



Communication with Stakeholders

Knowing the needs and requirements of our stakeholders and incorporating them into our business strategy is a key element of sustainable operation. Established in 2005, the “WestLB Dialogforum Nachhaltigkeit” (Sustainability Dialogue Forum) provides important stakeholders with a regular platform where they can express criticism regarding the sustainability of our operations, make suggestions and discuss solutions. The members of the Forum, which was last held in June 2009, include representatives of BankTrack, Germanwatch, Urgewald, Südwind Institute, Wuppertal Institute and the WWF. We also communicate regularly with our stakeholders at conferences and bilateral meetings.

Implementation of the Policy in the Lending Process

To facilitate the systematic implementation of our Policy for Environmental and Social Issues, we have developed a four-step approach, which allows environmental and social aspects in the lending process to be addressed from the very beginning (see chart on the right). This approach has been developed in cooperation with the business units. The policy has also been integrated into the bank’s overall risk strategy.

Implementation of the policy focuses on products and processes in the Capital Markets/Corporates/Structured Finance segment, where we see our greatest responsibility to minimise social and environmental risks and to make an active contribution to sustainable development (see chart on the left).

OPTIMISED LENDING DECISION PROCESS AT WESTLB

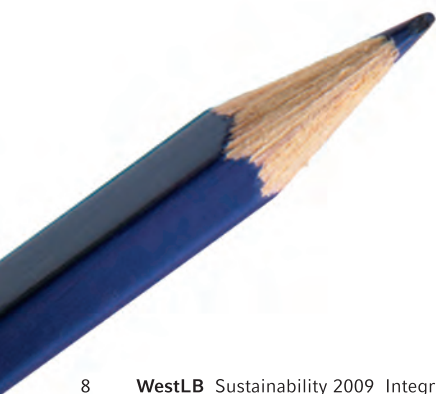
Step 1	Customer meetings
Action:	Draw customer attention to the Equator Principles (EP) and the WestLB Policy for Environmental and Social Issues. Identify any environmental and social risks and sensitise the customer to these risks.
Units:	Front-office units
Step 2	Initial deal assessment
Action:	Assessment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

The regularly scheduled meetings of the New Deal Committees, which discuss and review new projects in close cooperation with the Sustainability Management Department, play a key role in the consideration of sustainability aspects in the project financing process of our bank as well as in other large exposures and pre-export financing. All reviews are risk-oriented – while transactions in countries with high environmental and social risks are reviewed very closely, the Equator Principles provide for simplified and faster processes for projects in high-income OECD countries.

Responsibility for compliance with the WestLB principles in the lending process rests with the front-office, e.g. with our account managers or sales staff. This is monitored regularly by our Credit Risk and Sustainability Management Departments and the Internal Audit Department.

Over **50%**

With 44 approved projects, the energy sector accounted for over half of all transactions in WestLB's project finance business in 2008.



Sustainable Project Finance

The financing of large projects is an important business activity of WestLB and a key lever to support the objectives of sustainable development. As one of the world's top ten project financiers, we take our responsibility in project finance very seriously, also in the meaning of comprehensive risk management. The project assessment process is modelled on the Equator Principles and is supported by a special IT system. Pursuant to the Equator Principles, each project is classified into one of three risk categories, i.e. "high" (A), "medium" (B) and "low" (C). A total of 125 transactions were submitted to the Sustainability Management Department for review in 2007. Due to the difficult market environment, the number of transactions submitted for review declined to 76 in 2008. 55 of these were accepted without qualification, while conditions were defined for 21 projects to mitigate social or environmental risks. Projects that are especially problematic from a sustainability viewpoint are not pursued further at an early stage if necessary. In the reporting period, no transaction was rejected solely because of environmental or social risks. Such a decision would typically be based on a number of reasons.

Equator Principles: 2008 Project Assessments by Regions

