and Regional Planning \(BBR\)](#)⁷. The Bank also contributes its expertise to the collection of best practice examples by the [Property Working Group of the Financial Institutions Initiative of the United Nations Environmental Programme \(UNEP FI PWG\)](#)⁸.

Supporting Business Activity

Since 2005, WestLB has offered medium-sized companies that want to strengthen their equity base [S-Mezzanine](#)⁹. S-Mezzanine capital is available at attractive rates to companies with sales upwards from EUR 10 million even if their creditworthi-

ness is only of medium quality. S-Mezzanine funding is advantageous in that it does not entail shareholder interference in the company's management.

The SME sector is one of the main pillars of the German economy and also its biggest employer. With their value orientation and their business strategies, which are geared to long-term partnerships, many of these often proprietor-managed companies play a pioneering role with regard to sustainable corporate responsibility but also in the field of technological innovation. In many cases, however, financing the growth of small and medium-sized companies is problematic, as banks must back loans to their clients with equity capital and often have some reservation towards small and medium-sized businesses because these may have only a weak equity ratio. S-Mezzanine can bring a genuinely sustainable solution to this problem.

Looking at sustainability often provides stimulation for new solutions – a registered bond that allows investors to generate income from investments in climate protection projects in emerging countries is one of the latest innovative products. The derivative is based on CO₂ reduction certificates from projects in the renewable energies sector.

⁵ ▶ www.bmbf.de

⁶ ▶ www.climate-mainstreaming.net

⁷ ▶ www.bbr.bund.de

⁸ ▶ www.unepfi.org/work_streams/property/index.html

⁹ ▶ www.s-mezzanine.de

Is a New Responsibility
Culture Evolving?



Floods, droughts and storms are becoming increasingly frequent as a result of climate change. And they affect a growing number of people in all parts of the world. "We are living in a world with no borders, a world where we all depend on others acting responsibly," said Prof. Dr. Klaus Töpfer, former Director of the United Nations Environmental Programme (UNEP). He made it clear that we need a new responsibility culture. And, in fact, a new responsibility awareness has evolved in recent years. People's unprecedented willingness to help after the tsunami hit South Asia at the end of 2004 was driven by the awareness that they themselves could be hit any time. Most people now know that the more frequent occurrence of natural disasters is related to climate change, which, in turn, is the result of the high energy consumption in many countries. And they know that their own way of living contributes to it.

In recent years, solidarity with the disadvantaged and responsibility for society have not only increased people's readiness to make donations but have also led to many corporate volunteering projects, i.e. companies supporting employees who do community work. This support ranges from granting employees an extra day off for voluntary work to additional donations in money or kind. The employees of our North and South American branches and offices alone donated USD 6,625 to the victims of Hurricane Katrina, which devastated large parts of the US south, to help them rebuild their homes. The Bank doubled the amount collected by its employees.

WestLB's staff contribute to the betterment of society also in Düsseldorf. For several years already, some 30 employees have supported the "Altstadt-Armenküche" soup kitchen and regularly help give out food to the homeless. With a view to supporting this voluntary work by the WestLB staff, the so-called Corporate Volunteering Initiative was started as part of the donation plan for 2007. Under this scheme, employees who volunteer in a charitable organisation in their spare time can apply for a donation to this organisation from WestLB. This way, a new responsibility culture that is urgently needed will be able to evolve.

Helping Employees Develop and Deliver

Only if our employees deliver maximum performance will we be able to master the structural and economic challenges we are faced with. We also expect our employees to endorse and support our corporate values and put them into practice in their day-to-day business.

At the same time, we promote the diversity and creativity of our staff by creating an environment in which they can unfold their full potential. Knowing that the knowledge and skills of our staff are key to the success of our company, we offer them selective further training and development opportunities and make the promotion of young talent a top priority of our human resources management activities.

Training and Further Education

At the end of 2006, the WestLB Group had 5,862 full-time employees, 8 percent less than in the previous year. The staff reduction is the result of measures implemented in the context of the Lean Bank Programme, which aims to cut the Group's cost base by EUR 250 million over a period of three years. The objective is to streamline processes and capacities in the Bank-wide back-office and corporate center units. At the same time, the client business is strengthened selectively – also by creating new jobs.

Retaining Expertise in the Bank

Against the background of the demographic development, our HR management will be facing major challenges. In the western industrialised world, the percentage of people aged 50+ has been rising sharply for some years, while the birth rate continues to decline.

In the next two decades, many of our current employees will be in the 56-65-year age group – a group for which health and mental fitness will play an important role. With qualified young talent becoming increasingly scarce at the same time, WestLB – like many other companies – may be faced with a lack of qualified labour in the medium term.

We therefore focus on the further training of our well-educated 36-45-year-old employees, who represent 44 percent of our workforce. We aim to create a motivating environment in order to retain every single one of them in the company in the long term so as to keep their expertise in the Bank. We therefore need to offer more health-promoting measures and place special emphasis on a healthy work-life balance.

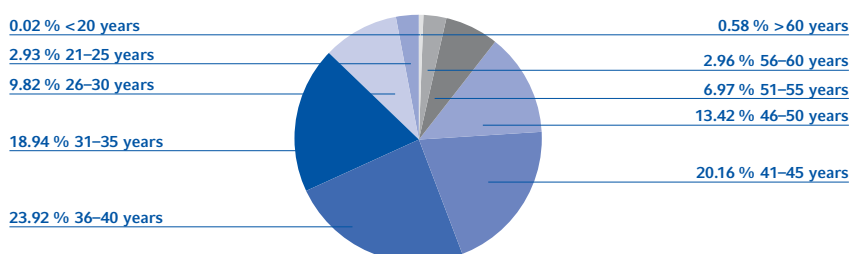
Promoting Potential

As an international bank that serves the most diverse clients in a wide variety of different business segments, we rely on self-confident and motivated employees who communicate with our clients at eye level. We therefore promote the talents of our employees and devise individualised development plans for their personal wishes and requirements. The respective needs are determined by means of structured processes. At least once a year, an interview is held with each employee to determine where they stand. The HR development compass, which has been used successfully in individual departments for some years, will gradually be introduced throughout the Bank.

The success of WestLB's Idea Management scheme shows just how creative employees can be if they work in the right environment. Since the former "Company Suggestion Scheme" was revised in November 2004, over 1,500 ideas have been entered, which have led to quantifiable savings of just under EUR 3 million. Up until today, some 250 ideas have been implemented and rewarded with premiums in a total amount of over EUR 600,000.

AGE BRACKETS IN THE WESTLB GROUP 2006

(absolute number of employees: 5,862 as at Dec. 31, 2006)



Enhancing Staff Qualifications

With a view to maintaining the qualifications of our employees at a high level and enhancing them in line with actual requirements, WestLB invested over EUR 8.3 million in compulsory and voluntary training for staff development. 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 environmental and social training. Moreover, the Bank plans to develop a refresher course on environmental and social aspects in structured finance for some 300 employees in 2007.

At present, we have revised and updated several further education measures, including the introductory event for new entrants and a further training course on the Equator Principles.

More further education courses, e.g. on risk management or climate change, are being prepared. A new offering is the Intranet-based learning module on WestLB's environmental and sustainability principles. This basic training informs all domestic employees of WestLB AG about our mission statement, our environmental management system and the objectives we want to achieve.

Maintaining Health

Companies that promote the physical and mental well-being at work reduce illness-related costs, increase productivity and contribute to staff loyalty. This is why WestLB's in-house medical service 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 and plan to expand our health management system even further.

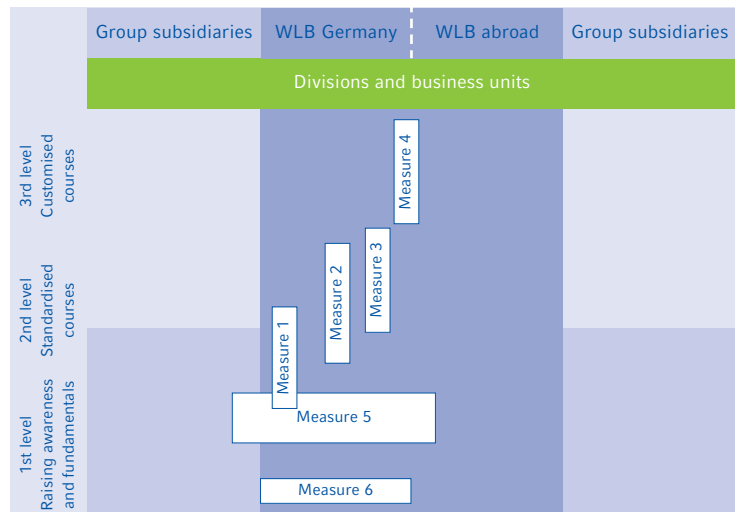
"Coping with stress" has been a fixed item on the agenda of our Training Academy at Schloss Krickenbeck (Germany) for many years and is complemented by in-house courses offered by WestLB's Social Counselling Service. With a view to preventing physical overstrain and wrong postures at work, we also attach great importance to the ergonomic design of workplaces. We have all workplaces

TRAINING MEASURES AND INVESTMENTS IN HR DEVELOPMENT IN 2005 AND 2006

Year	Participants	Participant days	Investments in further education (in EUR)
2005	2,911	13,879	7,612,000
2006	3,492	11,845	8,353,000

Sustainability As an Educational Goal

Sustainability can be established as a mission only if all employees are involved in a shared learning and development process. Our Sustainability Management Department – together with other business units – therefore develops a framework concept for sustainable education, which integrates the sustainability issue into new and updated further training schemes (white boxes). The aim is to gradually expand and complement existing further training schemes so that they will reach all employees in Germany and abroad in the long term (blue area).



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 automatically height-adjustable desks.

Given the steady rise in work-related psychological disorders, WestLB’s 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. In many cases, this helps to successfully fight personal and professional crises and conflicts and mitigate their consequences. Our Social Counselling Service supports individual employees and coordinates the social network activities such as access to (external)

bodies and services. A focus of their work is on addiction prevention. This topic was already addressed in July 2004, when the enterprise agreement on “addiction prevention in the workplace” was signed (see 2005 Sustainability Report). 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.

Equal Opportunities

Our Diversity Management scheme helps create a work environment in which individuality and diversity are respected and supported. We want our employees to unfold their full performance and creativity irrespective of age, gender, disability, nationality, cultural and religious identity and sexual orientation. We are currently preparing a diversity guideline, which will integrate experience from the UK and the USA as well as aspects from the existing "Fairness at Work" enterprise agreement and the German General Equal Treatment Act (AGG), which came into force in August 2006. Our employees in the UK and the USA are protected by our "Anti-Bullying at Work" regulations (UK) and a "Non-Harassment Policy" (USA).

Putting Equal Rights into Practice

For WestLB it is only logical to offer men and women equal opportunities. But while about 50 percent of our employees are female, only 17 percent of all executive positions were filled with women as of the end of 2006 – a share which is not satisfactory but still represents a significant improvement as compared to the 12 percent reported in 2004. As provided for in our 2004 Equal Opportunities Plan, we have largely aligned the salaries of male and female employees in comparable positions. In a mentoring pro-

gramme launched in 2001, experienced specialists help qualified young women develop their personalities and their careers. In London, the "Capital Chances" ¹ initiative advises young female WestLB employees on career opportunities in investment banking.

Work-Life Balance

We explicitly recognise the special needs of working parents. We strive to implement individual solutions that improve the work-life balance and also apply to employees who look after relatives in need of care. Our work-life balance measures include flexible working hours, teleworking, part-time solutions as well as creche places for currently 25 children in Düsseldorf. In addition, WestLB bears the cost incurred for advising employees and arranging customised care solutions – for both children and relatives in need of care. In May 2006, WestLB obtained the basic certificate of the "Work & Family" ² audit of the non-profit Hertie Foundation, which confirms our family-friendly HR policy.

¹ www.chanceevents.com

² www.beruf-und-familie.de

Employee Relationships

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 98 percent of the German workforce are represented by staff councils.

Irrespective of the formal responsibility of the Staff Council, the Bank signs agreements of fundamental importance – especially on HR policy – also with the committee representing the executive staff to ensure that certain regulations apply to all members of the workforce.

Our employees are given the opportunity to personally present their interests at regular staff meetings. Each year two or three of these meetings are also attended by members of the Managing Board.

Pensions and Compensation

WestLB offers its employees in Germany and abroad a wide range of employer- and employee-funded pension options. In Germany, these include the company pension scheme, direct or add-on pension insurance, capital forming payments and preferred mortgage rates. A pension fund is in place for WestLB employees in Great Britain.

A Good Employer

A survey of Germany's "top employers" conducted in 2007 by "Karriere" magazine in cooperation with the geva-Institut and the [Corporate Research Foundation](#)³ shows that there is still a strong feeling of solidarity among WestLB employees despite the many changes in recent years and the numerous new entrants. This is due, among other things, to the fact that we see our organisation as a "socio-technical system". This means that we attach equal importance to intact social structures and to a modern equipment of our workplaces and the qualifications of our employees. The fact that we have won the "TOP Employers in Germany" award for the third consecutive time shows that we are on the right course. Since 2004, we have also been awarded with "Karriere" magazine's "Fair Company"⁴ quality seal – in recognition of the fair conditions we offer career starters.

³ www.researchfoundation.com

⁴ www.karriere.de/fair-company

What Can WestLB Do?



“We judge WestLB’s climate protection strategy by its ability to help prevent dangerous climate change. This means that the global temperature rise as compared to the pre-industrial level must be kept below 2 °C. The investments in the global energy infrastructure required in the years from 2005 to 2030 (over USD 20 trillion according to the IEA 2006 ¹) must be geared to this temperature limit. It is in WestLB’s interest to support a UN framework that is “long, loud and legal” and creates the necessary investment safety. This will make it possible to exploit the respective opportunities while at the same time minimising credit risks as well as physical, regulatory, reputational, liability and legal risks. We expect a financial services provider such as WestLB to make an active contribution to the necessary processes of change in the economy and to support it with suitable financial products. Investments in low-risk energy supplies, for instance in different forms of renewable energies that are compatible with food safety and the protection of primary forests as well as energy efficiency play a key role in this context. Nuclear power is a high-risk technology that is non-manageable and can therefore not help to solve the climate problem.

WestLB is credible if it integrates the risks and opportunities of climate change in its business activity. A key priority in this context is for WestLB to develop a comprehensive and feasible concept to reduce its indirect emissions on an annual basis to be able to report on the achievement of reduction targets. Before initiating transactions with business partners, the latter should be asked to present a CO₂ balance for evaluation. WestLB should systematically and, where possible, quantitatively integrate climate and sustainability aspects in the financial analysis and in investment and credit decisions. The Bank should make a contribution to solving the open methodological questions. The Bank’s climate strategy may be complemented by the use of renewable energies to cover its own energy requirements as well as compensatory measures, especially for air travel.”



GREENPEACE



¹ ▶ International Energy Agency (IEA)
www.iea.org

Towards a Sustainable Society

Corporate social responsibility plays an important role in the current value debate. In the financial services sector – more than in any other industry – economic success hinges on values such as reliability, integrity and transparency.

For WestLB, responsible and sustainable action also means saving jobs, preserving the environment and promoting social balance. Given that only a tolerant and committed society can secure the future of our country, we explicitly invest in the young generation. Whether it's sports, culture, politics or science – WestLB is committed to improving education and formation in its home region of North Rhine-Westphalia.

Practising Integrity

Our long-term success in business hinges on the confidence which the national and international markets and the general public place in us. Clear rules and regulations oblige our employees to act in such a way that all national and international legal and regulatory requirements are fulfilled and WestLB's standards of trust and integrity are met.

Avoiding Conflicts of Interest

WestLB expects its 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.

WestLB has implemented strict regulations on how to treat insider information. Employees are not allowed to use confidential information for private transactions or for transactions of WestLB, its clients or third parties. Also prohibited are misleading market activities or other forms of fraud that influence share prices or pretend a market distortion. "Chinese Walls" have been set up to control the flow of sensitive information.

Our employees are not allowed to accept gifts whose value exceeds EUR 150. Gifts that cannot be declined for cultural reasons must be reported

and handed over to the Compliance Officer, who will arrange for them to be donated to charity.

To prevent corruption and bribery, our employees are regularly trained with regard to the regulations of the [code of conduct](#)². These regulations form an integral element of the training course organised as part of the introductory event for new employees. The problem of corruption is addressed in even greater detail at special anti-money laundering courses for high-risk business units.

We are aware of no violations of the code of conduct during the reporting period. Given that the risk of corruption in the banking sector is much lower than in the manufacturing sector, we are convinced that our controlling systems are complete and sufficient.

Fighting Money Laundering

Under the German Anti-Money Laundering Act, banks are obliged to take special precautionary measures to combat money laundering. WestLB supports the fight against criminal activities through its "Anti Money Laundering Group Policy", in which internal rules for the prevention of money laundering and the financing of terrorism have been laid down. All WestLB employees know which legal or internal regulations they must comply with. With a view to raising their

awareness for potential risks and keeping them up-to-date on current high-risk deals and customers, employees must participate in suitable training courses at least once a year.

To ensure that WestLB does not enter or maintain business relations that may entail legal risks or represent a punishable offence, the Bank analyses its clients and deals according to the "know-your-customer" principle. The most important aspect here is to identify the "economic owners" of companies and the true origin of money. Suspicious transactions/clients are reported to the law enforcement authorities.

Responsible Advice on Consumer Loans

For retail customers, it is virtually impossible to keep track of the multitude of consumer loan providers and offerings and make an informed comparison. readybank, WestLB's retail banking arm, therefore wants to assist its customers in making the right credit decision. This is why readybank addresses customers and prospects with a strong focus on responsibility and transparency – from advertising, press and online to mailings and direct communications.

When it comes to consumer loans, it is important that the credit costs are comprehensible and that customers are aware of all incidental charges, risks and opportunities. readybank has committed itself to providing its customers with reliable information and advice. This is why the bank cooperates with TÜV Rheinland and the Psychological Institute of the University of Bonn when aspects of financial expertise, sustainability and quality assurance are concerned. With a view to implementing such high standards throughout the banking sector, readybank has invited its competitors to jointly define new ethical lending guidelines. A first draft is to be presented by mid-2008.

Promoting Development

WestLB is convinced that the Bank can make an important contribution to the sustainable development of society – not only as an employer and taxpayer but also through its social commitment. In 2006 alone, we spent EUR 4.45 million to support charitable, cultural and sports projects. Neither cash nor non-cash donations are made to political parties.

For the People in the Region

We are especially committed to empowering young people to lead an independent life. We therefore participate in a number of projects dedicated to the training and education of

WestLB Foundation “Zukunft NRW”

In addition to WestLB AG’s promotion activities, the Bank’s “Zukunft NRW” Foundation ³ has committed itself to helping the people in North Rhine-Westphalia cope with the ongoing structural change. The Foundation invests EUR 600,000 p.a. to support regional projects characterised by an innovative approach and a sustainable effect on science, economy, research and education.

Our Donation Policy

WestLB has defined five promotion principles to ensure that its funds are used effectively and in line with its objectives:

- 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.”
- International Exchange: “We serve as an interface between North Rhine-Westphalia and the world.”
- Partnership and Sponsorship: “Together we are stronger – WestLB remains a reliable partner and sponsor.”

disadvantaged children and young adults. These include the “Mit-Sprache-NRW” ⁴ project, which assists schools in promoting the language skills and integration of children from immigrant families.

Many of our projects are dedicated to the promotion of science; Weberbank, for instance, awards the “Otto-Klung-Weberbank Prize” ⁵ for special achievements in chemistry and physics.

We believe that sport is an important connecting link between people from different regional and social backgrounds. Our sport sponsoring activities cover top-level sports as well as

the development of young talent. The focus is on ice-hockey and the “Momentum” project initiated by the German research centre for high-performance sports.

WestLB’s sponsoring activities also extend to the cultural sector. For instance, we support purchases of cultural assets of national importance for museums in North Rhine-Westphalia, act as main sponsor of the 2007 exhibition of French masterpieces at the Neue Nationalgalerie in Berlin and sponsor the performing arts – for instance at the RuhrTriennale. In addition, we promote classical music, e.g. the “Klavierfest Ruhr” and the “Schumannfest” in Düsseldorf.

³ ▶ www.westlb.com > Corporate Citizenship
> WestLB Foundation Zukunft NRW

⁴ ▶ www.raa.de/mitsprache-nrw.html

⁵ ▶ www.otto-klung-weberbank-preis.de

What Does Energy-efficient Action Mean For A Bank?



Europe's energy consumption is to be reduced by at least 20 percent by the year 2020. This has been agreed by the European heads of government in March 2007. The efficient use of energy is regarded as our most important resource and helps to reduce CO₂ emissions – through more efficient power plants, more efficient auto engines, low-consumption appliances and well-insulated homes. There is indeed huge savings potential across all industries, in private households and the transport sector. However, tapping this potential is not always easy. While high-energy light bulbs can relatively easily and inexpensively be replaced with more energy-efficient models, a significant reduction in heating energy consumption may require extensive home remodeling and investment.

Acting energy-efficiently means acting in those areas where success can be achieved quickly – without losing sight of the big potential. Energy saving tips help our employees to act energy-efficiently at work. For quite some time already, WestLB has paid special attention to low power consumption when buying new equipment. This enabled the Bank to achieve a turnaround in 2004 – since then, the energy consumption of WestLB's German locations has declined by 17 percent.

Energy efficiency also plays an important role where mobility is concerned – one of the biggest levers in the services sector to reduce CO₂ emissions. While the ongoing internationalisation of the WestLB Group makes business trips increasingly important, the flight kilometres per employee of the German locations have declined significantly in recent years. By contrast, the number of kilometres travelled by rail has increased slightly since 2005. Our trainees and apprentices also know that each train trip and each car kilometre saved make a contribution to climate protection. During the "project days" in April 2006, which were organised under the motto "Environmentally friendly mobility at WestLB", they developed a number of good ideas – from a car sharing database to better information on local public transport.

A Carbon Management Plan, which is currently still being prepared, will help WestLB use energy even more efficiently. Detailed measures will be published on the Internet from mid-2008.

Internal Environmental Protection

Internal environmental protection is a central pillar of our social corporate responsibility. Thanks to our systematic environmental management approach, we have been able to reduce the consumption of resources and our emissions. For several years already, WestLB has benefited from the costs saved as a result of the efficient use of resources.

We are also placing growing emphasis on climate protection – we invest in even more efficient equipment and the modernisation of buildings, in intelligent purchasing and a well thought-out mobility management system. And we encourage our employees to save energy at work.

Our environmental management system has been improved continuously; in 2006, we laid the foundation for certification to the international ISO 14001:2004 standard by year-end 2007.

Environmental Management

Initiated in the 1990s, WestLB's environmental management system was the origin of today's sustainability management. In organisational terms, the Job Safety and Environmental Protection Department of the Internal Services Business Unit has been in charge of environmental protection since 1998. Headed by the Environmental Protection and Operational Ecology Officer, 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.

Capturing Environmental Data

We establish annual eco-balances to map key environmental figures and their development over the years. This data is captured in accordance with the standards of the "[Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen e. V.](#)" (VFU) ¹ (Association for environmental management in banks, savings banks and insurance companies). Based on this data, we actively communicate our environmental performance – externally through our Sustainability Report, internally through an annual Environmental Report, which is published on the Intranet. The latter replaces the [Eco Reports](#) ², which were published until 2003, and presents the current data for the individual WestLB locations. The

Group's key environmental figures are shown in the chapter "Data and Objectives" (page 48). More information on the Bank's ecological day-to-day performance is provided in the [eco-accounting reports](#) ³.

Improving Our Environmental Performance

In August 2006, WestLB began to prepare for the certification of the German branches to the international standard for environmental management systems. [ISO 14001:2004](#) ⁴ focuses on the ongoing improvement of internal environmental protection.

An independent auditor will certify the German branches and offices, probably at the end of 2007. The certificate will cover the Frankfurt branch, Akademie Schloss Krickenbeck as well as the buildings in Düsseldorf that are controlled by WestLB; these represent 96 percent of the Bank's workplaces in Germany. As announced, 2006 is the first year for which worldwide data is available. Certification of the first major international locations – London, New York, Tokyo and possibly Luxembourg – is scheduled for 2008. As part of the preparations for the certification to ISO 14001:2004, all employees will be obliged to complete a web-based training module, which provides information on the Group-wide sustainability guidelines, ecological operations and production management and the new environmental and sustainability targets.

¹ [www.vfu.de](#)

² [www.westlb.com > Corporate Responsibility > Sustainability > Environmental Protection](#)

³ <https://www.sofi-hosting.com/884681284>

⁴ [www.iso.org](#)

Energy Management

Through the consumption of energy in its office buildings and the business trips undertaken by its employees, WestLB contributes to the increase in greenhouse gases in the atmosphere. For many years, it has therefore been the Bank's objective to reduce its energy consumption.

Building Management

Building management is regarded as a key lever for the efficient use of energy. Thorough building audits provide fundamental data for energy saving measures. Even though such measures cannot be implemented in all cases because WestLB does not own all buildings, we have identified numerous potential savings. The development of our energy consumption

shows that the many measures we have taken in recent years – e.g. energy-saving ventilation and air-conditioning technology – have been successful. Between 2004 and 2006, our energy consumption in Germany declined by approx. 18 percent. As we understand that climate-neutral power can be generated only from renewable energy sources, we will also request bids from renewable energy suppliers for expiring power supply contracts from the end of 2008. Our aim is to increase the share of eco-power to a minimum of 20 percent by the end of 2009.

We aim to exploit potential savings more effectively also where heating energy is concerned. After the completion of the energy-efficient modernisation of our largest building in Düsseldorf (1,400 employees) in mid-2008, we expect to achieve savings of approx. 30 percent as compared to the year 2003.

Employee-related Energy Saving Measures

WestLB has initiated extensive awareness-raising measures to sensitise its employees to potential energy savings. In the context of the [MiMoNa project](#) (Mitarbeitermotivation zu Nachhaltigkeit – Motivating employees for sustainability), for instance, WestLB trainees have developed a comprehensive concept comprising humorous commercials, a prize competition and creative advertising materials to encourage employees to use energy sparingly.

Direct and Indirect Emissions

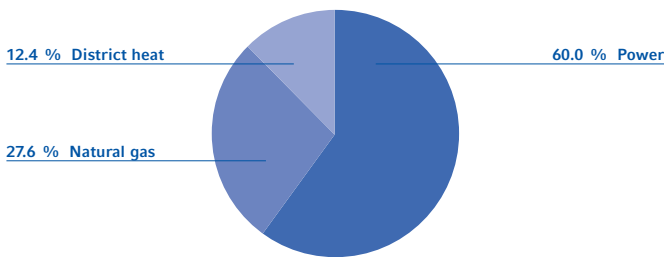
For the first time, our CO₂ balance is based on the international standard of the "Greenhouse Gas Protocol" ¹⁵. This means that we include both direct and indirect emissions in our calculations. The direct emissions of service providers primarily stem from the use of fossil energies, while indirect emissions are produced in the generation of electricity and district heat. Indirect emissions in the wider sense mainly include emissions from business trips.

EMISSIONS UNDER THE GHG PROTOCOL: ABSOLUTE AND PER EMPLOYEE (WESTLB GROUP) 2006 in t CO₂ equiv.

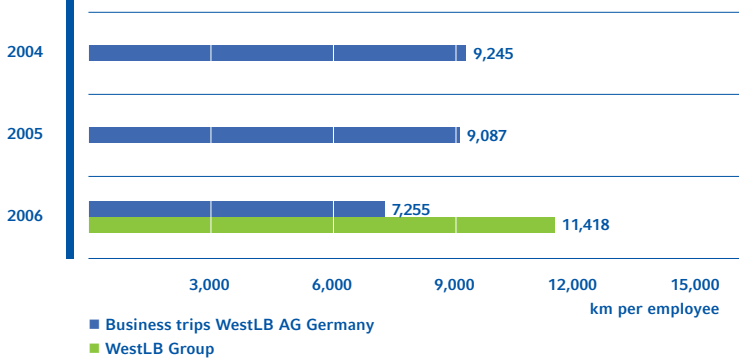
Scope 1/direct emissions	6,218.1
Scope 2/indirect emissions	35,579.9
Scope 3/other indirect emissions	20,339.4
TOTAL	62,137.5

The total emissions of 9.72 t CO₂ equiv. per employee break down as follows: 1.1 t CO₂ equiv. direct emissions; 5.56 t CO₂ equiv. indirect emissions; 3.18 t CO₂ equiv. other indirect emissions.

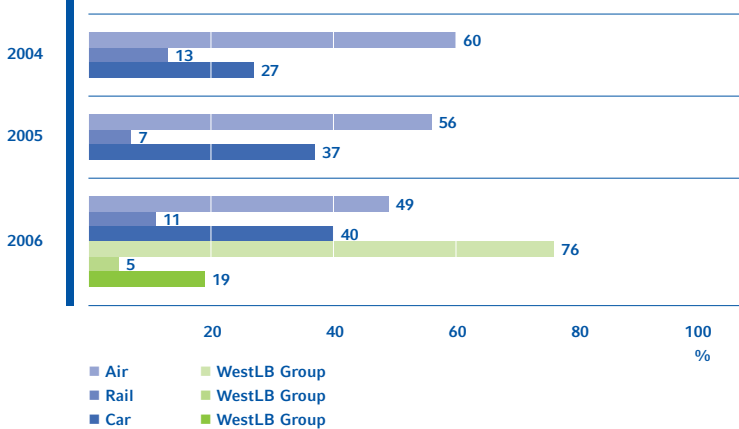
BREAKDOWN OF ENERGIES USED BY THE WESTLB GROUP 2006



BUSINESS TRIPS WESTLB AG GERMANY 2004–2006



SHARE OF KILOMETRES TRAVELLED PER MEANS OF TRANSPORT ON BUSINESS TRIPS WESTLB AG GERMANY 2004–2006



The Environmental Protection and Operational Ecology Officer has already implemented selected activities such as Intranet pages on energy saving.

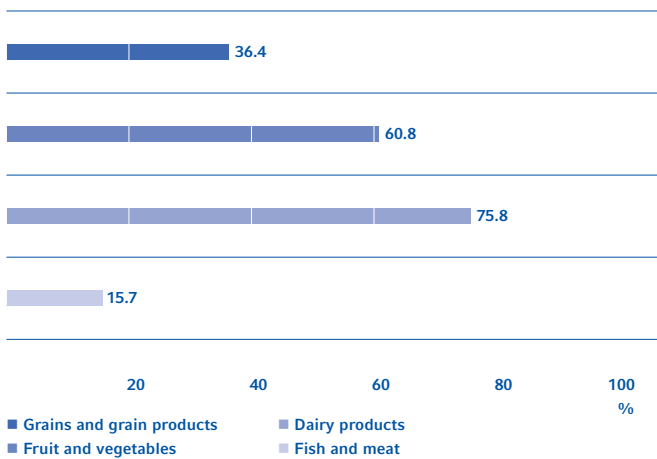
Turnaround in Mobility Management

Accounting under the [Greenhouse Gas \(GHG\) Protocol](#)⁶ has also revealed an important lever for the reduction of greenhouse gases. More than one fifth of all emissions caused by WestLB is attributable to business trips. In 2006, the WestLB Group’s employees travelled over 73 million kilometres (WestLB Germany: just under 32 million) – approx. 75 percent thereof by air.

To strengthen rail travel over air travel, our Travel Guidelines encourage employees to travel by train instead of taking a plane. Given that many flights are attributable to the growing internationalisation of our business, the optimisation potential is limited, though. Nevertheless, the flight kilometres of our German locations have dropped from a good 23 million in 2004 to just under 16 million in 2006, while rail travel has increased – with a reduction in the total number of kilometres travelled. With a view to further reducing the emissions from business trips, WestLB will make growing use of video conferences going forward. The technical requirements for such conferences are in place at the new conference centre in Düsseldorf.

⁵ ▶ Trainee project days at “MiMoNa”: www.mimona.de
⁶ ▶ Greenhouse Gas Protocol: www.ghgprotocol.org

PERCENTAGE OF ORGANIC FOOD AT THE DÜSSELDORF CANTEEN*



*WestLB's largest canteen is in Düsseldorf

WestLB employees in Düsseldorf, Cologne and Dortmund are offered a subsidised "Jobticket" to encourage them to use public transport for commuting to work. Over 70 percent of the employees concerned have accepted this offer and use public transport at least temporarily. Information on energy-efficient and cost-saving transport for WestLB employees is provided on the Intranet, where a car sharing database has also been set up in August 2007. This idea was developed by WestLB trainees during the 2006 "project days".

Sustainable Canteens

Since the bio certification in 2003, the Düsseldorf canteen has been licensed to use the label "Mahlzeiten aus ökologischer Agrarwirtschaft" (Meals from Organic Agriculture). In 2006, more than half of the food used here came from organic agriculture. This also represents a contribution to climate protection as CO₂ emissions per hectare from organic farming are about 60 percent lower than from conventional agriculture.

WestLB's catering and housekeeping services do a lot to support the regional economy. Many products are sourced from local farmers, while towels are supplied by workshops for the blind. Moreover, we advise companies such as ThyssenKrupp or Stroetmann on organic food and help raise the awareness of future kitchen chefs – e.g. the trainees at the Albrecht-Dürer vocational school –for organically produced food.

Resource Management

One of the main resources used by a service provider such as WestLB is paper – in 2006 alone, the Group used as much as 542 tonnes. The Bank is therefore working towards a significant reduction in paper consumption and has already achieved some success. Paper consumption per employee declined from an average of 131 kilogrammes (2004) to 85 kilogrammes (2006). This reduction is all the more remarkable as advertising materials have been included in the calculation since 2006.

Paper from Environmentally Compatible Production

To cover our still quite significant paper requirements, we increasingly use ecologically produced paper such as recycled paper for our in-house printers. As a result, the share of recycled paper has increased to almost 70 percent. In addition, WestLB plans to use more paper from certified sustainable forestry. The first steps in this direction were taken at the initiative of individual business units. BU Communications, for instance, has printed the “inform” staff magazine on paper bearing the seal of the [Programme for the Endorsement of Forest Certification Schemes \(PEFC\)](#)⁷ since the 1/2007 issue. The present Sustainability Report, whose production has been supported by BU Board Office, is printed on paper bearing the even stricter label of the [Forest Stewardship Council \(FSC\)](#)⁸. It is the declared objective of our environmental management system to implement this standard throughout the Bank.

Avoiding and Recycling Waste

The new waste management concept, which is currently in the implementation phase, has clearly improved the system applied to the disposal of all waste. From 2007, we will increasingly focus on the implementation of waste-reduction measures. These include a waste brochure, which will present and explain the waste separation scheme, receptacles for more effective waste separation as well as training courses for our employees. We are currently looking for alternative, more eco-friendly disposal possibilities for data carriers, toner cartridges and paper.

Reducing Drinking Water Consumption

WestLB consumes large amounts of water in the kitchens and the sanitary facilities as well as through evaporation in the office air-conditioning systems. Modern flushing systems, which will successively be installed in all buildings, and more efficient appliances in the kitchens will help reduce our water consumption even further.

⁷ www.pefc.de

⁸ www.fsc-deutschland.de

Data and Objectives

Apart from WestLB AG and its international locations, branches and representative offices, the WestLB Group comprises additional subsidiaries, the most important of which are presented below. Going forward, we will support these subsidiaries in implementing and installing environmental and sustainability management systems.

Westdeutsche ImmobilienBank

Headquartered in Mainz, Westdeutsche ImmobilienBank AG (WIB) is a wholly-owned subsidiary of WestLB AG. The company employs approx. 510 people and is the competence centre for property financing and real estate activities in Germany and abroad. Apart from its domestic branches, WIB has a presence in London, Madrid, New York, Paris, Warsaw and, from the end of the year, in Tokyo and Prague. The bank is also strengthening its capital market-oriented structuring and placement activities and has therefore established the Real Estate Investment Banking/Debt Capital Markets unit in 2007.

Weberbank Actiengesellschaft

In December 2005, WestLB acquired Weberbank Actiengesellschaft, Berlin, which currently employs approx. 250 people, with a view to strengthening

its position in the German HNWI (high net worth individuals) market. The opening of a Weberbank branch in Düsseldorf in January 2006 marked WestLB's re-entry in the upper segment of the private banking market in North Rhine-Westphalia.

Weberbank supports our social commitment in two respects. First, the bank assists customers in setting up non-profit foundations; second, it supports foundations in growing their assets.

WestLB Mellon Asset Management

WestLB Mellon Asset Management Holdings Ltd. (WMAM), London, is a 50:50 joint venture between WestLB AG and The Bank of New York Mellon Corporation, USA. The joint venture was launched in 2006 and currently employs 304 people. WMAM combines the European expertise of WestLB with the global product range of BNY Mellon Asset Management. The asset management activities of WestLB AG formerly operated under the WestAM brand have been integrated into the joint venture.

readybank

In March 2006, WestLB acquired ABC Privatkunden-Bank GmbH, Berlin. In September 2006, the bank, which employs 223 people and specialises in consumer loans, was renamed readybank ag. The new name indicates the bank's strategic positioning – readybank offers its services in places where its customers go shopping or seek fast and straightforward financing support. Since early 2007, readybank has been the central platform for the cooperation with the PAYBACK bonus programme.

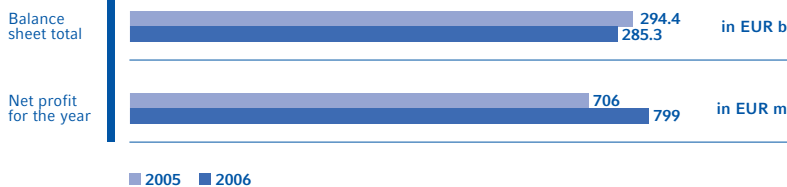
WestLB Covered Bond Bank

In 2002, WestLB AG established WestLB Covered Bond Bank plc (WCBB) in Dublin. Employing eight people, the bank specialises in Irish covered bonds. These highly rated bonds build on the tradition of the German Pfandbrief. In the context of the Pfandbrief strategy of WestLB, which resumed its Pfandbrief issuance in December 2005 under the new German Pfandbrief Act, WCBB's issues help diversify WestLB's funding base.

- 1 ▶ www.westimmobank.com
- 2 ▶ www.weberbank.de
- 3 ▶ www.wmam.de
- 4 ▶ www.readybank.de
- 5 ▶ www.westlbcbb.com

Financial Key Figures at a Glance

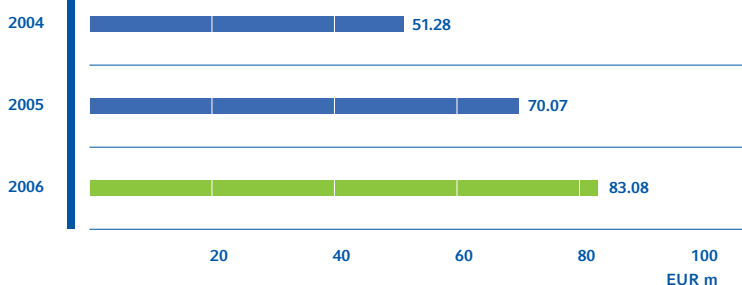
BALANCE SHEET TOTAL AND RESULTS OF THE WESTLB GROUP 2005–2006



VALUE ADDED OF THE WESTLB GROUP in EUR m

Creation	2006	2005
Income from ordinary activities	2,827	2,488
Credit risk provisions	202	75
Other administrative expenses	-719	-736
Depreciation	-80	-80
Restructuring expenses	-193	0
Value added	2,037	1,747
Employees (personnel expenses)	-1,031	-872
Public sector (taxes)	-207	-169
Profit	799	706

SRI FUND VOLUMES OF THE WESTLB GROUP 2004–2006 in EUR m



Balance Sheet Total And Results

WestLB's financial statements for the period ended December 31, 2006 were the first to be prepared to International Financial Reporting Standards (IFRS). According to IFRS 1, an opening balance sheet must be prepared at the time of the adoption of IFRS, which forms the basis for IFRS accounting. The accounting and valuation methods applied in the opening balance sheet are in accordance with those IFRS that were applicable as of the reporting date of the first IFRS statements.

Value Added

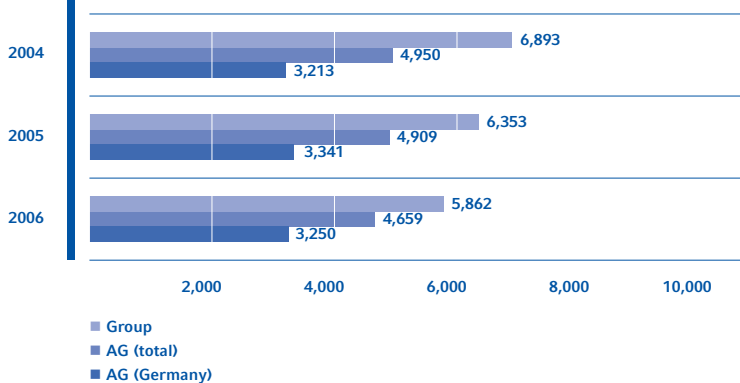
The Group result rose by 13 percent as compared to 2005. This increase is attributable to much higher income from ordinary activities, which more than offset the increased personnel, tax and restructuring expenses.

Sustainable Investment

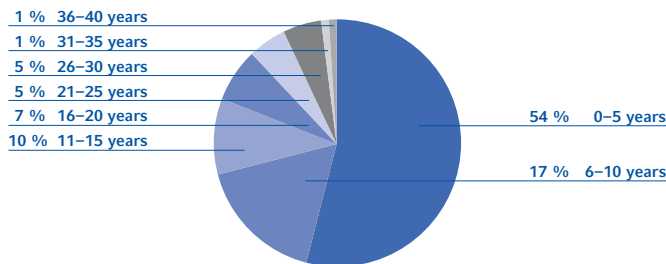
The volumes of our WerteFonds and Pension Dynamic funds have increased continuously – by over 60 percent since 2004. At 0.22 percent, their share in total assets under management is still very low, however, and should be expanded further. We have set ourselves the objective to increase the percentage of sustainable investments.

Social Key Figures at a Glance

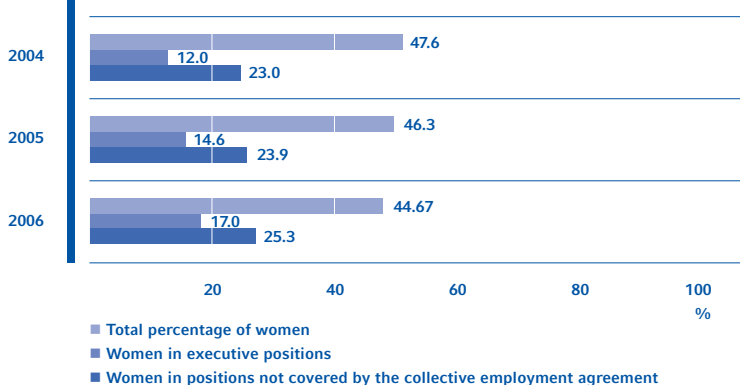
**WESTLB AG HEADCOUNT 2004–2006
(FULL-TIME EMPLOYEES)**



**LENGTH OF EMPLOYMENT WITH WESTLB AG
WORLDWIDE 2006**



**PERCENTAGE OF WOMEN AT WESTLB AG
IN GERMANY 2004–2006**



Employment

As of December 31, 2006, the WestLB Group employed 6,149 people (previous year: 6,700). This represents 5,862 full-time employees (previous year: 6,353). 95.2 percent of them worked in OECD countries in 2006. Due to the merger of the asset management activities in a joint venture (WestLB Mellon Asset Management – WMAM), the respective number of employees is stated on a pro-rated basis and has therefore declined by approx. 180. Despite selective new hirings, the headcount was down approx. 8 percent on the previous year’s level. As in prior years, the redundancies were implemented in a socially compatible manner.

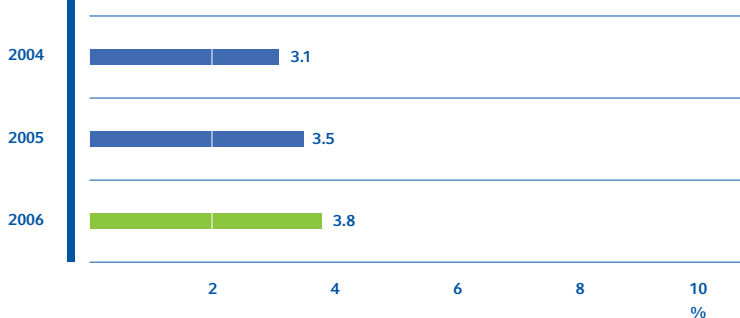
Job Tenure

As of June 30, 2007, WestLB’s employee turnover rate stood at 5.8 percent worldwide; at 3.8 percent, the rate in Germany is much lower. The average job tenure is nine years on an international scale and eleven years in Germany.

Female Promotion

Thanks to a variety of measures aimed at improving equal opportunities, the percentage of women in executive positions has increased steadily. We will continue to work towards this goal in future. The ratio of women in qualified specialist positions not covered by the collective employment agreement has developed positively, too.

PERCENTAGE OF APPRENTICES AND TRAINEES WESTLB AG IN GERMANY 2004–2006



FURTHER TRAINING AT WESTLB AG IN GERMANY

	2004	2005	2006
Percentage of employees eligible for further training	100 %	100 %	100 %
Percentage of employees using further training opportunities	30 %	32 %	40 %
Average number of training days per participant	2.7 days	5.4 days	2.3 days
Average number of training days per employee	0.8 days	1.7 days	1.0 days

WORKING HOURS AND BASIC SOCIAL INSURANCE WESTLB AG TOTAL

	2004	2005	2006
Number of employees with 25 vacation days and more	88 %	89 %	89 %
Number of employees with 30 vacation days and more	67 %	70 %	71 %
Number of employees with less than 40 working hours/week*	95 %	97 %	97 %
Number of employees with up to 48 working hours/week*	100 %	100 %	100 %
Number of employees benefiting from full freedom of association	100 %	100 %	100 %
Number of employees represented by Staff Council members	67 %	70 %	71 %
Number of employees covered by company/state pension scheme	93 %	94 %	94 %
Number of employees covered by company/state health insurance	96 %	97 %	97 %

*excl. employees not covered by a collective employment agreement

Vocational Training

Notwithstanding the reduced headcount, WestLB has not cut the number of apprentices and trainees, so that their percentage has increased. All apprentices/trainees who were interested in permanent employment after completion of their training were offered a job in the Bank. In 2006, 32 apprentices/trainees completed their vocational training at WestLB, while 34 young people started their training.

Working Standards

Employees of WestLB AG (79 percent of the Group's total headcount) benefit from high social standards throughout the world. The company complies with the criteria of the working standards of the [International Labour Organization \(ILO\)](http://www.ilo.org)¹ for 100 percent of its workforce. Moreover, far more than 90 percent of our employees are covered by a pension scheme as well as a company or state health insurance scheme.

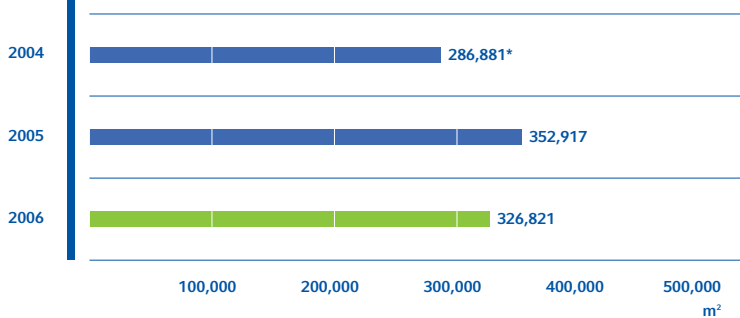
Accidents

Work accidents are a rare occurrence in financial institutions. In 2006, WestLB AG's domestic branches counted 21 work accidents and 31 accidents on the way to and from work.

¹ www.ilo.org

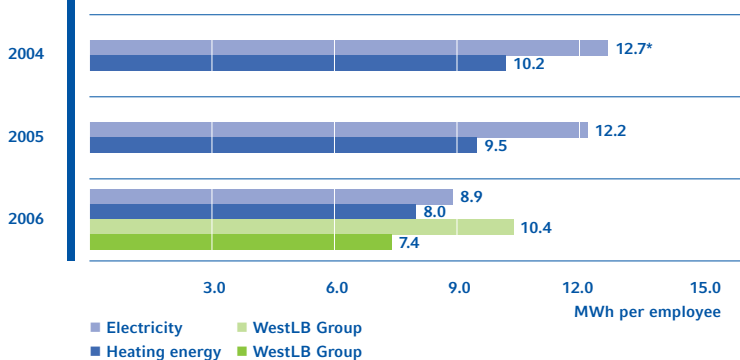
Environmental Key Figures at a Glance

NET FLOOR SPACE USED BY WESTLB AG IN GERMANY 2004–2006



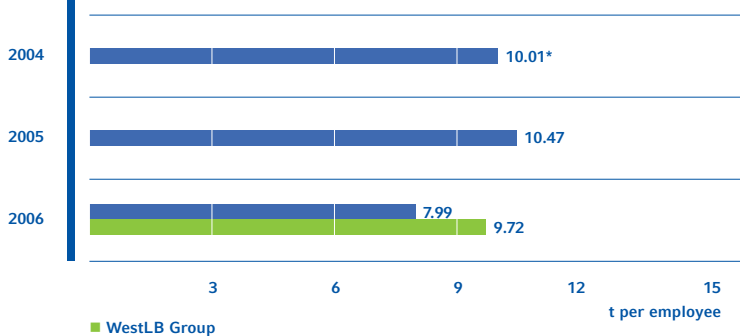
*Deviations from the figures in the 2005 Sustainability Report are attributable to extensive renovation work; some of the offices could not be used in 2004.

SPECIFIC ENERGY CONSUMPTION AT WESTLB AG IN GERMANY 2004–2006



*Deviations from the figures in the 2005 Sustainability Report are attributable to the German Tenancy Act. The energy consumed in the leased offices is charged with a certain delay, so that estimates had to be used in some cases.

SPECIFIC CO₂ EMISSIONS AT WESTLB AG IN GERMANY 2004–2006



*Deviations from the figures in the 2005 Sustainability Report are attributable to the German Tenancy Act. The energy consumed in the leased offices is charged with a certain delay, so that estimates had to be used in some cases.

Data Collection

Unless stated otherwise, the environmental data presented here refers to WestLB AG's domestic branches and Akademie Schloss Krickenbeck. In addition to WestLB's regular employees, external employees working in the WestLB buildings were also included in the calculation. The key figures were calculated on the basis of the following staff numbers:

- 2004: 3,838 people
- 2005: 3,678 people
- 2006: 4,382 people

Energy Consumption

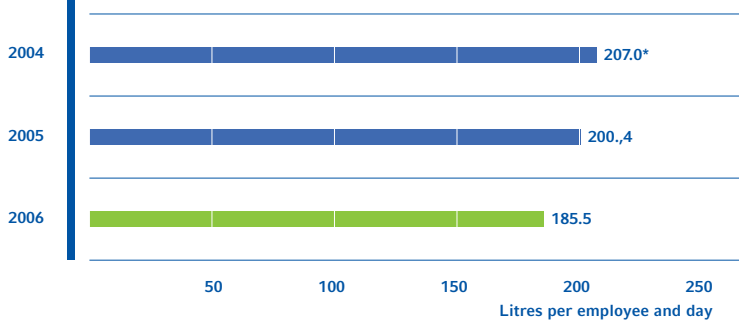
WestLB's absolute energy consumption has declined steadily since 2004, namely from 84,337 MWh in 2004 to 73,715 MWh in 2006. This is the first time that we can report the energy consumption of the total WestLB Group, which amounted to 110,906 MWh.

CO₂ emissions

Direct and indirect CO₂ emissions have been reduced steadily since 2004; in Germany, they dropped from 41,879 tonnes in 2004 to 35,027 tonnes in 2006. The Group's total emissions in 2006 amounted to 62,138 tonnes of CO₂. Emissions per employee (Germany) declined by a good 20 percent.

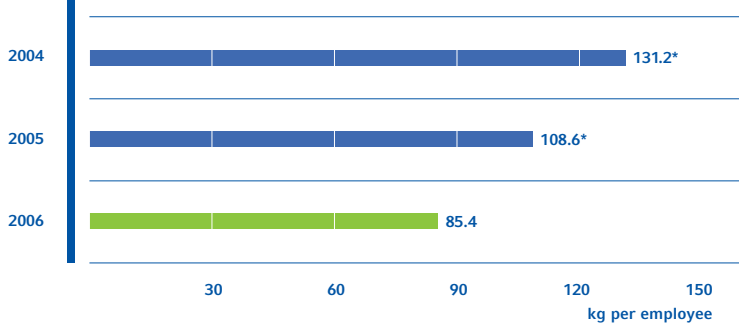
The energy consumption at WestLB's locations accounts for 79 percent of the total CO₂ emissions, while business trips account for 21 percent.

SPECIFIC WATER CONSUMPTION AT WESTLB AG IN GERMANY 2004–2006



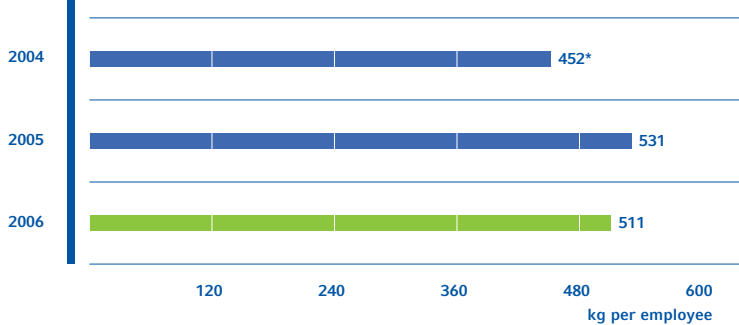
*Deviations from the figures in the 2005 Sustainability Report are attributable to the German Tenancy Act. The energy consumed in the leased offices is charged with a certain delay, so that estimates had to be used in some cases.

SPECIFIC PAPER CONSUMPTION AT WESTLB AG IN GERMANY 2004–2006



*excl. printed advertising materials

SPECIFIC WASTE VOLUME AT WESTLB AG IN GERMANY 2004–2006



*Deviations from the figures in the 2005 Sustainability Report are attributable to the German Tenancy Act. The energy consumed in the leased offices is charged with a certain delay, so that estimates had to be used in some cases.

Water

Water consumption per employee has declined steadily in recent years, which is attributable to technical improvements and modernisation work.

Paper

In 2006, WestLB AG's domestic operations used 310 tonnes of office paper, of which approx. 81 percent was recycled paper. Paper consumption per employee averaged 85.4 kilograms, which is approx. 45 percent less than in 2004 – although printed advertising materials were included in the calculation for the first time.

Waste

The rise in our waste volume in 2005 is due to the increased disposal of paper and other waste, which, in turn, is attributable to the closure of offices. In absolute terms, WestLB AG Germany produced 2,228 tonnes of waste in 2006. Over 60 percent of the total waste is residual waste. The second most important component is waste paper, which has declined by 17 percent from 632 tonnes to 523 tonnes since 2005, however, as a result of the general reduction in paper consumption. All other components add up to less than one quarter of the total volume of waste. At 9.3 tonnes, wastes "requiring special monitoring" such as oil, batteries and fluorescent lamps account for far less than one percent.

Our Sustainability Programme

Our Sustainability Principles commit WestLB to full compliance with all applicable laws and regulations. To further improve our environmental and sustainability performance, we have adopted the following Sustainability Programme which also includes a summary of the objectives and measures laid down in the Bank's Environmental Programme for the 2007–2009 period.

Objective	Measure	Deadline	Status
Strategy			
Sustainability strategy Development of specific sustainability strategies for all relevant business units	Joint development by the business units and Sustainability Management	12/2006	⊙ Implemented in selected areas
	Development of an umbrella sustainability policy* and other sector-specific concepts**	12/2006 * New deadline 12/2007 ** New deadline 12/2009	☒ Business Units and stakeholders more strongly involved than originally planned.
	Roll-out of the sustainability policy and development of management processes	06/2009	☒ New measure
Analysis of the environmental opportunities and risks of the product portfolio	Reviewing options for a product-related sustainability management system (SMS)	03/2008	☒ New objective
	Development and expansion of the SMS under environmental aspects	12/2008	
	Integrating social and governance aspects in the SMS and Group-wide roll-out	07/2009	
Compliance Implementation of uniform compliance standards in all business units	Alignment of compliance monitoring and money laundering prevention with new legal requirements	Ongoing	⊙
	Expansion of training activities for employees	Ongoing	⊙
Core business Consistent implementation of Equator Principles in project finance	Development of an IT based analysis tool for Equator Principles-relevant projects	08/2005	⊙ Introduced 2006; expanded 2007
	Group-wide introduction of an Intranet tool	12/2005	☒ Postponed for cost reasons
	Improvement of implementation in internal processes	Ongoing	⊙
	Training of all new employees	03/2006	⊙
	Development of a concept for the integration of NGO expertise in project finance	12/2006 new deadline 12/2008	☒ Process has started, dialogue takes more time
	New concept for a refresher course on project finance	06/2008	☒ New measure
Purchasing Worldwide introduction of environmental and social purchasing criteria	Coordination, review and testing of purchasing criteria for office materials	12/2005	⊙ Clauses included in supply contracts
	Development of criteria for the purchasing of other products	12/2006	⊙ Part of the ISO certification project
Stakeholder dialogue			
Communication Intensification of the dialogue with society	Answering inquiries; participation and lectures at events by WestLB employees	Ongoing	⊙
Strategy Integrating stakeholder requirements into the sustainability strategy	Setting up of an NGO dialogue forum	07/2005	⊙ Regular meetings
	Setting up of a Sustainability Advisory Council	10/2005	⊙ Regular meetings
Representation of interests Translating the Safeguard Policies of the International Financial Corporation (IFC) into Performance Standards	Development of a WestLB position and involvement in the discussion with IFC	12/2005	⊙
Own workforce Creation of awareness and motivation for sustainable development among employees	Development of training and awareness-creating measures for all employees	09/2005	⊙
	Joint event organised by WestLB and the MiMoNa Initiative (employee motivation for sustainability) of Bundesdeutscher Arbeitskreis für Umweltbewusstes Management (B.A.U.M. – German Working Group for Environmentally Conscious Management)	11/2005	⊙

⊙ Objective reached in time ☒ Implementation postponed ☒ New measure

Objective	Measure	Deadline	Status	
Employees				
Qualification Enabling employees to put WestLB's new business model into practice	Launch of the Talent Management Project, which includes the following components: Leadership Development, Successor Planning, Career Paths for Functional and Executive Staff	12/2005	⊙ "Talent Management" updated on an ongoing basis	
Work-life balance Position WestLB as a family-friendly employer	Participation in the "Work & Family" audit of the non-profit-making Hertie-Foundation	06/2006	⊙	
Equal opportunities Increase the share of women in qualified specialist positions to 30 percent	Refinement of the Equal Opportunities Plan (EOP)	12/2006	☒ As at 12/2006: 25.3% New EOP 2007/2010 under development	
Motivation Group-wide employee satisfaction survey	Group-wide employee survey	12/2006	☒ Survey only in selected units	
Training framework for sustainable education Target group-oriented sustainability education of all employees throughout the Bank	Roll-out of a mandatory training module on environmental protection	09/2007	☒ New objective	
	Training framework agreed with the Managing Board	11/2007		
	Expansion of environmental education and training to include international locations	12/2008		
	Evaluation of the training framework and implementation at companies of the WestLB Group	11/2009		
Environmental Protection				
Environmental management Integration of international locations into WestLB's environmental management and controlling system	Certification to ISO 14001:2004 of the branches in London, New York, Tokyo and possibly Luxembourg	12/2008	☒ New objective	
Climate protection CO ₂ reduction through a reduction in power and gas consumption of at least 20% as compared to 2006	Reduction in energy consumption through increased employee awareness	12/2005	☒ Material about to be completed soon	
	Ecological building check	12/2006	⊙	
	Checking the suitability of the SoFi software for global data capture	12/2006	⊙ Worldwide data capture 05/2007	
	Various technical measures, e.g. checking the requirements for new PC energy management, as well as raising employee awareness	12/2009	☒ New measure	
	20% power from renewable energy sources	Revising the purchasing strategy	10/2009	☒ New objective
	Identifying weather- and climate-induced risk positions and profit opportunities in the banking business	Development of a carbon policy and adoption by the Managing Board	02/2009	☒ New objective
Water protection Reducing fresh water consumption	Use of new dishwashers	12/2006	⊙	
Reducing water pollution	Ecological assessment of all cleaning agents	12/2009	☒ New measure	
Avoiding waste Reducing the share of residual waste by 20% and improving the recycling ratio	Revision of the waste management concept	12/2005	⊙ Completion 05/2007	
	Integration of all key locations in Germany	12/2008	☒ New measure	
	Production of a waste brochure, better employee involvement	12/2008	☒ New measure	
	Improvement of the waste separation concept and reorganisation of the disposal and recycling system	12/2009	☒ New measure	
Recycled paper Increasing the share of recycled paper	Employee workshop on recycled paper	12/2008	☒ New objective	
Employee health protection Increasing the total share of organic food to 25% across the entire product range	Raising employee awareness to stabilise the percentage of organic food	12/2006	⊙	
	Revision of the purchasing strategy	12/2007	☒ New objective	

⊙ Objective reached in time ☒ Implementation postponed ☒ New measure

Review Statement

The review statement shown here is an excerpt. The full text can be viewed at www.westlb.com > Corporate Responsibility

WestLB commissioned Maplecroft to review its second sustainability report against best practice for materiality, transparency and comparability. We examined the robustness of management systems and used social audit methodology. This included inspection of documents and enquiry through interviews with internal and external stakeholders. This review does not constitute data assurance.

Management system findings

Over a two year cycle, the report shows progress. Management systems and organisational structures in different functional areas are described effectively. WestLB's engagement with the Equator Principles (EP), UN Global Compact (UNGC) and UNEP Finance Initiative demonstrates commitment to best practice. The new sustainability 'macro policy' is a step towards an integrated non-financial risk management system. Further integration is recommended. This means that sustainability management, data collection and reporting systems should be rolled out to WestLB operations worldwide.

Sustainability targets are detailed and comprehensive. The introduction of new targets – especially on climate change – shows responsiveness to stakeholder concerns. Additional targets could relate to the systematic evaluation and reporting of community investment. We also advocate the setting of new targets for stakeholder engagement and transparency (see below).

Materiality

The 2005 engagement exercise was an important step in identifying issues relevant and material to WestLB stakeholders. While most issues raised have been addressed in the report, we recommend that WestLB expands its stakeholder engagement programmes. This should include dialogue with stakeholders in countries of relatively high risk, such as Ecuador and Indonesia. The initiation of the NGO forum is commendable. We verified its ongoing work with its independent co-ordinator. Best practice increasingly requires mission-guided assurance whereby expert groups evaluate relevant evidence and make recommendations. Future reports would benefit from the inclusion of such stakeholder commentary together with WestLB's response.

While compliance policies and procedures are outlined, quantitative information, such as the number of employees trained in the reporting period with respect to compliance and anti-corruption procedures (beyond money laundering), is missing. Case studies of how compliance mechanisms operate in practice would also be of value. There is no reference to fines and sanctions, if any, arising from legal and regulatory non-compliance.

Project finance, its social and environmental risks and WestLB's management systems to monitor good practice are well reported. WestLB's commitment to embed sustainability in core business processes is excellent. Future reports could address the challenges associated with EP implementation in detail, for example through additional case studies and different stakeholder viewpoints.

Transparency

The report notes voluntary compliance with the German Corporate Governance Code, which suggests good internal business ethics and transparency with regard to payments made by WestLB in Germany. It is limited on information about policies, procedures and the results of monitoring with respect to lending in developing countries where corruption is endemic and where there are weaknesses in governance. We recommend an assessment of risks in this regard.

Comparability

This year's move to report against the GRI G3 indicators and financial services sector supplement facilitates WestLB's stakeholders' ability to benchmark the report. It demonstrates a commitment to continuous improvement and compares well with other leading banks. WestLB could further request GRI to check its G3 application level. The inclusion of the UNGC Communication on Progress is commendable. Overall, the report is informative and user friendly.

Bath, England 13.09.2007
Carolyn Seeger MSc
Professor Alyson Warhurst



Progress Report Under the Global Compact

WestLB supports the United Nations [Global Compact](http://www.unglobalcompact.org)¹ 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 financial services 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	Externally: Equator Principles (p. 19)	Internally: Sustainability policy (p. 54) Externally: Refinement of Equator Principles. (p. 19)	
Principle 2 No abuse of human rights	Externally: Equator Principles (p. 18/19)	Externally: Examination in project financings; categorisation of potential or financed projects (p. 18–20)	Externally: Assessment in accordance with Equator Principles in project financings in 2005 and 2006, conditions imposed for some projects, review, renewed adjustment in some cases (p. 19)
Principle 3 Uphold the freedom of association	Internally: Group staff councils (p. 33) Externally: See principle 2	Externally: See principle 2	Internally: 100% of WestLB employees enjoy unlimited freedom of association (p. 51) Externally: See principle 2
Principle 4 Elimination of all forms of forced and compulsory labour	Externally: See principle 2	Externally: See principle 2	Externally: See principle 2
Principle 5 Effective abolition of child labour	Externally: See principle 2	Externally: See principle 2	Externally: See principle 2
Principle 6 Elimination of discrimination	Internally: Enterprise agreement "Fairness am Arbeitsplatz" (Fairness at Work) (p. 32) Internally: "Anti-Bullying at Work" (UK) and "Non-Harassment-Policy" (USA) (p. 32)	Internally: Equal Opportunities Plan (p. 32)	Internally: Increase the percentage of women in executive positions (p. 50) Internally: "Top Employer in Germany" award (p. 33) Internally: "Fair Company" award (p. 33)
Principle 7 Precautionary approach to environmental challenges	Internally: Environmental management system to ISO 14001:2004 (p. 43) Externally: See principle 2	Training framework "Nachhaltige Bildung" (Sustainable Education and Training) (p. 31, 55) Externally: See principle 2	Internally: First-ever CO ₂ balance according to GHG Protocol (p. 44) Externally: See principle 2
Principle 8 Initiatives to promote greater environmental responsibility	Group sustainability programme (p. 54/55)	Internally: Energy-efficient modernisation of the headquarters in Düsseldorf (p. 44) Internally: Raising employee awareness for energy saving measures (p. 44) Internally: Use of organic food in the canteen (p. 46) Internally: Use of environmentally friendly paper in the Bank (p. 47)	Internally: Reduction in flight kilometres on business trips (p. 45) Internally: Reduction in paper consumption (p. 53)
Principle 9 Development and diffusion of environmentally friendly technologies		Externally: Loans for renewable energies (p. 22) Externally: Participation in research projects for the initiation of environmental innovations (p. 25)	Externally: Arranging of a loan for a solar power station in southern Spain (p. 22) Sustainability-oriented certificates and research products (p. 23/24)
Principle 10 Work against corruption	Code of conduct (p.11)	Internally: Training of new employees and in high-risk units (p. 37)	No cases of corruption known (p. 37)

¹ www.unglobalcompact.org

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EN8 Total water withdrawal by source	53*
EN11 Land used in protected areas	None
EN12 Significant impacts of activities on protected areas	None
EN16 Total direct and indirect greenhouse gas emissions by weight	44, 52
EN17 Other relevant indirect greenhouse gas emissions by weight, e.g. business travel, employee commuting	44, 52
EN19 Ozone-depleting substances by weight	Not applicable
EN20 NO _x , SO _x , and other significant air emissions	Not applicable
EN21 Water discharge by quality and destination	Only sanitary sewage
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EN23 Total number and volume of significant spills	None
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AR = Annual Report 2006; * = no complete presentation as per GRI criteria or only examples.

Every single core indicator is presented. Gaps in numeration are attributed to the fact that additional indicators are not presented in the index. An additional GRI index to cover sector specific aspects of financial institutions can be found on our website: www.westlb.com > Corporate Responsibility > Sustainability

GRI application level: Self declaration Level B+

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