



# Abridged Environmental Statement 2007

BayernLB (Head Office in Munich)

LBS Bayerische Landesbausparkasse

As of: June 2007

## 1. The Bayerische Landesbank (BayernLB) sustainability management system

Environmental protection has been a constant topic in the business policy of BayernLB for almost 15 years. Initially the focus was on implementing traditional ecological measures aimed at, for example, more efficient usage of energy and resources, but more account is now being taken of ecological and social issues when designing products. Environmental management, introduced in 1998, has therefore been gradually transformed into sustainability management.

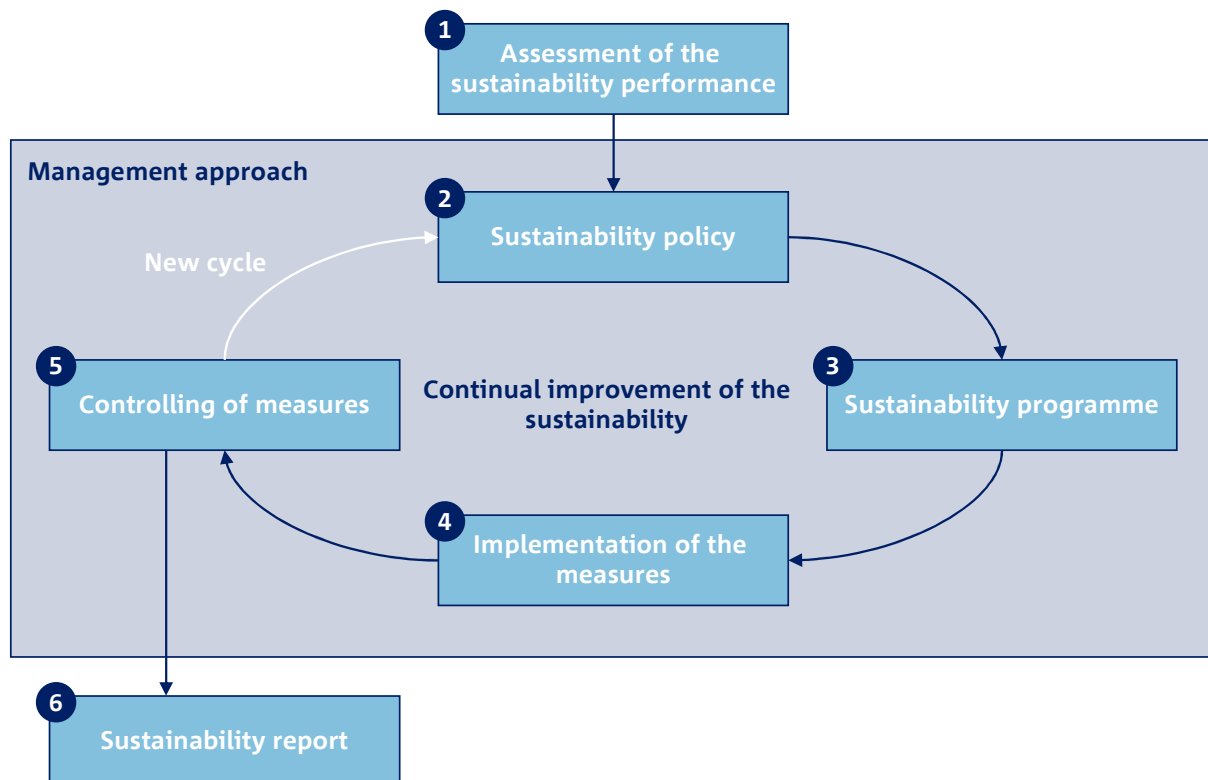


Figure 1: The BayernLB sustainability management system

Established international rating agencies have rated BayernLB's sustainability performance over the years. With BayernLB taking up one of the top ranks again, our instruments are recommended by the rating agencies as sustainable investments.

## 2. Focus of activities in 2006

Combating the negative effects of the man-made climate change is already considered one of the greatest challenges of the 21st century. BayernLB is also shouldering its responsibility in this regard. Against this background, making an active contribution towards protecting the climate plays a major role in BayernLB's commitment to improving its environmental performance. As part of its climate protection strategy, BayernLB has changed over the Group's entire consumption of paper (including the annual report) to a climate-neutral basis and uses electrical power generated from emissions-free sources.

- In order to make paper consumption climate-neutral, emissions certificates were purchased from an externally certified **climate protection project in Eritrea** and cancelled. The purpose of this project is to supply over half a





– at over 30% – was far higher than expected, despite the SWM forecast. Whether this increase was due to the conversion from a remote heat supply, thus requiring a possible change in the conversion factor or due to the severe winter in 2005/2006 is still unclear. The reasons for the increase will be evaluated in the course of 2007.

LBS expanded its business activities in 2006. A prerequisite for this is more intensive contact with customers and more travel. Nevertheless, LBS was able to reduce its vehicle fleet by three vehicles and the amount of driving by roughly 6%. By contrast, travel by airlines rose again. In order to reduce the amount of flying and the resultant CO<sub>2</sub> emissions, LBS has equipped a room for video conferencing.

### **Environmental programme**

In order to improve the environmental performance, the measures contained in the 2005 Environmental Statement will continued to be pursued and supplemented with additional measures that are to be implemented in 2007:

#### **Energy**

Objective: Reduce electrical power consumption by 2% compared to the base year 2004 (Bank)

Reduce heating energy consumption by 2% (Bank)

Electricity consumption rose slightly in 2006 compared with the previous year, so that it was not possible to achieve the target for 2008.

Heating energy consumption in contrast fell by over 16% in 2006 as compared with 2004 thus hitting an all-time low. This means that consumption is now well below the target.

#### **Water**

Objective: Reduce water consumption to 15,500 litres/employee per year (Bank)

Reduce water consumption to 14,500 litres/employee per year (LBS)

The positive trend in water consumption per employee could not be continued in 2006 at BayernLB. However, this circumstance is mainly due to the conversion of heat and steam generation from remote heat supply to hot water. In view of this factor it has not been possible to reach the very ambitious target for 2008 yet.

At LBS, most of the water is used by facilities engineering and in the cafeteria. In absolute terms, water consumption fell by 7% compared with the previous year. Consumption per employee at LBS rose, however, due to the smaller number of employees.

## **Waste material**

Objective: Stabilise the amount of waste material at the level in base year 2004 (Bank)

Stabilise the amount of waste material at LBS to 260 kg per employee per year (LBS)

After reaching its lowest level since record keeping began in 2005, the amount of waste material at BayernLB rose again in 2006, albeit by a very moderate 1.4%. This means that the positive trend – when viewed over a longer time period – remained in place in 2006, and the amount of waste material was not only stable compared with the 2004 baseline but actually decreased significantly.

In comparison with the previous year LBS was able to reduce the amount of waste material by 2.6% in absolute terms. Due to the declining number of employees at LBS though, the relative amount of waste material rose slightly – by 1 kg per employee to 297 kg per employee – so that LBS was not able to hit its target.

## **Outlook for 2007**

LBS will examine the possibility of converting other lighting systems to LED lighting in addition to the illuminated LBS logo, in order to save electricity. BayernLB also remains determined to use all of its resources in the most efficient manner possible and, in particular, to reduce the consumption of energy and water. Thus, for 2007 an extensive set of measures was put together, comprising the following individual measures:

- Increase the operational security and security of supply for the pool and IT rooms through optimised usage of the overall output of uninterruptible power supplies.
- Continue to optimise the generation and distribution of air-conditioned air.
- Improve the production processes for generating heat and steam by systems that were converted from remote heat supply to hot water heating in 2006.
- Reduce consumption through the use of lighting controllers, presence detection and brightness controls.
- Replace conventional light bulbs with energy-saving lamps.
- Use flow restrictors for washstand taps to minimise the flow of hot water.
- Rework the ventilation system to use the room air supply more economically.
- Use grey water to flush toilets.
- Improve the process for generating and supplying pressurised air.
- Optimise the peak load in regard to the electrical supply.

Improving the environmental balance will continue to remain an element of the sustainability management system of BayernLB. In the future, however, the focus of activities will be on designing bank products to take sustainability

aspects into account, as the indirect impact in the financial services sector is far more significant than the direct impact.

## 4. Sustainable bank products

### **Sustainable lending business**

As early as 2004 BayernLB committed itself, in its Group-wide credit risk strategy, to compliance with the internationally recognised environmental and social standards of the World Bank. In order to tackle this complex mission, in 2006 the Bank pooled the expertise from the Sales, Risk Office and Sustainability Management units. This resulted in the development and implementation of a solution considered by everyone to be satisfactory and feasible: In order to comply with the requirements of the World Bank, the requirements formulated in the roughly 70 guidelines were distilled into checklists and tailored to the internal workflows. Through this teamwork it was possible to raise the awareness of ecological and social aspects in the financing business. Moreover, the primary relationship officers now have a pragmatic instrument with which they can independently reconcile the relevant World Bank standards with the goals of the respective project. In this manner, BayernLB has succeeded – in contrast to many other banks – in integrating the World Bank standards into existing processes and making them operationally manageable.

### **Sustainable investments**

Sustainable investments – internationally, the term socially responsible investment (SRI) has become established – are considered to be investments that ensure the simultaneous fulfilment of economic, ecological and social criteria. Both institutional as well as private investors are placing increasing emphasis on investing in companies that are able to reconcile economic and social objectives. In order to meet the rising demand and also the needs of individual customers on the investment side, products have been developed in the area of sustainable investments for both institutional investors and retail customers. The basis for the structure of the sustainable investments portfolio is the SRI Value Concept which BayernLB developed for this purpose.

## 5. Next Environmental Statement

The next annual update to the Environmental Statement for revalidation by the environmental expert will be produced in 2008.

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environmental expert advisory organisation

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