

The English translation of this group sustainability report is for convenience purposes only. The German version is the binding version..

Group Sustainability Report of NORD/LB for the financial year from 1 January to 31 December 2018

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Declaration by the Chairman of the Managing Board concerning the UN Global Compact

UNGC
102-14

Dear reader,

Norddeutsche Landesbank – Girozentrale – has been a vocal proponent of the UN Global Compact and its principles for many years and strives to implement these principles within its sphere of influence. For NORD/LB and the NORD/LB Group, upholding these principles represents a key element of their responsibility towards customers and employees in the capacity of financial service providers, and towards society as a whole in the capacity of a corporate citizen.

For us, it means that, in line with the ten principles relating to human rights, environmental protection and the fight against corruption, we have firmly entrenched these issues within the guidelines and policies of our Bank and, in doing so, enabled them guide us in our day-to-day activities.

In our Group Sustainability Report we actively report on which of these constitute key issues for our Bank, how they impact of our business activities, which guidelines and standards we have defined for our business and how these are implemented in our business model in our Group Sustainability Report

I hope you find this report interesting.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'T. Bürkle', with a long horizontal flourish extending to the right.

Thomas Bürkle
Chairman of the Managing Board

Declaration concerning the report

102-1 102-3 102-45 102-54 102-56

Every year since 2013, NORD/LB, Norddeutsche Landesbank - Girozentrale, with registered offices in Hanover, Braunschweig and Magdeburg, has published an annual sustainability report. This report has been prepared in accordance with the Global Reporting Initiative (GRI) standards, core option¹. The principles for defining the quality of the report have been applied. In addition, NORD/LB declares that it has taken the greatest care in the materiality analysis conducted for this report and in the compilation of the texts and data, and that the information provided in this report is correct to its knowledge and that no material facts have been omitted.

The report covers the reporting period from 1 January to 31 December 2018, and updates the report for 2017. A progress report in accordance with the requirements of the UN Global Compact is also integrated into this report. Unless specified otherwise, the figures presented in this report are for financial years 2016, 2017 and 2018 (from 1 January to 31 December in each case). The Managing Board of NORD/LB approved the report at its meeting on 28 May 2019. It has not been audited externally.

NORD/LB publishes consolidated financial figures prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS). The IFRS consolidated financial statements include the Group companies consolidated in the IFRS accounts and form the data basis for the key figures contained in this report. Not included in the consolidated financial statements for NORD/LB prepared in accordance with IFRS and therefore not included in this report are Investitionsbank Sachsen-Anhalt and Landesförderinstitut Mecklenburg-Vorpommern. The business of these two entities is not conducted in the name of or for the account of NORD/LB and is therefore not subject to consolidation in the financial statements based on IFRS principles. Accordingly, all figures indicated in this report that were determined based on IFRS accounting principles should be understood as excluding these two institutions. For further information, please refer to the financial reporting (IFRS).

The NORD/LB Group is a financial services company. Accordingly, its main business is conducting banking transactions and providing financial services. This report includes the following Group entities:

- Norddeutsche Landesbank Girozentrale (referred to below as: "NORD/LB" or the "Bank") including Braunschweigische Landessparkasse as an institution having partial legal capacity of NORD/LB (referred to below as: "BLSK"),
- Deutsche Hypothekenbank (Aktien-Gesellschaft), Hanover (referred to below as: "Deutsche Hypo") and
- Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg-Findel (referred to below as: "NORD/LB CBB").

Together, these three companies comprise the core business of the NORD/LB Group (as explained below, this will therefore be referred to as the "NORD/LB Group" in the report that follows). Taking account of the materiality principle in accordance with the provisions of § 315c, para. 3 of the German Commercial Code (HGB), in order to convey an understanding of the course of business, the business performance, the Company's situation and the impact of the core business activities of the NORD/LB Group, this sustainability report primarily relates to these companies in terms of its qualitative descriptions. The other investments of the NORD/LB Group either do not represent significant investments qualitatively or quantitatively from a risk perspective, or they do not have their own staff for achieving their business purpose and would therefore not lead to materially different statements.

The activities of NORD/LB Asset Management were acquired by M.M.Warburg & Co. KGaA during the reporting period. Unlike in past reports, this report does not include any reporting about NORD/LB Asset Management as a

¹ When calculating and presenting the key figures in the banking operations section of the report and calculating the Company's greenhouse gas emissions, the NORD/LB Group bases its figures on current VfU indicators (as at November 2015: GRI G4).

result and neither the staff nor key figures from the banking operations of the former subsidiary NORD/LB Asset Management are included in this report.

In order to make the report easier to read, we have used only the male form. Terms such as staff, employees and managers refer explicitly to both men and women. The terms employees and staff also cover all staff and managers including the Managing Board, unless these are reported on separately.

As at the reporting date of 31 December 2018, the NORD/LB Group employed 6,109 people. The staff key figures cover 100 per cent of the Group's employees.

The data for the employees and products have been obtained from multiple sources, including the accounting systems, which summarise the results of all ongoing business operations. In addition, data are generated from established processes and systems, such as facility management and personnel information systems. The personnel figures of NORD/LB and its subsidiaries have been determined based on the evidence requirements of the Group parent company NORD/LB in order to ensure a comparable and standard methodology throughout the Group.

When calculating and presenting the key figures in the banking operations section of the report and calculating the company's greenhouse gas emissions, the NORD/LB Group bases its figures on current VfU indicators (as at November 2015: GRI G4), the standard of the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (Association for Environmental Management and Sustainability in Financial Institutions (VfU)).

At certain points of the report, reference is made to the Bank's financial reporting in accordance with the International Financial Reporting Standards (IFRS) and the German Commercial Code (HGB). The financial reporting is contained in the Group Annual Report 2018, which has once again been published on the NORD/LB homepage at www.nordlb.de/reports.

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On 31 August 2017, the former Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale - (BLB) was fully merged with NORD/LB, and since that date has no longer been a legally independent company. While the previous year's report still contained details on BLB, this information has been left out entirely from the 2018 sustainability report. NORD/LB has already reported as a Group in previous years. The merger had no impact on the calculation of the figures and this year's sustainability reporting.

Materiality analysis

The materiality analysis represents one of the fundamental principles of reporting in accordance with GRI. The aim of involving stakeholders and focusing on sustainability-relevant topics is to ensure that material activities, effects and expectations of stakeholders are taken into account and reported in a transparent and complete manner.

When determining the content of the report, the NORD/LB Group bases its decisions on the GRI's reporting principles. These principles are:

- Stakeholder inclusiveness
- Sustainability context
- Materiality
- Completeness

NORD/LB first conducted a materiality analysis for the 2015 reporting year, which was updated in 2017. This analysis was reviewed during the current reporting period and remains valid.

Stakeholder dialogue and sustainability context

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In compliance with the GRI, the NORD/LB Group views as its stakeholders those legal entities and natural persons who can be assumed to be materially affected by the Bank's activities, or who can be expected to influence the Bank through their actions in terms of its implementation of strategies and achievement of its objectives.

NORD/LB believes that stakeholders have a wide-ranging interest in the Bank, be it a general interest in the handling of and compliance with regulatory requirements for financial institutions, its business performance, its handling of risks or specifically the future direction of the business and the associated alignment with environmental, social and economic objectives.

This report therefore focuses on environmental, social and governance (ESG) topics that have been defined as material. In order to assess sustainability performance more effectively, the figures are generally compared over a period of three years.

It is essential for businesses to recognise the requirements of their interest groups early on so that they can react appropriately to their expectations. Systematically addressing stakeholder needs is essential for NORD/LB in order to secure its long-term corporate success. NORD/LB therefore uses established discussion formats with the various social groups to exchange views on sustainability issues, gain ideas for its own sustainability-oriented actions and to develop further.

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The dialogue with stakeholders is led by NORD/LB's sustainability management team. The sustainability management team informs the Managing Board about new findings, developments and ESG trends.

In 2013, the NORD/LB Managing Board approved and implemented guidelines for dealing with interest groups. This will ensure open and consistent communication with stakeholders on sustainability trends and strengthen the Bank's position as a company that is aware of its responsibility to society and the environment.

NORD/LB and its subsidiaries have been in contact with various sustainability rating agencies for many years and actively support the feedback processes and rating dialogue. The feedback from the ratings is also used to analyse sustainability activities and develop ideas for improvements, and is reflected accordingly in the relevant specialist departments. The same applies with regard to monitoring of the media.

NORD/LB is also a regular participant in various sustainability-related working groups led by the Deutscher Sparkassen- und Giroverband (German Savings Banks Association, or DSGV), the UN Global Compact (UNGC) network, the German Global Compact Network (DCGN), the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (Association for Environmental Management and Sustainability in Financial Institutions, or VfU) and the Bundesverband Öffentlicher Banken Deutschlands (Association of German Public Sector Banks, or VÖB). It has participated in the UNEP FI/VfU Roundtable for many years in order to discuss the latest sustainability developments with other participants. NORD/LB made itself available for numerous expert interviews with young academics during the reporting period, for example as part of master's theses.

In addition, NORD/LB regularly attends various national and international conferences, ensuring that its stakeholders are aware of strategically relevant sustainability topics. Thanks to its reciprocal communication strategy, NORD/LB informs its investors about sustainability objectives and products while at the same time being able to absorb ideas from the capital market that it applies to its management and business model.

The major communication channel for the public is this Group sustainability report, which has been prepared in its current form in accordance with the GRI guidelines every year since 2013. The report also includes the UN Global Compact progress report. The Bank's sustainability management can be contacted at any time via its website. However, not all stakeholders can or want to contact NORD/LB directly. For this reason, the Bank engages in dialogue with various non-governmental organisations (NGOs), both in response to direct enquiries and as part of various working groups and events.

In addition to general media outlets, employees also receive information via the intranet. Since 2017, the sustainability management team has received training on sustainability and ESG topics several times a year as part of management workshops. Information events have also been offered by Compliance. Furthermore, an employee survey on the "Significance of Sustainability at NORD/LB as an Employer" was conducted in 2017.

The stakeholder discussions provide NORD/LB and the sustainability management team with valuable information about current developments and the interests of various stakeholder groups. Stakeholder feedback is used to continuously review and improve sustainability activities. The stakeholder discussions are also used to identify important reporting topics. The following stakeholders (in alphabetical order) are consulted when identifying important aspects of the materiality analysis:

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- Owners
- Society
- Unions
- Institutional investors
- Customers
- Media
- Employees
- NGOs
- Politicians, authorities
- Ratings agencies, SRI analysts
- Associations (esp. banking and economic associations)
- Scientists, researchers

Identifying material topics

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NORD/LB first conducted a materiality analysis for the 2015 reporting year. This was updated in 2017 and supplemented with and validated by a secondary analysis (desk research) conducted by imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH (imug) and an employee survey.

The analysis was conducted in accordance with the following GRI principles:

- Identification of information
- Prioritisation
- Validation

In order to identify material topics, first a comprehensive list of sustainability topics was created in 2015. The existing GRI disclosures were supplemented to include additional topics, such as sustainability ratings, media reports, NGO inquiries, multi-stakeholder initiatives and customer inquiries. In the next step, the topics with no obvious relevance to the business activities of NORD/LB were removed, allowing for an initial rough selection of topics.

In order to prioritise the remaining topics, NORD/LB participated in various external sector-specific and institution-specific workshops and working groups related to the issue of the materiality analysis. In these workshops, the Bank learned about the topics that generally affect companies in the financial sector and how these impact on their business practice. The topics were also rated regarding the extent to which they are fundamentally applicable to companies in the financial services sector as opposed to manufacturing companies, and whether they need to be evaluated in a different light because of the difference in business models. These topics include, for example, the supply chain or the use and conservation of natural resources (water consumption or biodiversity), as the impact of financial services companies on these aspects can generally be classed as rather low. Topics were also rated on the basis of institution-specific characteristics, for example the perception of the savings bank and Landesbank (regional bank) function, or a public mandate.

The findings from these external events were taken up in internal workshops. Topics were then prioritised across different departments within NORD/LB as well as at discussion forums involving different companies.

The topics and stakeholders were subsequently validated in three steps. The results of the materiality analysis were initially discussed and assessed in an externally led workshop. The conclusion was then presented to the Sustainability Committee. The final validation took place during a meeting of the Managing Board in May 2016. The 2015 materiality analysis was reviewed and updated in 2017 with the involvement of other internal and external stakeholders. In addition, in October 2017 NORD/LB tasked imug with conducting a secondary analysis to identify material sustainability topics. This analysis included a review of social opinion-forming processes in Germany and the European Union (EU) as part of a comprehensive media analysis (involving 30 media outlets, an analysis of NGO press releases and “grey literature”), a comprehensive analysis of current trends and developments in the traditional financial market and the market for socially responsible investments (SRI), as well as a specific examination of the requirements and expectations of the relevant stakeholders in financial market

players in the context of sustainability (politicians and authorities, SRI analysts, investors and shareholders, NGOs, associations, churches, scientists/researchers, the media and trade unions).

In October 2017 NORD/LB then commissioned an employee survey on the “Significance of Sustainability at NORD/LB as an Employer”, which was conducted as part of an academic study involving field research.

The top five topics identified by the employee survey were:

- Work/life balance
- Employee health
- Human rights (→management of ESG topics)
- Data protection
- Training and development

The findings from the stakeholder discussions that have been held since 2015 were also included. The materiality analysis was presented to the Managing Board at its meeting on 5 June 2018.

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The main topics that were identified were “translated” in accordance with the corresponding GRI indicators or designated as individual topics. This resulted in the identification of the following material topics.

Figure 1: Overview of topics and limits (arranged alphabetically)

	Especially significant for				Limit within NORD/LB	Limit outside of NORD/LB	Material economic, environmental and social impact of the topics
	Society*	investors	Customers	Employees			
Training and development	x			x	Entire Group	Partic. junior staff, potential applicants	NORD/LB is being affected by demographic change and a lack of skilled employees. The training and development offerings of NORD/LB are very important for ensuring that the Bank is an attractive employer, attracting specialist staff and successfully retaining its employees. As a result, training and development at NORD/LB is an important educational and economic factor – with an impact on the regions beyond the NORD/LB Group's own area of activities.
Emissions	x				Partic. corporates, financial markets	Partic. society, politicians	Climate change, due primarily to CO ₂ emissions, has a global impact. Preventing emissions in our own operations as well as with respect to financing and investments has a positive impact on all stakeholder groups; by contrast, financing projects with substantial emissions would have a negative impact.
Ethics and integrity	x	x	x	x	Entire Group	Partic. owners, society, politicians	Ethical conduct based on integrity is essential for gaining the trust of all stakeholders in NORD/LB and the sector as a whole. At the same time, it protects society and all stakeholder groups from the damage that might be caused by unethical conduct.
Compliant conduct and anti-corruption	x	x	x	x	Entire Group	Partic. owners, society, politicians	See "Ethics and integrity". It is also NORD/LB's duty to identify and prevent financial crime to the best of its ability in order to protect society and all stakeholders as best as possible from damage, and to avoid or prevent unethical or corrupt behaviour.
Occupational safety and health protection	x			x	Entire Group	Partic. potential applicants, social systems	The working world is in a state of constant change with a high level of pressure to change and the need for increased flexibility. NORD/LB believes that corporate health management (CHM) is a worthwhile investment in the health and performance of its employees, and is not just about complying with statutory requirements. The health of its employees and thus the management of occupational health also represent an important social topic for the Bank. A low sickness rate also makes it easier to have a social life, helps employees to achieve a work/life balance and eases the burden on the welfare system too.

Information security and data protection		x	x	x	Entire Group	Partic. owners, business partners, investors, customers	Protecting all types of sensitive information not only helps to keep NORD/LB competitive (legal requirements, monetary fines, outflow of knowledge), it is also an important topic for customers, especially when personal data is involved. The General Data Protection Regulation, which entered into effect in May 2018, created a uniform data protection law throughout Europe that is intended to improve the handling of personal data and increase the rights of data subjects. Banks are required to demonstrate that they have a well thought-out security strategy and adequate data protection provisions in place.
Management of ESG topics	x	x	x	x	Entire Group	Partic. investors, capital market, customers, society, politicians	Banks have the ability to influence the long-term direction of the economy and society because they guide financial flows. In addition, risks in the context of ESG topics can endanger trust in financial institutions. Risks can arise, for example, as a result of socially unacceptable or illegitimate actions. By integrating sustainability issues in the Bank's standard investment and credit process, these risks can be minimised while at the same time driving forward sustainable development. In addition, the inclusion of ESG topics and transparent reporting are expected by a number of stakeholder groups.
Social and environment impact of financing and investments	x	x			Partic. corporates, financial markets	Partic. investors, capital market, customers, society, politicians	See "Management of ESG topics". In addition, investors around the world increasingly want to know the specific impact of their investments. Thus, the social/environmental return supplements the traditional investment objectives. Investors and financial institutions are increasingly taking account of climate-related risks when evaluating investments and making investment decisions, minimising the impact where possible. This includes refraining from making investments in certain areas, or curtailing such investments that they have already made.
Work/life balance	x			x	Partic. employees, HR department	Partic. potential applicants	Employees' non-work life is now inseparable from their work life. That is why NORD/LB, in its capacity as an employer, is taking the necessary steps to integrate its employees' different life situations into working life, thereby simultaneously boosting productivity. Work-life balance is not only an important topic when choosing an employer – it was also identified as one of the top ten most important sustainability themes in the employee survey.
Remuneration policy	x		x	x	Partic. employees, senior management, compensation managers	Partic. society, customers	NORD/LB is a significant institution as defined by the German Remuneration Ordinance for Institutions. This means that it is subject to special requirements. A central theme in the framework of the adequate governance of banks is their remuneration policy, which is especially important for employees, corporate culture and society. NORD/LB is able to attract and retain employees thanks to its attractive and market-based remuneration system. Linked to the remuneration policy is the provision of comprehensive and tailored investment advice.
Diversity and equal opportunities	x			x	Partic. employees, HR department	Partic. potential applicants	A lack of skilled staff, the growing number of older employees, the requirements of generations Y and Z, and the need for more flexible forms of work are the starting point for diversity and equal opportunity at NORD/LB. With its comprehensive, integrated approach that consciously utilises the mix of skills and abilities of different groups of employees, NORD/LB is not only strengthening its economic competitiveness and role as an attractive employer, it is also supporting social cohesion and promoting the corresponding values.

Completeness

NORD/LB provides reporting for the NORD/LB Group across all of the topics identified during the materiality analysis based on the core option of the GRI standards. As part of its reporting, the Bank describes its “management approach” for all “material topics” and includes a “disclosure” in the report. In addition, NORD/LB also voluntarily reports other disclosures, which are shown separately in the index.

NORD/LB at a glance

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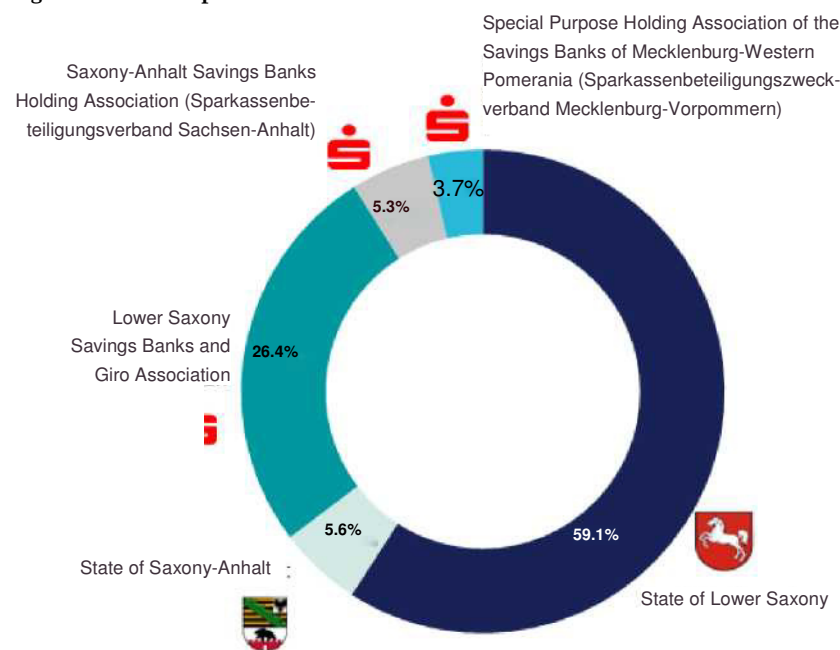
Norddeutsche Landesbank - Girozentrale - is a registered public institution (AöR) based in Hanover, Braunschweig and Magdeburg. The Bank's head office is located at Friedrichswall 10, 30159 Hanover, Germany. NORD/LB is registered with the Hanover Local Court (Amtsgericht Hannover) under HRA 26247, with the Braunschweig Local Court (Amtsgericht Braunschweig) under HRA 10261 and with the Stendal Local Court (Amtsgericht Stendal) under HRA 22150.

The Bank's statutes in their current version (as at 1 September 2017) are based on the State Treaty of 22 August 2007 on Norddeutsche Landesbank – Girozentrale between the federal state of Lower Saxony, the federal state of Saxony-Anhalt and the federal state of Mecklenburg-Western Pomerania including the amendment of 12 July 2011 (which entered into effect on 31 December 2011). The State Treaty and the statutes are published on the Bank's website.

The owners of NORD/LB are the federal states of Lower Saxony and Saxony-Anhalt, the Association of the Savings Banks of Lower Saxony (Niedersächsischer Sparkassenverband (SVN)), the Holding Association of the Savings Banks of Saxony-Anhalt (Sparkassenbeteiligungsverband Sachsen-Anhalt) and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania (Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern).

The issued capital amounts to € 1,607,257,810, with the federal state of Lower Saxony holding 59.13 per cent (of which around 33.44 per cent is held in trust for the federal-state-owned Hannoversche Beteiligungsgesellschaft mbH, Hanover), the federal state of Saxony-Anhalt holding around 5.57 per cent, the Association of the Savings Banks of Lower Saxony around 26.36 per cent, the Holding Association of the Savings Banks of Saxony-Anhalt around 5.28 per cent and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania around 3.66 per cent. NORD/LB does not receive any government grants.

Figure 2: Ownership structure¹



1) Minor discrepancies may occur due to rounding

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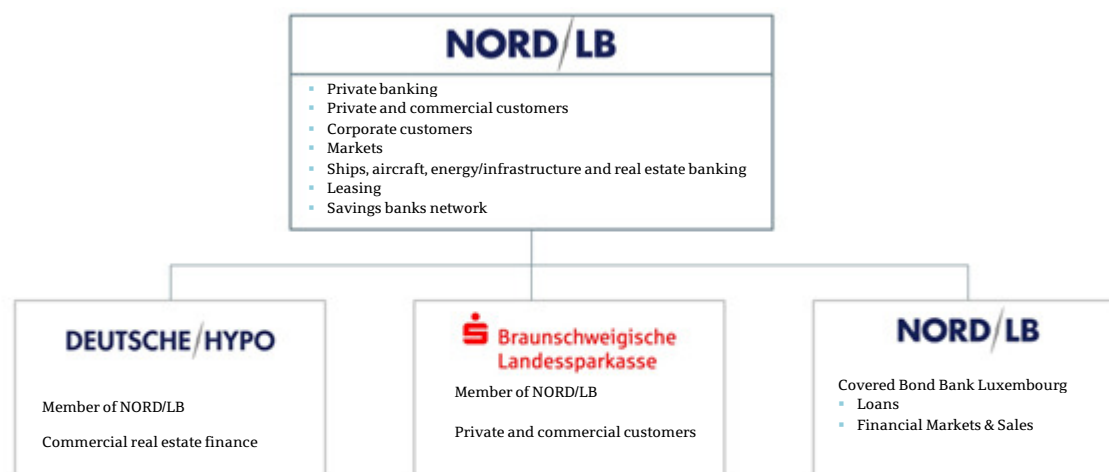
There were no significant changes to the Bank's value chain during the reporting period.

For further information on 102-7 and 201-1 or about risk management, please refer to the corresponding disclosures in the Bank's Group Annual Report 2018.

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NORD/LB is the parent company of the NORD/LB Group. It manages all of the Group's business activities in accordance with the strategic objectives, creates synergy effects, strengthens customer divisions and pools service offerings.

Figure 3: NORD/LB subsidiaries and affiliated companies



1) As at: 31 December 2018

2) For further information about subsidiaries and affiliated companies, please refer to the website at <https://www.nordlb.com/nordlb/about-us/investments> and Annual Report 2018, Note (80)

3) NORD/LB ensures that the companies listed in Note (73) of Annual Report 2018 are able to meet their obligations

4) Institution of NORD/LB with partial legal capacity

The Bank also maintains additional investments as detailed in the information provided in the Notes; please refer to Group Annual Report 2018.

Business model and strategic direction

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NORD/LB is a commercial bank, regional bank (federal state bank) and central bank for the savings banks operating in northern Germany and beyond this core region, with domestic branches in Hamburg, Munich, Düsseldorf, Schwerin and Stuttgart. In order to operate in all of the world's major financial and trading centres, the foreign branches in London, New York, Shanghai and Singapore play a significant role.

As legally dependent business units, the branches pursue the same business model as NORD/LB. The values of *trust, responsibility and sustainability* applied throughout the NORD/LB Group are complemented by *courage and performance*.

As a regional bank in the states of Lower Saxony and Saxony-Anhalt, the Bank handles development on behalf of the federal states through the Investitionsbank Sachsen-Anhalt (part of NORD/LB) and through the Landesförderinstitut Mecklenburg-Vorpommern (a business segment of NORD/LB).

NORD/LB acts as a central bank (clearing house) for the savings banks in Mecklenburg-Western Pomerania, Saxony-Anhalt and Lower Saxony, and is the partner for all of the savings banks based in those federal states. It also acts as a service provider for savings banks in other German federal states. NORD/LB provides all the services that the savings banks require for their activities.

The structures and specific circumstances of the economy in northern Germany shape the Bank's core business in its capacity as a commercial bank. NORD/LB, as a group of regional and specialist banks, obtains capital and deposits from its regional and international customers and uses this capital to finance private and corporate customers, ships, aircraft, renewable energies, infrastructure and real estate. The risks and costs are managed with respect to concentrations and cycles.

The business model of NORD/LB and its subsidiaries is based on compliance with all applicable legal regulations. In accordance with § 25a para. 1 of the German Banking Act (KWG), banks must have a proper business organisation that ensures compliance with both the legal regulations governing the institution and the applicable business management requirements. The basis documented in § 25a KWG is, in turn, fleshed out in the German Minimum Requirements for Risk Management (MaRisk AT 4.2), according to which a company's management must define a sustainable business strategy and a correspondingly consistent risk strategy. The NORD/LB Group have put in place corresponding strategy documents in line with the relevant legal requirements.

Pursuant to § 25a para. 1a sentence 1 KWG and MaRisk AT 4.5, the aforementioned requirement to determine a sustainable business strategy and a correspondingly consistent risk strategy also applies to banking groups for which the management team of the parent company is responsible.

The business strategy of the NORD/LB Group, including the business segment strategies for NORD/LB and the risk strategy for the NORD/LB Group, as well as the individual business segment strategies of the significant individual institutions of the NORD/LB Group, are thoroughly analysed as part of the annual strategy and planning process, taking account of the risk strategy, adjusted if necessary and approved by the Managing Boards. The outcome is made known to the Supervisory Board and discussed with it. The business and/or risk strategy is also reviewed and updated on an ad hoc basis when required.

For additional information on the business model and management systems, please refer to Group Annual Report 2018.

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When carrying out the tasks derived from its business strategy, the NORD/LB Group focuses on its Mission Statement: "North is at the top. So are we." It symbolises the Group's ambition to be a leader in its target markets.

The business activities of the NORD/LB Group are based on the following values:

- Trust based on individuals treating one another fairly, reliably and cooperatively.
- Responsibility as an expression of a mindset to tackle the task on hand as a bank in order to build lasting success.
- Sustainability as our belief that striking a balance between economic, environmental and social aspects makes us successful over the long term. Courage as a sign of our willingness to try new things, embrace diversity and shape the future and
- Performance as a prerequisite for our success.

Value chain

102-9

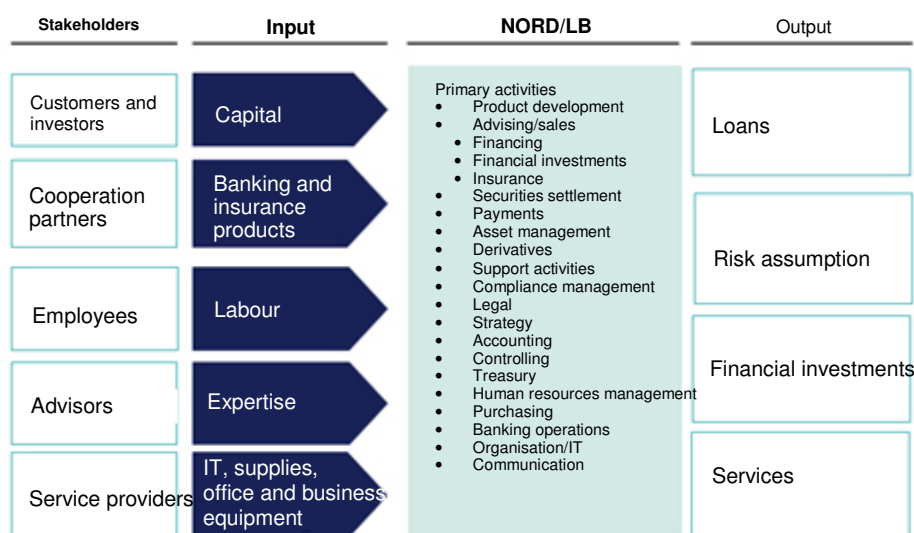
The five main sectors that impact on economic activity in a national economy are private households, business, government, foreign countries and banks. Banks in this respect are classified as part of the wealth sector, which plays a key role in economic activity; here monetary transactions are processed, the payment system is controlled and (monetary) assets are managed.

Banks, in their capacity as financial intermediaries, enable investments, which are essential for the success of businesses, by removing barriers between savers and businesses in need of finance. They therefore act as a broker between the two market participants. Short and medium-term funds from savers are combined in a loan pool from which, after the credit rating and probability of default of borrowers has been checked, long-term loans are granted. In this way banks enable a balance to be struck between demand for loans and the supply of savings. They do this by means of size transformation, term transformation and risk transformation, which are explained as follows:

- Size transformation: the conversion of amounts of money into different sized amounts of money,
- Term transformation: the balancing of different interest rates for different durations and
- Risk transformation: balancing the risk tolerance of savers and borrowers.

The importance of banks in a national economy is therefore more than just putting money into circulation; they also provide access to the capital market in order to extend the financing platform for businesses. In this way, the wealth sector becomes a driving force for a country's future economic strength. Banks use the input of various market participants to process their business activities. These participants are hereafter referred to as stakeholders. The Bank's primary and support processes therefore produce an output that is an added value for society.

Figure 4: The value-adding process of the NORD/LB Group (product-related)

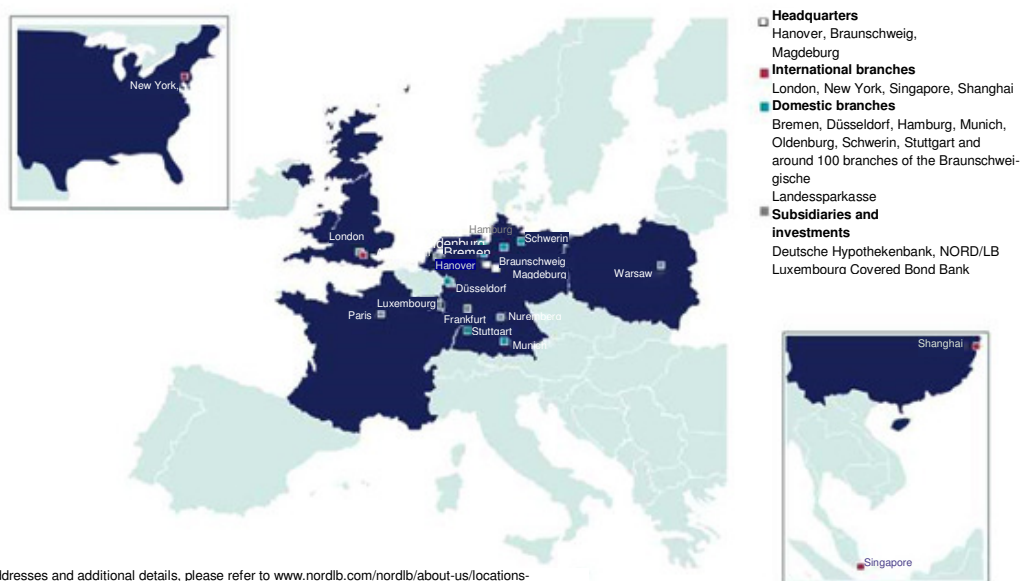


Business locations and segments

102-4 102-6

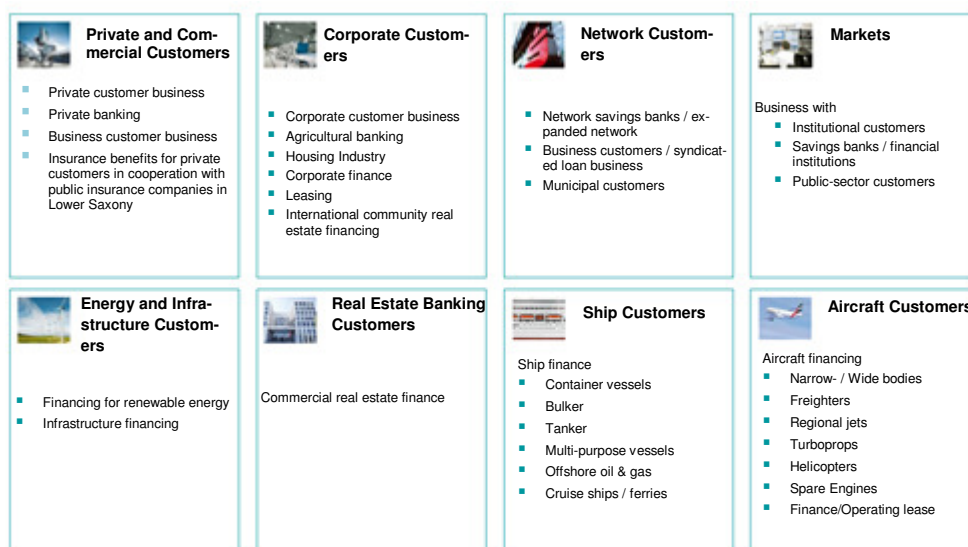
The NORD/LB Group is represented in the north of Germany and beyond its core region with additional branches in Germany and other foreign countries.

Figure 5: Geographical spread of the NORD/LB Group's locations



The following chart provides an overview of the business segments of the NORD/LB Group. For detailed information on the business segments, Group management and the reconciliation between them, please refer to Group Annual Report 2018.

Figure 6: NORD/LB Group's business segments



Executive bodies

102-18

NORD/LB's executive bodies are the Managing Board, the Supervisory Board and the Owners' Meeting.

The Managing Board has sole responsibility for the management of the Bank and represents it in and out of court. As at 31 December 2018, the Managing Board of NORD/LB comprised the following members:

- Thomas Bürkle
Chairman of the Managing Board since 1 January 2017
Member of the Managing Board from 1 January 2014 until 31 December 2016
- Dr Hinrich Holm
Deputy Chairman of the Managing Board since 1 January 2017
Member of the Managing Board since 1 February 2010
- Ulrike Brouzi
Member of the Managing Board from 1 January 2012 until 30 April 2018
- Christoph Dieng
Member of the Managing Board since 3 February 2017
- Christoph Schulz
Member of the Managing Board since 1 September 2006
- Günter Tallner
Member of the Managing Board since 3 February 2017

For further information regarding the responsibilities and professional careers of the current members of the Managing Board, please refer to the Bank's website (www.nordlb.de).

NORD/LB's Supervisory Board has 18 members, 12 of whom represent the owners. The remaining six members represent the staff and are elected by the employees of the Bank in accordance with the Staff Representation Act of Lower Saxony (NPersVG). The Chairman of the Supervisory Board is the Finance Minister of the federal state of Lower Saxony. The Supervisory Board has the task of advising the Managing Board and monitoring its management of the business. It may also form additional committees. Current and former members of the Managing Board are not represented on the Bank's Supervisory Board; former members of the Managing Board are not permitted to become the Chairman of the Supervisory Board.

The Owners' Meeting represents the owners of the Bank. It decides, for example, the general business strategy or changes to the capital base.

For further information regarding the members of the Supervisory Board and the Owners' Meeting, please refer to Group Annual Report 2018. For further information, please also refer to the State Treaty and the statutes of NORD/LB, which are publicly available on the Bank's website.

Memberships of associations and interest groups

102-13

The members of NORD/LB's Managing Board held elected positions in the following organisations during the reporting period (listed in alphabetical order):

Table 1: Memberships

Organisation	Elected representative	Interest group	Position
Lotto Niedersachsen foundation for old people's homes	Christoph Schulz	Advisory Board	Chairman
Braunschweig Higher Education Association	Christoph Schulz	Presidium	Member
Bremer Landesbank Stiftung foundation	Thomas Bürkle	Managing Board	Deputy Chairman
Association of German Banks	Dr Hinrich Holm	Central Capital Market Committee	Member
German Association of Public Banks (VÖB)	Dr Hinrich Holm	Committee for Capital Markets	Chairman
	Thomas Bürkle	Managing Board	Member
	Günter Tallner	Corporate Banking Committee	Member
	Christoph Dieng	Committee for Risk Management and Accounting	Member
German Association of Savings Banks and Girobanks (DSGV)	Ulrike Brouzi ²	Technical Committee, Operations	Member
	Christoph Schulz	Technical Committee, Sales Technical Committee, Communications and Media	Member Member
		Savings Banks Foundation for International Cooperation	Member
	Thomas Bürkle	Giro Centre Conference Head Managing Board Presiding Committee Controlling body for the protection scheme of the Savings Banks Financial Group	Deputy Chairman Member Alternate Member Member
Christoph Dieng	Monitoring Committee for the Security Reserve for Landesbanks and Giro Centres	Member	
Die Braunschweigische Stiftung foundation	Thomas Bürkle Christoph Schulz	Advisory Board Managing Board	Chairman Deputy Chairman
Research Centre for the Development of the Savings Banks	Dr Hinrich Holm	Advisory Board	Member
Friends of Herrenhäuser Gärten gardens	Dr Hinrich Holm	Advisory Board	Member
Society of Friends of the Herzog August Library	Christoph Schulz	Advisory Board	Member
Company for risk management and regulation Owner of the Frankfurt Institute for Risk Management and Regulation	Christoph Dieng	Managing Board	Member
Gottfried Wilhelm Leibniz University of Hanover	Ulrike Brouzi ²	University council	Member
Hanover Center of Finance (HCF)	Dr Hinrich Holm	Advisory Board	Deputy Chairman
Hanover Industry Club	Thomas Bürkle	Council	Member
Braunschweig Chamber of Industry and Commerce	Christoph Schulz	Plenary meeting	Vice President

² Until 30 April 2018

Hanover Chamber of Industry and Commerce	Günter Tallner	Committee for Industry and Research	Member
Institute of North German Economics (INW)	Thomas Bürkle	Advisory Board	Member
Kestnagesellschaft art gallery	Thomas Bürkle Dr Hinrich Holm	Advisory Board Advisory Board, Managing Board	Member Member
Children of Chernobyl, a foundation of the state of Lower Saxony	Ulrike Brouzi ² Günter Tallner ³	Advisory Board	Member
NORD/LB Cultural Foundation	Thomas Bürkle Ulrike Brouzi ² Christoph Schulz	Managing Board	Chairman Member Member
Kurt Weill Society	Dr Hinrich Holm	Advisory Board	Member
Hanover Stock Exchange	Dr Hinrich Holm	Exchange Council	Chairman
Lower Saxony Savings Banks Foundation	Christoph Schulz Thomas Bürkle	Foundation Board Managing Board	Member Member
Savings Banks Foundation for International Cooperation	Christoph Schulz	Advisory Board	Member
Savings Banks Association of Lower Saxony (SVN)	Thomas Bürkle	Managing Board	Member
Donors' association for the promotion of humanities and sciences in Germany	Thomas Bürkle	State Advisory Board Lower Saxony	Member
Foundation for Photography and Media Art with the Michael Schmidt Archive	Thomas Bürkle	Advisory Board	Member
NORD/LB provident fund	Thomas Bürkle Dr Hinrich Holm	Managing Board	Chairman Member
Association of the Friends of Sprengel Museum	Ulrike Brouzi ⁴ Christoph Dieng ⁵	Managing Board	Member

³ Since 1 May 2018

⁴ Until 31 March 2018

⁵ Since 1 April 2018

Our corporate governance

Ethics, integrity and regulatory compliance

Ethics and integrity as well as compliant conduct and anti-corruption were identified as material topics during the materiality analysis.

UNGC

Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-1

When individuals or companies violate laws or behave in a corrupt or unethical manner, they harm society and the people in that society in many ways. The financial services industry plays an important role in preventing such behaviour.

In times of increasing financial crime, banks around the world are particularly challenged and equally at risk. They are therefore exposed to the inherent risk of being misused for the purposes of money laundering and terrorist financing, or in order to promote the anonymity of business relationships and transactions. A steady stream of new methods are being used in an attempt to “launder” funds and the assets from illegal activities, such as corruption in the broader sense, robbery, extortion, drug and arms trafficking or tax evasion. This is done by channelling these funds and assets back into the legal financial and business cycle through payment systems, new financial products or technologies in order to obscure their true origin. Terrorists also try to deposit and collect legal or illegal money at banks in order to finance terrorist purposes. Such activities must be prevented through the use of comprehensive prevention measures and by making all employees aware of these issues.

At the same time, it is essential – especially since the financial crisis – to maintain the trust of market participants and customers in a properly functioning banking system. Likewise, a bank’s own reputation and the trust of its customers and business partners are important intangible assets for financial services institutions and are key to their success. The financial damages (e.g. as a result of liability payments or fines) and the consequences of reputational damage can be enormous for the institution and thus for owners too. For these reasons, banks must conduct their business activities with the greatest care and prudence in order to maintain trust and to protect the institution, and its employees and owners, against material and non-material damage.

The above-mentioned topics are also a priority for lawmakers and the supervisory authorities. The overall economic significance of the sector, the complexity of banking transactions and the diversity of products, structures, processes and systems mean that numerous regulations and requirements apply to financial services institutions. These include not just “traditional banking regulatory law”, but also requirements under civil and tax law at a German, European and international level. At the same time, as the size and complexity of a company’s business activities increase, so too does the complexity of the regulatory requirements and thus the risk that such requirements will not be properly met. For this reason, targeted management and consistent implementation in the governance structure are essential.

As part of society and in the interest of its own self-protection, the NORD/LB Group believes it is important to do its utmost to prevent criminal activities from occurring in the first place and by living up to the trust placed in it by its employees, customers and business partners through its own ethically, morally and legally compliant conduct, and to maintain and strengthen this trust. This also involves compliance with regulatory requirements, legally compliant conduct and a zero-tolerance policy towards bribery, corruption and the acceptance of advantages.

In light of its international focus and global activities, the NORD/LB Group is also subject to a wide variety of country-specific and international legal requirements. By adhering to the applicable regulations, every individual employee should act in the corporate interest of the NORD/LB Group. Legal prohibitions and obligations must be strictly observed, even if this might appear inappropriate or commercially unfavourable from the perspective of the individual or the company. When in doubt, acting in compliance with the law always takes precedence. In

the event of contradictory requirements or stricter or more comprehensive laws and regulations, the stricter provisions must always be applied.

Moral and legally compliant behaviour ensures the long-term viability of the Bank, and therefore also safeguards jobs. While there is no absolute guarantee that a financial services institution and its employees will always behave in accordance with every provision of the law in all business activities, there are appropriate strategies and safeguards that can be used to reduce the risk. At the same time, this also provides employees with certainty that they work for a company which complies with laws and operates with integrity, for which they will gladly render their work services without ethical concerns.

Both topics have an impact internally and externally, and because of the global integration of the sector and the related requirements, there are no boundaries. They are relevant for the entire NORD/LB Group, and they are also especially important for society, investors, customers and employees.

Code of Conduct

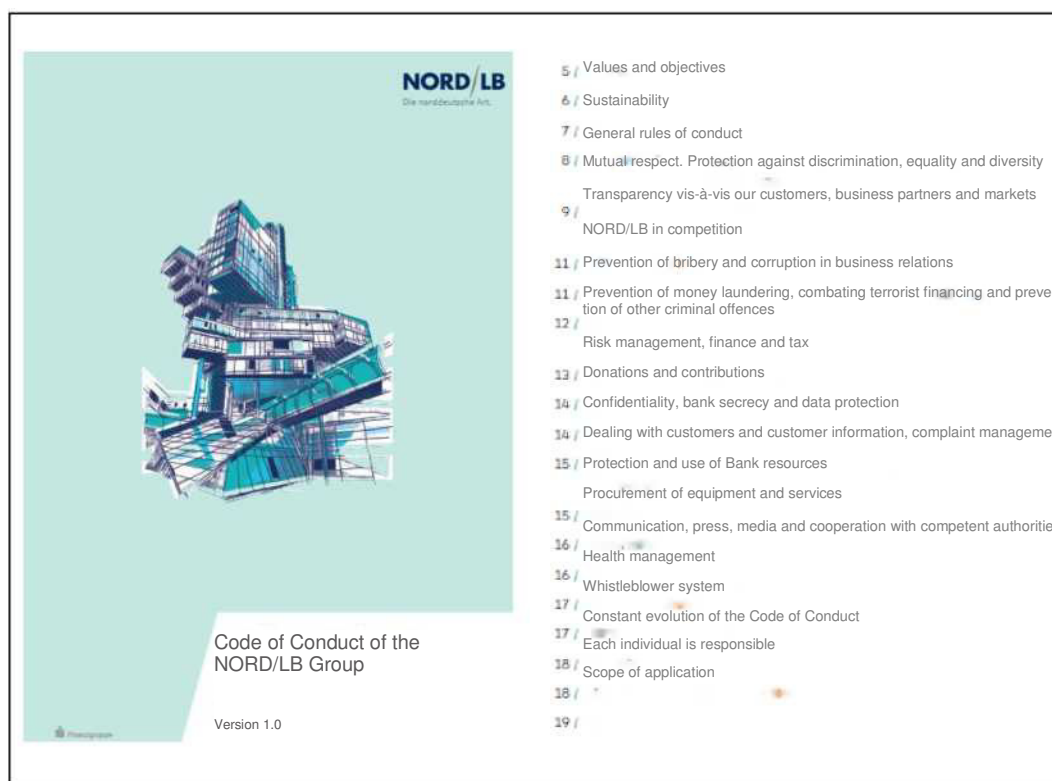
UNGC

Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2
102-16

In order to combine the Bank's need for regulatory compliance with ethically correct behaviour and thus to link entrepreneurial success with social responsibility, NORD/LB published a new Code of Conduct for the NORD/LB Group in the spring of 2017. The Code of Conduct is available to the public in German and English on the intranet and on NORD/LB's website. It sets out the framework for moral, value-oriented and fair behaviour and is binding on all members of the Managing Board, managers and employees. It was communicated to the entire Group by the Managing Board directly and has been supplemented with information about the Bank's whistleblower system.

The subsidiaries of the NORD/LB Group were called upon to bring their own principles of behaviour into line with the Code of Conduct. NORD/LB CBB has already done this. At Deutsche Hypo, the ethics principles that have applied until now and that govern comparable issues, will remain in place until the Code of Conduct is implemented there.

Figure 7: Code of Conduct



The Code of Conduct contains clear commitments to avoiding conflicts of interest, fighting corruption and preventing money laundering, the financing of terrorism, fraud and other criminal acts.

These are supplemented with additional overall guidelines that set out rules and principles to ensure that a uniform minimum standard prevails in the companies of the NORD/LB Group.

Whistleblower system and ombudsman

UNGC

Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2

A: 102-17

NORD/LB is required by law to take appropriate measures to protect against criminal acts committed internally or externally. Effective protection against and the prevention of damage from such acts is an important part of the Bank's risk management. At the same time, this allows the Bank to meet its own aspirations concerning ethics and integrity.

Any attempt to commit prosecutable, criminal or dishonest acts will be condemned by the Bank as a serious and intolerable offence. The Bank does everything in its power to prevent such acts, or at least detect them as early as possible, and to limit the potential of the risks as far as possible. An important element here is having employees who are aware and alert, and who know that they can report any suspicions without fear of reprisals.

The NORD/LB Group has set up a whistleblower system to help combat criminal and illegal acts. To that end, an external ombudsman has been engaged who is responsible for NORD/LB and all subsidiaries and whom all em-

employees and members of executive bodies may contact confidentially and if desired, anonymously. This ensures that whistleblowers do not need to fear any repercussions, even if their suspicions prove to be unfounded.

In appointing an ombudsman, NORD/LB is complying with the guidelines set out in the German Corporate Governance Code. This role is performed by a lawyer who acts as a mediator between the Bank and the whistleblower. The ombudsman passes on information and maintains the anonymity of the whistleblower.

After an initial check, the ombudsman will forward the information provided to the responsible contact in the Bank. This contact is responsible for taking the necessary additional internal steps. The ombudsman can also advise the whistleblower regarding problems, and provide help and advice on the discontinuation of criminal behaviour. If the whistleblower wishes to remain anonymous, this anonymity is guaranteed by the ombudsman, who has a duty to maintain lawyer-client confidentiality and the right to refuse to give evidence. The whistleblower will also not incur any costs as a result of contacting the ombudsman; these will be borne by the Bank.

Employees are regularly informed about the ombudsman, the respective tasks and activities, and accessibility. This information is provided in compliance training courses and in an internal newsletter. The contact details for the ombudsman are available on the NORD/LB intranet as well as online, and are thus available to all employees. Every member of staff also has the option of reporting relevant information to their manager, the responsible member of the Managing Board, the Personnel Department, the Legal Department, Internal Audit or Compliance.

Customers can submit any complaints they have via a complaint management system. The complaint management principles and information about the complaint management procedure can be found on the Bank's website: <http://www.nordlb.de/beschwerdemanagement>.

Notwithstanding any reports submitted, the Compliance department also has extensive rights of inspection and audit in legal and ethical issues. These can be exercised at fixed regular intervals, for example to meet reporting obligations, or at any time on a random basis as required. These also result in mechanisms for detection.

Management of compliance-related topics

UNGC

Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2

The NORD/LB Group employs a range of compliance management measures to ensure ethics and integrity as well as legally compliant behaviour. It does this by addressing compliance-related topics in a targeted manner.

A top-down commitment starting from the highest level of the Bank ensures that employees have a clearly defined scope for action. This reduces the risk that employees unknowingly act to the detriment of the Bank or place themselves in danger of violating laws or regulations. To that end, the managing boards in the NORD/LB Group have imposed the obligation to be 100 per cent compliant on the employees of all Group companies, and they have underscored this requirement by establishing a Corporate Compliance Policy.

NORD/LB has established a compliance management system that is based on the applicable German standard (IDW PS 980) issued by the Institute of Public Auditors in Germany (IDW).

The fundamental elements of this compliance management system include:

- The definition of significant objectives to be achieved with the help of the compliance management system,
- The definition of key sub-areas and the rules to be observed in these sub-areas,
- The identification of material compliance risks,

- The systematic identification of risks, risk assessment and consistent implementation and monitoring of processes within the Bank,
- The introduction of risk-minimising principles and actions based on the identified risks,
- The communication of roles and responsibilities to employees and, where applicable, third parties,
- The provision of advice to specialist departments with respect to the implementation of and compliance with all statutory and supervisory regulations and obligations,
- The definition of a reporting method for identified risks, detected breaches of rules and incoming notifications as well as
- Monitoring the appropriateness and effectiveness of the system (incl. reporting).

The institutions of the NORD/LB Group have dedicated Compliance Officers. The respective Compliance Officers and Money Laundering Officers (including the central office representative) have been registered with the Federal Financial Supervisory Authority (BaFin) or the comparable foreign institution. In particular, the remit of the Head of Compliance and the Compliance departments of NORD/LB and its subsidiaries include capital market compliance, the prevention of money laundering and terrorism financing as well as other criminal activities (fraud) and compliance with financial sanctions/embargoes. The Regulatory Compliance departments at the NORD/LB Group continuously identify new or changed banking supervision regulations and inform the affected specialist departments of any required actions. In addition, they support the specialist departments with implementation, follow up on implementation and assess implementation. The Managing Board receives regular progress reports.

In addition, appropriate technically supported prevention measures have also been defined within the Bank's existing risk management. The Bank's business and customer-related protection systems, for instance, are designed to prevent the Bank from entering into or continuing business relationships that might serve white-collar crime or facilitate anonymous transactions. If there is any indication of suspicious transactions, a suspected money laundering report must be prepared.

Employees are made aware of this issue through regular internet-based learning programmes, classroom training, newsletters and information letters.

Thanks to the establishment of an independent and effective whistleblowing system, employees, customers and business partners have several means of providing information about potential breaches, and they may also do so anonymously.

Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-3
A: 205-1

Regular threat/risk analyses (referred to merely as risk analyses for the sake of simplicity) represent an important basis for a preventive compliance management system, while simultaneously helping to evaluate the measures that have been implemented. They ensure that risks are not only identified, but that they are also classified correctly.

NORD/LB conducts annual risk analyses in all compliance-related areas (prevention of money laundering, terrorism financing and fraud, capital market compliance and Minimum Requirements for Risk Management (MaRisk)). These risk analyses assess and evaluate any risks. All of the risk analyses are also used to determine specific measures to reduce risk. For example, department-related scenarios regarding corruption and other criminal acts as defined in §25h para. 1 sentence 1 of the German Banking Act (KWG) are examined and evaluated in terms of their criticality using external statistics and internal assessments. These risk analyses are then reconciled to the existing preventive measures in order to determine the residual risk and develop additional prevention measures. Potential measures to prevent money laundering and terrorism financing and fraud include, for example, developing a risk-based monitoring plan, creating a training concept and defining measures to implement the know-your-customer principle. In addition, a system-based review of all customers and transactions is performed, for example, to identify suspicious facts or items subject to embargoes and financial sanctions.

The Managing Board is informed about the findings in the annual risk report. Risk analyses and internal safeguards that are based on the provisions of the applicable money laundering law must additionally be approved by the competent member of the Managing Board.

Furthermore, all of these topics are also the subject of regular and comprehensive external reviews.

Managing conflicts of interest

Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2
A: 102-25

Conflicts of interest can occur where several persons have an interest in the realisation of certain business opportunities or where one party can realise its own interests only at the expense of another party. This may be the case in relationships between the Bank/staff and the customer/supplier, between the Bank and staff, and between customers.

In order to justify and maintain the trust of customers, staff and the public in the capability and integrity of the Bank, the Managing Boards of NORD/LB its subsidiaries have commissioned the respective Compliance departments with monitoring and preventing conflicts of interest.

For the particularly sensitive area of securities and ancillary securities services, the Compliance departments work to ensure that no transactions are processed in which there are conflicts of interest.

In addition, the Compliance departments work to ensure that the statutory regulations regarding the prevention of conflicts of interest are observed. The disclosure of confidential information that may affect securities prices is monitored by NORD/LB's Compliance department, which is independent from the Trading, Business and Settlement departments. The Compliance department may, if necessary, issue trading prohibitions and restrictions in order to ensure that information that may affect securities prices is not misused and to prevent confidential information from being disclosed to departments if it could result in a conflict of interests.

Employees play a key role in the avoidance of conflicts of interest. All employees of the NORD/LB Group are required to provide their services to the best of their knowledge, with due care and diligence. Every employee is responsible for recognising potential conflicts of interest and informing the relevant Compliance departments before the customer utilises the respective service. Appropriate measures to manage the conflict of interest are developed by the specialist department in collaboration with the Compliance departments.

In the event of unavoidable conflicts of interest which occur because the customer and Bank or the customer and employee have different information, care will be taken to ensure that the customer orders are executed in a manner that duly protects the interests of the customer.

All employees are also required to avoid situations in which their personal interests conflict with the interests of the Bank or a customer, or give the impression that they might do so. Such situations are generally to be prevented or avoided; the Compliance department has defined other disclosure and approval processes in policies and directives.

Conflicts of interest must also be taken into account when executing employee transactions; neither the interests of customers nor the reputation and solvency of the Bank itself may be harmed. The statutory requirements related to the rules of conduct for employees in respect of employee transactions based on European legal requirements, e.g. the Markets in Financial Instruments Directive 2014/65 EU (MIFID II), the German Second Financial Markets Amendment Act (2.FiMaNoG), the German Securities Trading Act (WpHG) and the relevant country-specific regulations of the subsidiaries and branches domiciled there are observed in full by the institutions of the NORD/LB Group.

In order to prevent dishonest behaviour and conflicts of interest, the Bank has issued behavioural rules for employee transactions, taking into account the statutory and regulatory framework. These rules are laid out in the corresponding working instructions and employee guidelines, which are binding for members of the Managing Board, members of management and employees.

Prevention of insider trading

Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2

The staff of the NORD/LB Group, through their work, might obtain access to information that is not available to other persons and that they might be able to use for their own advantage. This represents a conflict of interest, too.

The purpose of insider-trading legislation is to ensure the proper functioning of the markets for financial instruments and to give investors the assurance that they are treated equally and protected against the unlawful use of information.

Insider information is any precise information on circumstances which are not public knowledge and relate to one or more issuers of insider securities or to the insider securities themselves, and could, if this information became public knowledge, significantly influence the exchange or market price of the insider securities.

Employees and also members of executive bodies are not permitted to use insider information to buy or sell insider securities for their own or someone else's account. They are also not permitted to pass on insider information or make it available to third parties without authorisation, or to use it to make investment recommendations. This also includes disclosing the information within the Bank; disclosing the information to other staff is only permitted if the staff concerned require the information in order to perform their work duties and they have formal authorisation to receive it.

Staff members who typically have access to insider information of listed companies or have such access for a special reason are also monitored separately by Compliance.


Prevention of money laundering and the financing of terrorism

Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2

In order to combat money laundering, organised crime and international terrorism in a targeted manner, the financial aspects of these activities must also be addressed in order to hinder the investment of the proceeds from criminal activity and the cash flows used to finance terrorist activity.

In addition to the Code of Conduct, the overall guidelines to prevent money laundering, the financing of terrorism and other criminal offences (fraud) as well as compliance with financial sanctions / embargoes at the NORD/LB Group set out rules and principles to ensure that a uniform minimum standard prevails in the companies of the NORD/LB Group in order to provide appropriate and effective prevention, detection and responses in connection with money laundering, the financing of terrorism and white-collar crime as well as compliance with the associated embargoes and financial sanctions.

Figure 8: Overall guidelines to prevent money laundering, the financing of terrorism and other criminal offences (fraud) as well as compliance with financial sanctions / embargoes within the NORD/LB Group

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These Group guidelines specify the essential elements and basic principles of effective management to prevent money laundering, the financing of terrorism and other criminal offences as well as to ensure compliance with financial sanctions / embargoes at the NORD/LB Group; these represent the minimum requirement for each institution within the NORD/LB Group. They also describe the roles and responsibilities of the offices that play a special role in ensuring compliance with rules and preventing losses or reputational risks.

Appropriate preventive and investigative measures must be taken to prevent or impede money laundering, the financing of terrorism and white-collar crime, committed both from within and outside the NORD/LB Group to the Group's disadvantage, and ensure compliance with embargoes and financial sanctions. Swift, rigorous action

in an emergency should help prevent the breaching of rules, economic losses and damage to the Group's image wherever possible.

The prevention of money laundering and the financing of terrorism is a high priority for the NORD/LB Group. The institutions of the NORD/LB Group have either created a central office for the prevention of money laundering, terrorist financing and for protection against other criminal offences (fraud), or have outsourced this responsibility to NORD/LB. The Anti-Money Laundering Officer of NORD/LB also reports to the central office in accordance with § 25h of the German Banking Act (KWG). In the framework of the requirements imposed on NORD/LB, as the parent company, the Anti-Money Laundering Officer is also responsible for the NORD/LB Group. Besides being responsible for the prevention of money laundering, the financing of terrorism and other criminal acts, this person also monitors compliance with financial sanctions/embargoes and reports to the Managing Board and Internal Audit.

All institutions pursue a risk-based know-your-customer business policy, which takes into account the applicable laws, such as the provisions in the German Anti-Money Laundering Act (GwG), and regulatory requirements.

An essential part of NORD/LB's procedures to combat money laundering and the financing of terrorism is establishing the identification of the customer with official documents and other relevant information. If there are reasonable doubts concerning the customer, the establishment of a new business relationship or the processing of a transaction must be refused.

Suspicious facts must be reported to the Anti-Money Laundering Officer, who reviews all reported information to determine its relevance. The Anti-Money Laundering Officer is available to advise all employees who have questions.

Prevention of other criminal acts (fraud)

Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2
102-16

The prevention of corruption and other criminal acts (fraud) is also a high priority in the NORD/LB Group. In order to protect society as well as their reputation and own assets, all of the Group's institutions actively and rigorously take appropriate preventive measures against all forms of white-collar crime or violations of applicable law. The NORD/LB Group complies with the legal requirements regarding the prevention of other criminal acts (KWG, GwG or comparable international standards).

As a member of the German Association of Public Banks, NORD/LB also uses damage events from other institutions to constantly check their risk of suffering damage as a result of corruption, and to make adjustments, if necessary several times a year, to their preventive measures. If events occur in the Group involving a relatively high level of damage, special committees are convened immediately after the event to deal with the issue. Their purpose is not only to limit the damage, but in particular also to modify guidelines and controls in order to prevent similar events from occurring in the institution in the future.

In addition, the integrated risk assessment also included questions for the departments regarding fundamental fraud relevance. This method is now used to evaluate risks throughout the entire NORD/LB Group.

Prevention of corruption and bribery

Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2

The institutions of the NORD/LB Group do not tolerate corruption or bribery in their business activities. In addition to the respective applicable legal requirements, which must be strictly observed, NORD/LB also fulfils the 10th principle of the UN Global Compact, which NORD/LB has signed: "Anti-corruption: Businesses should work against corruption in all its forms, including extortion and bribery."

The Code of Conduct and Ethical Principles contain clear requirements regarding the avoidance of corruption and bribery, and on accepting and giving benefits. Supplemental internal guidelines describe the permissibility of accepting or giving invitations and gifts as well as the requirements for the reimbursement of expenses for entertainment and gifts. Employees are obliged to maintain internal documentation for all invitations and gifts. This documentation must be provided to the Compliance departments upon request.

A: 205-2

Compliance performs monitoring activities to ensure adherence to these rules. Accompanying training courses on the avoidance of conflicts of interest with regard to invitations and gifts serve to ensure that they are dealt with correctly.

205-3

In 2018, the Group suffered no corruption-related damages thanks to its extensive prevention measures.

Integrity check

Management approach for ethics and integrity / compliant conduct and anti-corruption: 103-2

The process of establishing a new business relationships and/or expanding existing business relationships with the institutions of the NORD/LB Group includes performing a separate integrity check for lending or trading transactions as well as for business relationships with brokers, suppliers and service providers. This check is performed using a set of defined criteria.

The Bank's business and customer-related protection systems are designed to prevent the Bank from entering into or continuing business relationships which might be linked to money laundering, the financing of terrorism, other criminal acts or relevant sanction and embargo regulations or which might be linked to high reputational risk for the Bank. This integrity check is conducted on the basis of publicly available information (e.g. review of sanctions lists, internet research, institution/office information, SCHUFA query) and must be documented separately.

If the check reveals that the potential business partner has, for example, been convicted of a criminal offence or fined by a government regulatory authority, fraud prevention management measures, etc. will be taken. For instance, the available information must be checked in respect of reputational and business risks in particular, the business relationship must be voted on and, if appropriate the customer risk must be adjusted.

Training on compliance-related issues

UNGC

Management approach for ethics and integrity / compliant conduct and anti-corruption / information security and data protection: 103-2

A: 205-2

The Corporate Compliance Policy of the NORD/LB Group requires the planning and performance of target group-specific employee training or the provision of support for operational areas to conduct their own training.

The aim is to increase employees' understanding of compliance-related topics and thus improve awareness of these topics in their day-to-day activities, while simultaneously enabling employees to act in compliance with the law.

NORD/LB always provides training based on need. For this reason, a distinction is made between legally required training, target group-specific training and ad hoc measures.

Legally required training is provided on a regular basis in the form of web-based training (WBT) and/or on-site training and must be completed by all employees of NORD/LB, Deutsche Hypo and NORD/ LB CBB, including their Managing Boards.

Statutory training based on the German Securities Trading Act (WpHG), the German Anti-Money Laundering Act (GwG), the German Data Protection Act (BDSG), the German Minimum Requirements for Risk Management (MaRisk) and the resulting standards (including the corresponding training under comparable legislation that applies to foreign branches) currently includes:

- Information security, valid for one year
- Compliance training (incl. capital market compliance, prevention of money laundering, prevention of other criminal offences/fraud, embargoes, operational risk (OpRisk)), valid for three years
- Minimum Requirements for Risk Management (MaRisk), valid for three years

In addition, the HR department provides mandatory training on equal treatment in the workplace (General Act on Equal Treatment (Allgemeine Gleichbehandlungsgesetz or AGG)) in the form of a WBT session, which is valid for three years.

All WBT sessions end with a test. Successful participation must be systematically documented by all employees or certificates of participation must be issued. Electronic checks are conducted on a monthly basis; if the required training has not been completed, the employee will be prompted by the system to complete the WBT. Members of management will be notified on a quarterly basis of any WBT that must be completed their employees.

Ad hoc, need-based training is also offered, for example, for employees in all specialist departments who process customer transactions, on topics such as the Foreign Account Tax Compliance Act (FATCA) or the Volcker Rule.

The primary objectives of the training and awareness-raising measures are to:

- provide or refresh knowledge,
- establish a (uniform) basic understanding of compliance-related issues,
- increase the awareness of security among all employees,
- raise the awareness of dangers and risks on a regular basis. An especially important objective of the training measures is to clarify the personal impact as well as a possible (co-)responsibility that could result from (intentionally) dishonest actions by employees and/or third parties,
- explain the whistleblower system (ombudsman) and demonstrate how it can be used.

The specific contents of the training and departments affected are determined across functions.

Information security and data protection

Information security and data protection have been identified as material topics during the materiality analysis.

Information security

Management approach for Information security: 103-1

Financial services companies now use a wide variety of information. Such information and the resources and equipment (e.g. IT systems, applications, forms, letters, printouts) required for processing this information represent fundamental values. Protecting these values is essential in order to maintain and strengthen the Bank's capability and competitive position, the trust of business partners, customers and employees and its public reputation as well as to prevent abuse.

Protecting information encompasses the security of IT systems, the protection of electronic data and the protection of information that is not processed electronically. For example, information (including personal data) must be protected from being accessed by unauthorised persons, and the integrity/accuracy, availability and non-repudiability of information must be ensured.

In this respect, threats posed by hacker attacks, password theft, phenomena such as social engineering, phishing or man-in-the-middle attacks as well as ignorance and human error pose new, changing and growing challenges, particularly in connection with cyber-crime, for all companies that handle information.

Because of the global nature of information nowadays, this issue is relevant both internally and externally. There are no boundaries. It is relevant for the entire NORD/LB Group, and also especially important for investors, customers and employees.

Management approach for Information security: 103-2

Information security requirements are legally regulated at all NORD/LB Group locations and implemented in the Bank's corporate governance. At its German locations, the NORD/LB Group's institutions comply with the following regulatory, legal and contractual requirements, among others:

- German Banking Act (KWG) § 25a, § 25b and § 25c
- General Data Protection Regulation (GDPR)
- New German Data Protection Act (BDSG new)
- German Commercial Code (HGB), risk management of information processing
- Minimum Requirements for Risk Management (MaRisk)
- Prudential requirements for IT (Bankaufsichtliche Anforderungen an die IT (BAIT))
- Payment Service Directive 2 (PSD2)
- Circulars issued by banking supervisory authorities, such as the Federal Financial Supervisory Authority (BaFin)
- Group guidelines related to information security
- Contractual security obligations with third parties

Specific comparable regulations apply for foreign locations.

Pursuant to § 25a of the German Banking Act (KWG), institutions must have adequate staff and technical/organisational resources for risk management. The risk management requirements are set out in detail in the Minimum Requirements for Risk Management (MaRisk).

The Managing Board has overall responsibility for all matters related to information security, which is an integral part of the business and risk policies of the institutions of the NORD/LB Group. Nevertheless, it is the duty of each and every employee to comply with the rules concerning information security and to protect sensitive information. The corresponding requirements, based on the Bank's business strategy and information security strategy (as part of the risk strategy) are operationalised through guidelines on information security and information security guidelines in manuals and work instructions, and provided to all Group employees. The corresponding documentation of internal regulations applies throughout the Bank, and is supplemented with regular compulsory training and awareness-boosting measures on all information security topics.

In order to implement and maintain an adequate level of information security, the Managing Board of NORD/LB has appointed a Chief Information Security Officer (CISO) at Group level. The CISO is the highest-level authority with respect to the Group's information management system and has the following remit at Group level:

- Develop and coordinate the Group-wide information security strategy and obtain the Group Managing Board's approval of the strategy,
- Define an adequate level of information security (Group standard) by providing information security requirements irrespective of specific technology,
- Organise committees and conduct management reviews, including preparation and follow-up,
- Advise and communicate with the Managing Board as well as the information security officers at subsidiary institutions,
- Prepare regular reports for the Managing Board,
- Provide procedures and methods and support adequate handling of information risks,
- Initiate and coordinate Group-wide training and awareness measures,
- Analyse the effectiveness of the ISMS (e.g. by collecting and assessing metrics) and defining changes based on the results.

The CISO's remit encompasses the following:

- Authorisation to issue guidelines for the NORD/LB Group,
- Right to report regularly and directly to the Managing Board of the NORD/LB Group,
- Participation in the Risk Round Table,
- Convening the ISMS Steering Committee,
- Authorisation to receive information and carry out inspections in order to monitor implementation of security specifications,
- Budget responsibility and decision-making competency as the basis for carrying out duties.

Each subsidiary company has its own Information Security Officer (ISO), who is appointed by the respective Managing Board.

The respective Information Security Officers have been tasked by the Managing Boards with developing, implementing and continuously improving information security specifications. They report directly to the relevant Managing Board, providing reports to these Managing Boards on a regular and an ad hoc basis. Their duties include controlling and managing information security and the related risks, conducting regular reviews and advising the Managing Board and specialist departments.

In order to achieve an appropriate level of information security, annual, uniform Group-wide risk analyses are carried out on the basis of the current threat situation. Information security requirements are derived while also taking relevant standards and norms into consideration. As part of the internal control system, audits and security checks are performed regularly and on an ad hoc basis to ensure compliance with these requirements. In addition, information security management is the subject of regular internal and external audits. Any information security incidents are analysed and solutions with appropriate preventive measures developed.

Data protection

Management approach for data protection: 103-1

The employees of banks come into contact with a wide range of personal data. The protection of this data and of the trust associated with its provision is one of a Bank's key responsibilities. Accordingly, the confidential, sensitive handling of personal data has the utmost priority in the NORDB/LB Group. The relevant statutory obligations and data protection requirements are particularly important in this regard. This applies to the processing of both the personal data of staff and customers and the personal data of suppliers, consultants and other contract partners in the NORDB/LB Group. Banking secrecy is strictly maintained. Data and information are used only for the purpose intended and in compliance with legal requirements.

NORDB/LB is subject to the provisions of the General Data Protection Regulation (GDPR) of the new German Federal Data Protection Act (BDSG new) and other laws with provisions pertaining to data protection. The statutory regulations on data protection apply to all natural persons, in particular to customers and employees of the Bank. Besides ensuring that protected personal data are handled properly, data protection also relates to checking that the rights of the data subjects affected by automated data processing are observed and that the fundamental duties of specific office-holders with access to personal data in the Bank are being fulfilled.

Management approach for data protection: 103-2

Every employee is responsible for ensuring that the data protection regulations are complied with. NORDB/LB, Deutsche Hypo and NORDB/LB CBB impose on all internal and external employees who have access to personal data the obligation⁶ to comply with data secrecy; this obligation also extends beyond the termination of the employment contract. The data protection policy of the NORDB/LB Group is set out in Group data protection guidelines, which are valid throughout the Bank in the respective institutions.

The Data Protection Officer of the NORDB/LB Group is responsible for monitoring, advising, regular training and raising awareness to ensure that data protection requirements are met in the institutions. NORDB/LB and Deutsche Hypo each have their own Data Protection Officer. NORDB/LB CBB has a Data Protection Officer officially authorised by the National Data Protection Commission (CNPD) of the Grand Duchy of Luxembourg.

In order to ensure functional independence vis-à-vis all of the departments to be monitored, the Data Protection Officers are directly responsible to the Managing Board, which also has overall responsibility for this function and monitors its effectiveness. They report regularly and when needed on an ad hoc basis directly to the General Managing Board as well as on an ongoing basis as part of day-to-day operations to the responsible member of the Managing Board.

Employees may contact the Data Protection Officers for help. Customers can submit any complaints they have via a complaint management system. The complaint management principles and information about the complaint management procedure can be found on the Bank's website.

Management approach for data protection: 103-3

In order to ensure and monitor the compliance, appropriateness and effectiveness of all requirements related to data protection, here, too, annual uniform analyses are carried out throughout the Group on the basis of risk-

⁶ In Luxembourg the Bank acts in accordance with the coordinated version of the Act of 2 August 2002 on the Protection of Personal Data in Data Processing

based audit plans. The audit plans of the subsidiaries are coordinated within the NORD/LB Group so that the audits can be performed simultaneously and the findings reported to the General Managing Board. In addition, data protection is also the subject of regular external audits. Any incidents or complaints are analysed and solutions with appropriate preventive measures developed.

418-1

No data protection incidents were identified during the reporting period that required NORD/LB, in its capacity as the data controller, to trigger a report to the competent data protection authority.

Sustainability and sustainable corporate governance

The management of ESG topics and the social and environmental impact of financing and investments were identified as material topics during the materiality analysis.

UNGC

Management approach for the management of ESG topics / social and environmental impact of financing and investments: 103-1

ESG stands for environmental, social and governance. The inclusion of ESG topics is intended to show that business decisions are taken not only on the basis of profits, but that they also take account of sustainability considerations.

Banks have a major impact on the long-term direction of the economy and society because they guide financial flows. At the same time, investors around the world increasingly want to know the specific social and environmental impact of their investments. For example, more and more investors and financial institutions are taking account of ESG considerations when evaluating investments and making investment decisions, minimising the negative impact where possible. This includes refraining from making investments in certain areas, or curtailing such investments that they have already made, often with the help of sustainability ratings and research. As a result, sustainability and ESG topics have become a major economic driver at banks.

At the same time, functional sustainability management also serves as an “early warning system” for economic risks (e.g. reputational risks). Risks can arise, for example, as a result of socially unacceptable or illegitimate actions. Material topics include, for example, violations of human rights, inhumane working conditions, environmental damage and unethical business practices. By taking account of sustainability considerations in strategic decision-making as well as in the investment and credit process, managers can minimise these risks while simultaneously building up the trust of all key stakeholders. Consequently, ESG topics should be taken into account and managed not only for ethical reasons and to generate new business opportunities, but also to prevent risk. This also includes communicating transparently about ESG topics, e.g. in the form of sustainability reports.

Both topics have an impact internally and externally, and because of the global interdependence of financial streams, there are no boundaries. The management of ESG topics is relevant for the entire Group. By contrast, the negative impact of the financing and investment business primarily affects the corresponding business units and must be managed and controlled with the help of corresponding guidelines. Externally, both topics are especially important to investors, the capital market, customers, society and politicians.

Management of sustainability within the Group

UNGC

Management approach for the management of ESG topics / social and environmental impact of financing and investments: 103-2

102-18 A: 102-19

The Chairman of the Managing Board bears the main responsibility for sustainable development at NORD/LB and reports the results to the owners. Organisationally, management of sustainability topics is handled in Department 3 – Markets. The Managing Board is supported in its duties by the sustainability management team, which establishes, manages and develops the issue of sustainability within NORD/LB, conducts ESG reviews, oversees communication with internal and external stakeholders (including answering any questions, providing information and responding to complaints) and is responsible for sustainability reporting. The sustainability management team submits proposed resolutions on environmental, economic and social topics to the Managing Board for approval at its meetings.

NORD/LB CBB and Deutsche Hypo have additional Sustainability Officers. Proposals from the parent company, together with current focal points and issues, are discussed, deliberated on and proposed for implementation.

The NORD/LB Group has had a sustainability strategy to serve as a strategic foundation since 2013.

Figure 9: Corporate Sustainability Strategy

Corporate Sustainability Strategy 2020
<p>How we see ourselves</p> <p>The NORD/LB Group believes that sustainability is first and foremost a question of attitude: it is a part of the Bank's public mandate to support sustainable development directly and indirectly through its own business activities.</p> <p>The NORD/LB Group is convinced that many aspects of global change result in opportunities and risks for its customers and will therefore also affect its business activities. The Sustainability Strategy addresses the key aspects of global change for the NORD/LB Group and its customers, and shows how opportunities can be realised efficiently and risks managed responsibly. Under this strategy the Bank pursues the following fundamental directions:</p>
<p>Strategic direction</p> <p>The customers of the NORD/LB Group must, with varying degrees of intensity and urgency, take account of long-term trends in relation to such issues as climate change, demographic change, the process of urbanisation and raw materials shortages. They must match their traditional business models in a prompt and regular manner to the complex effects of these changes, and create solutions. The employees of the NORD/LB Group help their customers to consider the shifts resulting from global change in their decisions, thereby contributing to sustainable development.</p> <p>This naturally means that two stakeholder groups are the focal points of this Sustainability Strategy 2020:</p> <ul style="list-style-type: none"> ▪ customers and employees of the companies in the NORD/LB Group. <p>The NORD/LB Group pursues a systematic approach to sustainability to ensure that the necessary sustainability aspects are taken into account in its business activities.</p> <ul style="list-style-type: none"> ▪ Transactions that clearly violate fundamental principles of sustainable development, such as transactions in connection with controversial weapons or pornography, are identified and rejected using exclusion criteria. ▪ A framework of sustainability guidelines establishes the link between the individual transaction and the relevant specific sustainability standard from the perspective of the NORD/LB Group. This makes it possible to manage sustainability on an individual basis and in a targeted manner. <p>Above all else, the NORD/LB Group and its staff consider it their duty to support their customers and help them to give greater consideration to "sustainable development" in their business activities and investment decisions. This support includes, for example, identifying promotional opportunities and pointing out existing business potential through sustainability.</p> <p>The NORD/ LB Group regularly reports on the implementation status of the Sustainability Strategy. This sustainability reporting, which is based on generally accepted standards, documents the contributions made by the NORD/LB Group for customers and society. The reporting covers the different facets of the Group's business activities, including the direct and indirect contributions to sustainability which the core business of the NORD/LB Group generates for customers and society, as well as the contributions that are complementary to the core business.</p> <p>The NORD/LB Group has set out the following focal points among the topics of sustainability and aims to achieve the following objectives by 2020:</p>

<p style="text-align: center;">Governance</p> <p>The NORD/LB Group will maintain and structurally enhance its management approach towards sustainability. This will include, in particular, continually revising the strategic direction of the Group's sustainability activities. This is done by the Group's Sustainability Management team, which is already in place. The Sustainability Committee, which advises the Group Managing Board, plays a particularly important role.</p> <p>The companies of the NORD/LB Group consult relevant stakeholders in order to obtain ideas for the direction of Sustainability Management. This ensures that our business activities are in line with the needs of interest groups so that the Group will remain successful and competitive over the long term.</p> <p>The results of these stakeholder meetings are considered in the sustainability programmes and provide the NORD/LB Group with ideas for the future direction of sustainability activities.</p>	<p style="text-align: center;">Customers</p> <p>The NORD/LB Group embeds sustainability aspects in all relevant business segments. In doing so, it ensures an approach to business which considers not only economic aspects for the benefit of customers, but also environmental and social governance aspects.</p> <p>By consulting customers on sustainability issues and offering "green products", the NORD/LB Group makes an ever-increasing contribution towards the financing of the green economy.</p> <p>The NORD/LB Group conducts its business activities such that they take account of economic, environmental and social aspects. This improves the competitive position of customers and strengthens the risk position of the NORD/LB Group.</p> <p>The sustainability objectives for the respective business segments are included in the strategy process.</p>
<p style="text-align: center;">Employees</p> <p>Employees are the future of the NORD/LB Group and ensure its commercial success over the long term. The Group therefore has a major responsibility towards its employees to create conditions that allow them to fully develop and "live diversity". A key element of this is the development of women in professional and managerial roles in order to systematically make use of their management potential so that the Bank is more successful. We will therefore continually increase the share of women in management positions.</p> <p>The professional and personal development of employees is supported by an extensive range of seminars. By providing information and training, the NORD/LB Group promotes and raises the awareness of sustainable business and makes it possible for these skills to be used.</p>	<p style="text-align: center;">Society</p> <p>The NORD/LB Group, in its capacity as a corporate citizen, participates in social projects and contributes its financial expertise to the public debate. The NORD/LB Group is a sponsor of art, culture and science in its core regions, and encourages its staff to do voluntary work. In all of these activities, the NORD/LB Group focuses its non-commercial activities on contributions that benefit both society and the NORD/LB Group.</p> <p>In implementing a sustainable approach to business, the NORD/LB Group urges its suppliers and service providers to act with the same environmental and social principles and standards.</p>
<p style="text-align: center;">Environment</p> <p>The NORD/LB Group organises its environmental activities in accordance with ISO 14001. Every year it creates an environmental programme to systematically optimise the effects that its business activities have on the environment. By conserving resources, saving energy and reducing emissions, the Group's environmental efficiency is expected to improve as a result. A particular focus in this regard is on energy efficiency.</p>	

By signing the UN Global Compact, NORD/LB and the NORD/LB Group have undertaken to incorporate its ten internationally recognised principles relating to human rights, labour conditions, environmental protection and corruption into their business activities. For NORD/LB and the NORD/LB Group, upholding these principles represents a key element of their responsibility towards customers and employees in the capacity of financial service providers, and towards society as a whole in the capacity of a corporate citizen.

Management of ESG risks

UNGC

Management approach for the management of ESG topics / social and environmental impact of financing and investments: 103-2

ESG risks are risks related to environmental, social or commercial considerations that can arise in connection with controversial business activities or practices. These include, for example, transactions or business practices with negative effects on the natural environment and/or on human and labour rights, including the rights of indigenous peoples, as well as sectors, such as alcohol, embryonic research, fossil fuels, gambling, GMOs, palm oil, pornography, tobacco or activities related to the arms and defence industry.

In addition to its own ethical understanding, NORD/LB also takes account of the assessment of civil society groups, especially non-governmental organisations (NGOs), and other interest groups of the Bank when evaluating ESG risks.

As part of an ESG risk review, the NORD/LB Group aims to identify, reduce or, if possible, eliminate risks in order to recognise business and reputational risks early on in the interests of customers and the Bank. Like other risks, these risks are also assessed in the lending process and are considered, as soon as they are identified or emerge, in the overall vote for the business transaction. The starting point for the assessment and evaluation of the risk potential is the technical skills and experiences of employees, the specific ESG guidelines and the underlying rules. Each and every employee is primarily responsible for preventing reputational risks. External information on the environmental risks of some industries is also taken on board. References to appropriate information sources are continually updated and made available.

In addition, NORD/LB has completely excluded the following transactions as part of its sustainability guidelines:

- Companies involved in the production, trading, storage or repair of the following armaments, in defiance of international treaties:
In particular, these include:
 - Biological weapons
 - Chemical weapons
 - Anti-personnel mines
 - Cluster bombs and cluster munitions
 - Uranium munitions
 - Weapons that are particularly suited to causing disproportionate injury or harm to civilians
- Business relationships with companies that produce and trade in pornography as well as companies associated with that sector.
- Financing the construction of nuclear plants and conventional coal-fired power plants.
- Financing the construction of dams and hydroelectric power stations in protected areas.
- In addition, NORD/LB does not conduct any transactions in its own name and for its own account on commodity futures markets.

Own disclosure: ESG reviews

When necessary, or if there are indications that ESG damages may occur in a business transaction, or if a transaction to be conducted is with a business partner from an industry considered to be controversial, unclear business transactions and their possible effects are forwarded to Sustainability Management for further assessment. Sustainability Management together with Compliance then reviews such unclear ESG questions. Any additional checks are carried out by an ad hoc committee, which adopts a resolution setting out the next steps. In the previous reporting year, 16 enquiries about possible controversies were submitted to Sustainability Management/Compliance. Eleven cases were approved, one was implemented with restrictions and five cases were rejected. It was not necessary to convene the ad hoc committee.

Reputational risk arises through a loss of confidence among the Bank's stakeholders. Risk Controlling bears central responsibility for this and for the framework for managing reputational risk. Reputational risk is included in the Governance, OpRisk and Compliance Report prepared on both a quarterly and an annual basis. This is addressed to the Risk Round Table or the General Managing Board. For additional information about risk management, please refer to Group Annual Report 2018.

Internal regulations and standards

UNGC

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The NORD/LB Group and its institutions have a number of internal strategy documents, guidelines and working instructions that are integrated into the documentation of internal regulations. In addition to guidelines on implementation of and compliance with the requirements of "traditional bank supervisory law" at a German, European and international level, the Group also has additional ESG guidelines that govern and regulate its business activities with respect to economic, environmental and social issues. All ESG guidelines have been reviewed by the Group Managing Board, approved by the Managing Board of NORD/LB and, provided that they are relevant to their business operations, largely adopted by the subsidiary institutions. All ESG guidelines have been approved by the Managing Board and are binding on all employees. An external audit does not take place.

The ESG guidelines for the Bank's departments and the individual sectors are always developed together with employees from the departments. Awareness training regarding the ESG guidelines has been conducted in the relevant departments and is also provided at regular management workshops.

As part of regular quarterly reviews conducted by Sustainability Management, the ESG guidelines are evaluated and, if necessary, adjusted in line with current developments, or new guidelines are initiated. Written voting policies on environmental and social issues in the companies in which NORD/LB has invested do not exist.

There is a comprehensive section on the intranet with information about and training related to ESG issues. In addition, Sustainability Management is available to all employees if they have any questions or for additional ESG evaluations.

The following guidelines exist within the NORD/LB Group:

Guidelines for the Bank as a whole

Guideline on the Environmental Impact of Corporate Activities

With this guideline, NORD/LB complies with principles seven to nine of the UN Global Compact for the consideration of the environment in business activities.

The direct environmental impact of NORD/LB's business activities is measured, assessed and managed by the Bank's Corporate Environmental Management function. The elements and processes of this environmental management system are based on the requirements of ISO 14001, the international standard for environmental management.

The indirect environmental impact of NORD/LB's business activities is managed in the business segments; this is done, among other ways, through the management of ESG risks.

Guideline on Operational Environmental Protection

The Guideline on Operational Environmental Protection defines a uniform minimum standard for corporate environmental protection and is based on the requirements set out in ISO 14001, the international standard for environmental management.

Guideline on Climate Change

The NORD/LB Group acknowledges the importance of climate change and the role to be played by the financial industry in the transition to a lower-CO₂ economy as one of the most important challenges now and for the future. The Guideline on Climate Change serves as the framework for achieving the German climate goals. By applying this guideline, NORD/LB is able to take into account climate change for its market partners and society, to focus the market partners on the opportunities and risks, and to create transparency for further development as well as for assessment, analysis and monitoring.

NORD/LB's guideline on climate change sets out the Bank's commitment to renewable energies and the modernisation of energy generation. At the same time, the guideline excludes the possibility of NORD/LB financing the construction of nuclear power plants and conventional coal-fired power plants.

Guideline on Human Rights and Labour Standards

Through its Guideline on Human Rights and Labour Standards, NORD/LB complies with principles one to six of the UN Global Compact on the consideration of human rights and labour standards. In applying this guideline, NORD/LB incorporates into its business activities the importance of human rights requirements for employees, market partners and society; gives guidance to employees and market partners concerning potential violations of human rights; enhances the processes to create transparency, for evaluation and analysis, and for monitoring; and ensures human rights aspects are taken into account in complaints management.

Guideline for Dealing with Interest Groups

The Guideline for Dealing with Interest Groups serves as the basis for dialogue with stakeholders. In applying this guideline, NORD/LB focuses on the three principles developed by the international organisation AccountAbility regarding dealing with relevant interest groups.

Guidelines for Dealing with Tax Law Requirements

The guideline on dealing with tax requirements is a commitment to comply with the duty to establish appropriate processes and controls to ensure compliance with tax legislation, to promote their social reputation, and to strengthen the relationships with government agencies, tax authorities and their customers.

Guidelines for the individual business segments

Guideline on ESG Requirements for Project Financing

The Guideline on ESG Requirements for Project Financing and accompanying instructions govern the financing of customer projects in which significant ESG risks are created by the project's structure and scope. The Guideline also corresponds to the requirements of the Financial Initiative of the United Nations Environmental Programme and the principles of the UN Global Compact, both of which have been signed by NORD/LB.

For project financing with no ECA cover and a total cost of more than USD 10 million outside of high-income OECD countries that NORD/LB provides as syndicate leader or on its own, customers are required to prove separately that they manage ESG project risks safely. To that end NORD/LB refers to the requirements and procedures suggested by the Equator Principles.

NORD/LB provides partial financing for projects outside of high-income OECD countries only if the financing syndicates are led by banks that guarantee compliance with the Performance Standards on Environmental and Social Sustainability of the IFC or a comparable set of rules.

Guideline on Ship Financing, Aircraft Financing and Real Estate Financing

The three specific guidelines for the respective business segments govern how technological, environmental and social standards are taken into account.

Guidelines for individual industries/sectors

Guideline on Business Relationships with Companies in the Defence Industry

This guideline governs the structure of the business relationship with companies in the defence industry. NORD/LB has placed strict conditions on this business and only maintains business relationships with companies that adhere to the Global Principles of Business Ethics for the Aerospace and Defence Industry, and which do not violate any embargo imposed by the United Nations, the European Union or the Organisation for Economic Cooperation and Development. Business relationships with companies that are involved – no matter to what extent – in the production, trade, transport, storage and repair of weapons that violate international treaties and conventions of the UN with respect to outlawed weapons are completely prohibited.

Guideline on Pornography

The Guideline on Pornography prohibits business relationships with companies that produce and sell pornography as well as companies related to this sector.

Guideline for the Responsible Use of Renewable Resources

With its Guideline for the Responsible Use of Renewable Resources”, the NORD/LB Group has established appropriate rules so that its decision-making, when financing economic activities, takes account of whether its customers act correctly with respect to the statutory requirements related to environmental, planning, animal welfare and nature protection law. The guideline refers to voluntary national and international environmental and social guidelines and standards, such as FSC, PEFC, MSC and ASC certifications.

In the context of its activity as a financial services institution, NORD/LB also operates as the Eurex clearing house for agricultural products. NORD/LB considers trading in commodity futures contracts to be useful as a means to provide market participants, from the producer to the trader to the processing industry, with a way of reacting to price changes and hedging price risks. The prices on the commodity futures markets are also used as a reference price for physical trading and serve as a guide when negotiating the sale or purchase price.

NORD/LB does not conduct any transactions in its own name and for its own account on commodity futures markets. It undertakes commodity futures transactions only on behalf of customers.

Guideline for the Responsible Use of Non-renewable Resources

The NORD/LB Group has established the Guideline for the Responsible Use of Non-Renewable Resources so that when financing economic activities, the Group’s business decisions take into account whether its customers deal correctly with the respective legal requirements and voluntary standards, such as those of the International Council on Mining and Metals (ICMM), the Extractive Industries Transparency Initiative, and the International Petroleum Industry Environmental Conservation Association (IPIECA).

NORD/LB’s understanding of the term “use of resources” includes all activities related to the mining of metals, minerals, precious and semi-precious stones, as well as building and mine planning, mine development and the operation and the closure of mines. It also includes all activities in connection with oil and gas extraction during the exploration, oil field development, production, refining (incl. cracking) and transport and storage phases. Additional reviews must be conducted if the business transactions take place outside high-income OECD countries or the European Union.

Guideline for Hydroelectric Power

The “Guideline for Hydroelectric Power” serves as a supplement to the “Guideline for the Environmental Impact of Business Activities” and the “Guideline on ESG Requirements for Project Financing” in relation to project financing for dams and general hydroelectric power stations. This guideline requires customers to commission an environmental due diligence report from an independent third party. Financing the construction of dams and hydroelectric power stations in specially protected areas is precluded.

External regulations and standards

UNGC
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By signing the UN Global Compact in 2013, NORD/LB has undertaken to incorporate the ten internationally recognised principles of the UN Global Compact relating to human rights, labour conditions, environmental protection and corruption into its business activities. For NORD/LB and the NORD/LB Group, upholding these principles represents a key element of their responsibility towards customers and employees in the capacity of financial service providers, and towards society as a whole in the capacity of a corporate citizen.



As a signatory of the UNEP FI Finance Initiative in 2013, NORD/LB recognises the interdependence of the economy, the environment and society, and it undertakes to practise sustainable development, forward-looking environmental management and open communication with the public about the promotion of environmental issues.



Since the 2013 reporting year, NORD/LB has prepared an annual Group Sustainability Report based on the Global Reporting Initiative (GRI) standards.



The Association for Environmental Management and Sustainability in Financial Institutions (VfU) is a network of financial services providers from Germany, Austria and Switzerland. Since 1995, the association and its members have been working to develop and implement innovative and sustainable solutions for financial services providers with the goal of increasing the contribution made by the financial sector to sustainable development.

NORD/LB has been a member since 2008.



By signing the Diversity Charter in 2013, NORD/LB aims to promote the recognition, respect and inclusion of diversity in the corporate culture in Germany – regardless of gender, nationality, ethnic origin, religion or belief, disability, age, sexual orientation and identity.

Sustainability ratings

Management approach for the management of ESG topics / social and environmental impact of financing and investments: 103-3

The NORD/LB Group provides transparent and regular reports on its sustainability activities. In addition, external evaluations of corporate sustainability activities, such as those conducted by special sustainability ratings agencies, are very important for a number of stakeholders. Sustainability ratings are not commissioned or paid for by the company being evaluated and thus offer an independent evaluation of how environmental and social considerations are being integrated into the company's business activities.

As the number of investors incorporating ESG considerations into their decision-making rises steadily, the significance of sustainability ratings agencies has increased in recent years, as has the level of dialogue with these agencies. For this reason, the NORD/LB Group defines sustainability ratings agencies as key stakeholders, and is also in regular contact with them during the rating process and beyond. This allows investors to base their decisions on external assessments and to manage their portfolio in a targeted manner with respect to compliance with (internal) regulations. They can also opt to exclude or minimise different controversial areas in a targeted or individual manner. The Sustainability Management team at NORD/LB uses the sustainability ratings to conduct targeted strength-weakness analyses and to develop improvement measures. At the same time, the annotation of the rating documents is also used to conduct an intensive dialogue with the corresponding specialist departments.

The NORD/LB Group is currently evaluated by several different sustainability ratings agencies. The current rating from each agency is published on the Bank's website.



imug | rating



Environmental and social figures from core business

Products and services with environmental and social benefits

UNGC

Own disclosure Products and services with environmental and social benefits

The calculation of the monetary value of products and services with an environmental benefit takes into account the direct and indirect contributions that the core business generates for customers and society. With regard to social sustainability, lending to customers whose business activities are of particular public interest was therefore recorded. Based on the industry code of the German Central Bank (Bundesbank), the following sectors were identified:

Table 2: Sector according to the Bundesbank code

	Volume in €k (as at 31.12.2018)
Water supply	320,276
Waste water disposal	423,482
Waste disposal	394,527
Clean-up of contaminated sites	19,336

The percentage of green technology co-financed in other industries was also estimated. For this purpose, we used the GreenTech shares of global market volumes of selected industries as calculated by the German Federal Environment Ministry. The GreenTech shares of the following industries were considered:

Table 3: Sector according to the Bundesbank code

	Volume in €k (as at 31.12.2018)
Automotive industry (GreenTech share 2 per cent)	38,281
Chemicals industry (6 per cent)	48,548
Electrical industry (12 per cent)	109,913
Machinery and plant engineering (20 per cent)	235,420

The financing volume which the NORD/LB Group has committed to in these industries totalled approx. € 1.6 billion as at 31 December 2018.

In addition to their own offerings, NORD/LB and Braunschweigische Landessparkasse also provide their customers with access to programmes from partners that enable attractive interest rates. This helps to improve the economic, social and environmental conditions in Germany. These include, for example, development programmes for energy-efficient new building projects or for energy and cost-saving projects to modernise and renovate existing properties. In addition, NORD/LB provides advisory services regarding regional development programmes and on the different possibilities that exist to involve the public sector in the risk and refinancing associated with the creation and financing of new companies. In particular, the Bank brokers development programmes offered by the German Reconstruction Credit Institute (KfW).

Table 4: New business loans for environmental purposes

	Number	Volume in €k (as at 31.12.2018)
Energy efficient renovations - efficient home	346	80,473
Energy efficient renovations - individual measures	718	42,430
Energy efficient construction	1,734	476,121
Energy efficient renovations - additional loan	22	654
IKU – energy efficient renovations	6	28,831
IKU – energy efficient construction	3	5,841
KfW - energy efficiency programme	77	122,331
KfW programme renewable energies standard	112	463,168
KfW programme renewable energies premium	77	6,593
KfW programme renewable energy storage	86	1,644
IKU - energy-saving urban redevelopment - district supply systems	1	500
KfW environmental programme	3	132
Total	3,185	1,228,718

Lending business with a social benefit was identified in line with the environmental benefit and the Bundesbank code for the following industries:

Table 5: Sector according to the Bundesbank code

	Volume in €k (as at 31.12.2018)
Crop and animal production, hunting and related service activities	2,523,757
Forestry and logging	9,923
Fishing and aquaculture	3,493
Real estate activities	22,119,201
Public administration	26,608,575
Manufacture of food and feed products	1,680,487
Education	129,629
Healthcare activities	782,063
Residential care activities	1,313,959
Social work activities	8,315
Libraries, archives, zoological gardens and museums	6,702

The financing volume which the NORD/LB Group has committed to in these industries totalled approx. € 55.2 billion as at 31 December 2018.

The Bank also brokered development programmes offered by the German Reconstruction Credit Institute (KfW).

Table 6: New business loans for social purposes

	Number	Volume in €k (as at 31.12.2018)
KfW home ownership programme	4,718	231,548
IKU - investment credit municipal and social compa- nies	24	140,078
Altersgerecht Umbauen KREDIT (loan to help convert properties so that they are suitable for the elderly)	111	11,773
IKU – IKU-Barrierefreie Stadt (loan to help transform buildings, transport facilities and public spaces so that they are suitable for the disabled)	1	177
Total	4,854	383,576

Advisory and service

One of the Bank's key duties is to offer people the ability to participate in (cashless) payments in its area of business and to provide advice on financial matters.

NORD/LB focuses its advisory services on its customers' objectives and needs. To achieve this, advisors in the private customer business of Braunschweigische Landessparkasse use the S-finance concept (savings bank finance concept), a standard advice tool which ensures that full consideration is given to individual customer needs. This also ensures the high quality of advice focusing on the long term. As the use of the S-finance concept is a high priority due to the aforementioned reasons, Braunschweigische Landessparkasse trains its staff on how to use it on an ongoing basis. For example, all of the Bank's apprentices learn how to use the finance concept in the first few months of their training. In addition, NORD/LB and Braunschweigische Landessparkasse stopped paying sales commissions to their staff at the end of 2012 and therefore adhere to what is standard practice in the savings bank sector.

The laws governing financial products require that banks fulfil extensive obligations regarding information and transparency, for example, maintaining minutes of consultation meetings, defining customers and products and allocating them to risk classes, providing advice tailored to the for investors and investments, and providing an overview of costs and remuneration. All institutions of the NORD/LB Group meet these requirements without exception and embed them in their advisory processes. There is a systematic process in place regarding the provision of investment advice on financial instruments, with corresponding documentation requirements. Staff members who provide investment advice have the required qualifications in accordance with the German Investor Protection Act (AnsFuG) and are accordingly registered with the Federal Financial Supervisory Authority (BaFin). To ensure that staff knowledge is kept up to date, internal training takes place regularly. Customers are informed not only in consultation meetings and by the product information handed out, but also through publications on specific issues, such as customer information on transactions with securities and other financial instruments.

The Bank's own issues are sold on the basis of the applicable laws, e.g. in Germany pursuant to the German Securities Prospectus Act (WpPG). All information that the customer requires can be obtained at the Bank and is also published in the internet. The NORD/LB Group attaches great importance to compliance with this Act and other legal requirements. This is monitored by Compliance, which audits procedures, and by Internal Audit.

Braunschweigische Landessparkasse is represented in 91 locations throughout the business region so that customers can be provided with financial services across the region, even in sparsely populated areas. All of the branches have either a self-service or a conventional cash point. 18 locations are operated jointly with Öffentliche Versicherung Braunschweig as finance centres, while another is operated with LBS Braunschweig. The locations are supplemented by 28 self-service points. All of the locations have self-service facilities, such as cash machines, self-service terminals and account statement printers.

84 locations of the Braunschweigische Landessparkasse and both locations of the former BLB in Bremen and Oldenburg have disabled access. In order to offer a better service to customers with impaired vision, eight cash machines with a deposit function at Braunschweigische Landessparkasse and eleven machines in Bremen and Oldenburg have voice guidance. These customers therefore have independent access to cash services at 67 locations. In addition, alternative access methods have been created and expanded through telephone and online banking. As a result, customers are able, if they desire, to also perform most of their banking transactions from home. Further assistance for visually impaired customers is provided by specialised software, which reads out the online content.

In order to enable people with a difficult financial background to make cashless payments as well, Braunschweigische Landessparkasse also offers a "citizen" or basic account (Bürger-/Basiskonto), which is maintained

solely on a non-borrowing basis. As at 31 December 2018, there were 6,660 citizen accounts and 2,611 basic accounts at Braunschweigische Landessparkasse.

Customer satisfaction

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NORD/LB conducts regular Group-wide customer satisfaction surveys in order to record and measure customer satisfaction. The goals of the customer satisfaction survey are, first, to reveal the satisfaction of the Bank's customers and, second, to identify the risk of potentially losing customers. The results of the Group-wide survey are then used by NORD/LB and its subsidiaries to determine specific needs for action.

The survey method used by NORD/LB initially defines standard recording criteria. The data collected are then aggregated and adjusted so that the different business areas can be compared. The survey involves interviews with customers from the NORD/LB Group business segments and covers the following areas:

- Overall customer satisfaction
- Customer loyalty
- Customer advisors
- Quality of advice
- Proactive approach

The results of the survey are transformed to a scale of 0 to 100. NORD/LB has set a minimum target score of 80 index points to be achieved by itself and its subsidiaries.

NORD/LB's benchmarking uses the best-in-class method, i.e. it compares itself with the best respective competitor. This comparison reveals potential for improvement. NORD/LB has defined a target of 60 points for the benchmarking.

Data on product use and preference are also collected in order to reveal how much of the customer's product and advice needs the NORD/LB Group covers or can cover and where NORD/LB still needs to improve.

The Group-wide survey was conducted using telephone interviews and online surveys. In some cases the surveys were conducted independently by the subsidiaries, but always using the same method defined by NORD/LB for the Group.

Braunschweigische Landessparkasse deviated from the Group's methodology and performed its customer satisfaction survey using the method for savings banks. In order to regularly review quality from a customer perspective, the annual customer satisfaction surveys have been a fixed component of quality management for many years. A short survey is used covering the following three subject areas:

- Service, liquidity and price-performance relationship
- Advice and offer orientation
- Overall satisfaction and customer loyalty

The survey is performed throughout the year and the results are transformed to create comparability and ensure a uniform assessment scale.

A standardised complaint management system has existed in the Group units for many years in the form of the customer ideas management system. A strategic complaint management system aims to do more than just improve customer satisfaction. It is also a way of obtaining important ideas from customers in order to identify

specific opportunities for improvement. This helps the Bank to achieve its strategic goals of quality leadership and market leadership. All feedback is taken seriously and responded to accordingly.

NORD/LB as an employer

2018 environment

An increasingly complex regulatory environment as well as ever faster changes in the labour market and the financial sector as a whole are having an impact on the NORD/LB Group. In particular, digitalisation is changing the world of work and promoting more flexible forms of working.

The labour market in Germany, with its fundamental demographic challenges, remained an employees' market in 2018. There continued to be a lack of specialist and managerial staff, especially in the area of IT. As a result, the war for talent continued to be a major challenge for NORD/LB. In addition, the continuing income and cost pressure on the NORD/LB Group had an impact on the overall personnel work in 2018: the Group needed to enable investment flexibility within the scope of the One Bank Transformation Programme launched in 2017 while also achieving its cost objectives. The One Bank programme aims to restructure the entire Group to make it both more efficient and more profitable while also achieving long-term cost savings in the NORD/LB Group of up to € 200 million through synergies by the end of 2020 and reducing payroll by up to 1,250 positions. NORD/LB already succeeded in leveraging noticeable synergies in 2018 within the scope of this transformation process.

The qualified external hiring freeze for NORD/LB decided as a part of this by the Managing Board in 2017 also had a positive effect in 2018 – with exceptions in place for new talent, i.e. apprentices and trainees. For further detailed information, please refer to NORD/LB's financial reporting (IFRS).

Strategic direction of human resources

In order to attract talented young employees at an early stage and retain the employees it already has given the complex environment described above, NORD/LB relies on the corporate culture it has developed as well as on its employee-oriented approach to human resources management.

Human resources activities at the NORD/LB Group are based on a long-term human resources strategy derived from the Bank's business/risk strategy, taking account of the special requirements of the One Bank programme. The strategic focal points during the 2018 financial year were managing:

- the number of staff, i.e. allocating available resources and capacities in a value-added manner as well as securing and retaining jobs given the workforce reduction goal of the One Bank Transformation Programme and
- the quality of staff, i.e. the ability of staff to deal with change.

As a competitive employer in a challenging environment, the NORD/LB Group has used its personnel strategy to retain and develop jobs throughout the Group in 2018 using the following personnel tools, which are described in detail in subsequent chapters:

- Retention of staff through attractive working conditions, including remuneration, equal opportunities, work/life balance and corporate health management,
- Personnel management of resources and capacities,
- Staff development and new forms of working,
- Recruiting junior staff.

Headcount, new staff and staff turnover

UNGC
102-8

The NORD/LB Managing Board is the highest-level decision-maker. Staff planning is approved with it on a regular basis. At the end of 2018, the NORD/LB Group employed 6,109 people – 344 fewer than in 2017. This was made possible on a Group-wide basis through the best possible allocation of resources with a qualified freeze on external recruitment for professionals at NORD/LB as well as staff synergies that arose as a result of the One Bank Transformation Programme, which will remain in place until the end of 2020.

At 49.6 per cent, the percentage of women in the workforce rose slightly over the previous year (2017: 49.4 per cent). The mix of women and men within the NORD/LB Group is balanced and has remained stable for many years with limited staff turnover.

The majority of employees work at the NORD/LB Group's German locations. None of the foreign locations employs more than 200 people – in countries outside of high-income OECD countries, for example, it employed 26 people in Shanghai and 80 people in Singapore, as at 31 December 2018. All employees of NORD/LB working at foreign branches must abide by the respective branch's staff manual.

For the most part, employees at NORD/LB are hired on a permanent basis. The Bank values long-term relationships with its employees and invests in retaining them.

Seasonal fluctuations in employment do not occur given the type of business activity. The Bank only employs temporary staff to complete temporary jobs or to avoid overtime, during large projects for example, and not as a replacement for permanent employees. In particular, temporary employment includes serving as a replacement for an employee on paternity leave or an employee on sick leave, and working on major projects with a fixed term.

Table 7: Personnel figures

	2016	2017	2018
Employees (total)	6,427	6,453	6,109
Steady employees (total)	6,008	6,018	5,706
male	3,061	3,069	2,897
female	2,947	2,949	2,809
Steady employees, full-time	4,684	4,653	4,371
male	2,944	2,946	2,777
female	1,740	1,707	1,594
Steady employees, part-time	1,324	1,365	1,335
male	117	123	120
female	1,207	1,242	1,215
Employees on temporary contracts (total)	419	435	403
male	197	196	187
female	222	239	216
Temporary full-time employees	393	402	375
male	189	189	177
female	204	213	198
Temporary part-time employees	26	33	28
male	8	7	10
female	18	26	18
Apprentices and trainees	284	278	251
male	132	124	114
female	152	154	137
Total workforce by region (in %)			
Germany	92.2	92.3	92.2
Europe, Asia, USA	7.8	7.7	7.8

A: 202-2

NORD/LB and the other German subsidiaries recruit staff throughout Germany, while NORD/LB CBB and the foreign branches of NORD/LB, in line with their international locations, recruit staff in their regional employment markets at all hierarchical levels.

A: 401-1

Table 8: New staff

	2016	2017	2018
Total new staff⁷	395	323	196
New staff by gender:			
male	225	193	101
female	170	130	95
New staff by age category:			
up to 30 years	206	179	114
31-50 years	166	120	65
from 51 years	23	24	17
New staff by region:			
Germany	327	280	163
Europe, Asia, USA	68	43	33

The staff turnover rate in the NORD/LB Group rose in 2018 to 10.8 per cent (2017: 8.2 per cent).

Table 9: Fluctuation

	2016	2017	2018
Turnover (in %)⁸	9.0	8.2	10.8
By gender as % of total workforce:			
male	10.3	9.5	10.9
female	7.7	6.7	10.7
By age as % of total turnover:			
up to 30 years	41.5	43.8	31.8
31-50 years	41.0	43.1	42.2
from 51 years	17.5	13.1	26.0
By region as % of total turnover:			
Germany	82.8	82.0	87.3
Europe, Asia, USA	17.2	18.0	12.7

Representation of interests

UNGC

The NORD/LB Group complies with all legal requirements in the countries where the Group has business operations. In Germany, this includes all of the relevant individual and collective bargaining laws, regulations and guidelines. In addition to general labour laws, collective agreements and regulations, the primary basis for the employee-employer relationship at NORD/LB is formed by the Staff Representation Act of Lower Saxony (NPer-SVG) in the case of NORD/LB and the German Works Constitution Act (BetrVG) in the case of Deutsche Hypo.

The NORD/LB Group attaches great importance to co-determination. Staff at all German locations – both pay scale and non-pay scale employees – are represented by local staff councils (or a works council, such as the one at

⁷ New staff includes new talent, i.e. apprentices and trainees.

⁸ Turnover takes into account all personnel joining and leaving the Bank, including temporary staff. As a result, this also includes socially acceptable early retirements, retirements and special early retirement.

Deutsche Hypo) as well as a General Staff Council. All staff representatives and management collaborate in a trusting manner and work together to implement statutory, collective and company regulations.

A: 402-1

Important operational changes are discussed with staff representatives, as the elected representatives of employees, at an early stage. Pursuant to the co-determination and other participation rights (NPersVG and BetrVG), NORD/LB employee committees are provided with information in a timely manner, feedback obtained, participation processes initiated and agreements reached.

All members of staff also have the opportunity and the right to organise in trade unions and to join them without the Bank's prior authorisation. No employee is discriminated against on the grounds of union membership. Workers' and employers' organisations promote collective bargaining without interfering in the interests of the other organisation. In the event of a lawful strike, members of the union will receive strike pay. The right to freedom of association applies.

The union ver.di represents the interests of employees during collective bargaining negotiations within the applicable scope of the relevant collective bargaining contract, i.e. all employees of the NORD/LB Group in Germany. This group of employees also has the option and the right to organise in unions. In the event of a lawful strike, members of the union will receive strike pay. The right to assemble generally applies.

The practice at NORD/LB is to provide all employees and their elected representatives with comprehensive information at an early stage about important issues and significant changes at the Bank. All employees are provided with regular and comprehensive information about current events at staff or works meetings or at partial staff meetings. The representative of the ver.di union also attends every NORD/LB staff meeting, providing staff with report to staff as a standing agenda item. The time spent at these meetings counts as working time for staff. The Staff or Works Council and the ver.di union also provide employees with information in the form of regular informational letters. In addition to the staff representatives, Corporate Communications and the personnel department also provide employees with information on a proactive and regular basis via the intranet, by e-mail and via teleconferences.

Remuneration

The remuneration policy has been identified as a material topic during the materiality analysis.

UNGC

Management approach for remuneration: 103-1

A central issue with regard to the appropriate governance of banks is remuneration policy. In this context, banks are required to provide transparent reporting about how variable remuneration to the Managing Board and senior management are calculated, and how or whether commissions are paid on product sales. This also involves the provision of comprehensive and tailored investment advice.

This topic has both an internal impact (on the Managing Board, employees and the HR department) and an external impact (particularly in the Bank's area of activity), and it is especially important for society, customers and employees.

The remuneration system supports NORD/LB's corporate culture by translating the Group's corporate values, as defined in its mission statement (performance, responsibility, trust, courage and sustainability), into its remuneration strategy and tools.

At the same time, remuneration decisions are made as a valuable investment in employee potential, including with respect to the Bank's strategic focus. Ultimately, NORD/LB uses its attractive and competitive remuneration system to attract and retain employees. This is because the remuneration system supports NORD/LB's corporate culture by translating the Group's corporate values, as defined in its mission statement (performance, responsibility, trust and sustainability), into its remuneration strategy and tools.

The Bank's remuneration strategy also supports the objectives of the NORD/LB Group's business and risk strategy. In addition to fulfilling regulatory requirements, it is geared towards sustainability in order to promote responsible and risk-conscious behaviour on the part of staff. Remuneration decisions are made as a valuable investment in employee potential, including with respect to the Bank's strategic focus. NORD/LB is able to attract and retain employees thanks to its attractive, competitive remuneration system. The overall remuneration system is designed in such a way that it does not offer incentives for taking significantly high risks.

Management approach for remuneration: 103-2
102-36

NORD/LB is a significant institution as defined by the German Remuneration Ordinance for Institutions. This means that it is subject to special requirements. NORD/LB also has a disclosure obligation in accordance with § 16 of the InstitutsVergV in conjunction with Article 450 of Regulation (EU) No. 575/2013, and prepares an annual Remuneration Report, which is available on its website.

The Supervisory Board is responsible for ensuring that the design of the remuneration systems for the members of the Managing Board is appropriate. The remuneration of members of the Managing Board is made up of a fixed annual salary, the possibility of variable remuneration and other remuneration components that are customary in the market (e.g. occupational pension and company car). Based on the planning for the Group, the Supervisory Board sets the targets for the measurement of the variable remuneration for the members of the Managing Board. These reflect the long-term overall performance of the Group and of the Bank, as well as the contribution to performance of the department concerned and the individual contribution to performance, taking into account the risks taken. The variable remuneration for the Managing Board is paid solely in cash. It consists of a 40 per cent cash component; the remaining 60 per cent of the variable remuneration is deferred over a retention period of five years and paid in instalments taking into account risk criteria. 50 per cent of the variable remuneration is linked to the performance of the company and has a one-year retention period. The variable remuneration may not exceed the fixed remuneration.

The Managing Board, in turn, is responsible for the appropriate structuring of the remuneration system of the Bank's employees. It approves the remuneration system, including the internal remuneration principles and the annual budget for variable remuneration and salary increases.

Employees (excluding the Managing Board) are remunerated in accordance with the following differentiators and criteria:

- Pay scale and contractual employees in Germany,
- Risk-takers (employees whose activities have a major impact on the overall risk profile of the Bank) in Germany and abroad,
- Employees at foreign branches (ANL).

Contract employees of NORD/LB are remunerated above the pay scale. Their pay is determined based on a systematic job evaluation. On the basis of this evaluation, career bands are defined for different functional areas, e.g. front office or back office divisions or management functions. The career bands are assigned to market-rate salary bands. The ranges of the salary bands are reviewed on a regular basis.

102-41

The collective agreements for the private banking sector and public banks are used for all NORD/LB employees who are subject to the pay scale or with whom the applicability of these collective agreements was arranged (pay-

scale employees). Pay-scale employees are classified into the pay-scale groups that correspond to the work they perform and paid 13 monthly salaries per year.

All job evaluations and groupings are conducted on a task-related basis and not on a job-holder-related basis, and are therefore non-discriminatory.

The bonus system for employees in the reporting line below the Managing Board, known as direct reports, and for all other risk takers is based on a system of key figures for the measurement and payment of bonuses approved by the Managing Board. The system is basically the same as the system for the members of the Managing Board. The key figures reflect the long-term overall performance of the Bank, the performance of the department for which the direct report is responsible, and the individual contribution to performance. The amount of the portion to be deferred is 60 per cent and is spread over five years for direct reports and high-risk takers and over three years for other risk takers. 50 per cent of the variable remuneration is linked to the long-term performance of the company and has a one-year retention period. NORD/LB uses the exemption limit as defined in §18 para. 1 of the Remuneration Ordinance for Institutions (Institutsvergütungsverordnung, or IVV). According to this, variable remuneration for risk takers is only subject to the requirements of §§ 20 and 22 IVV if it exceeds € 50,000. In addition, the Managing Board also sets the annual budget for variable remuneration in line with specified parameters. At the end of the financial year, it decides – taking account of the result and the impact of variable remuneration on the capital, liquidity and risk situation – on the actual amount and business segment-based distribution of the volume for the variable remuneration of employees. Pay scale employees may receive a profit-sharing bonus, the amount of which is based on the ratio of the available budget for variable remuneration to the planned bonus volume as well as the key performance indicator. A performance bonus may be granted for special performances and contributions.

There is an orientation bonus for contract employees. Similar to the definition of salary bands for fixed salaries, market-rate bands of variable remuneration have been developed and linked with different orientation bonus ranges. At the end of the financial year, individual performance bonuses are determined on the basis of the performance of the Bank, business segment and individual.

Payments for individual product sales are not planned in order to ensure comprehensive advising. The Bank also discontinued making direct commission payments to advisors for selling products from Landesbausparkasse (LBS), NORD/LB Facility Management (NORD/FM) as well as Öffentliche Versicherungen Bremen (ÖVB) and VGH Versicherungen. Complaints may be submitted via the Bank's complaint management system or the mediation board for public banks.

Management approach for remuneration: 103-3

The Remuneration Officer and, depending on the task, the Bank's control units, are involved in the development and enhancement of the remuneration systems. Compliance with the Bank's remuneration system is stipulated in writing in the organisational guidelines and was ensured in the previous financial year by the Group Organisation and HR unit.

The appropriateness of the remuneration systems for employees was likewise monitored by the Remuneration Officer and is documented in the annual report on the appropriateness of the employee remuneration systems (remuneration control report). This was also done by the Supervisory Board's Remuneration Control Committee. The Remuneration Control Committee met four times during the 2018 financial year. As part of its duties, it discussed the following topics, among others:

- Structuring and adapting the system of remuneration for members of the Managing Board based on the new requirements of IVV 3.0
- Review of the calculation of the total amount of the variable remuneration,
- Introduction of an employee retention programme
- Assessment of the impact of the remuneration systems as well as ensuring that the focus remained the long-term growth of the institution (incentives in the remuneration system),
- Monitoring and assessment of the appropriateness of the structure of the remuneration systems (remuneration control report),

- Acknowledgement of the remuneration report.

In order to ensure that the remuneration is appropriate, an external remuneration consultant is instructed at regular intervals to obtain current market comparisons. These comparisons concern both the fixed and the variable remuneration. If necessary, external consultants are also involved in the design of remuneration systems. In financial year 2018, for example, the consulting services of a personnel consultancy were used to implement the new requirements of the Remuneration Ordinance for Institutions (Institutsvergütungsverordnung, InstitutsVergV) and to further develop the remuneration systems.

For additional information on the topic of remuneration, please refer to the NORD/LB remuneration report.

Social benefits

UNGC
A: 201-3

The NORD/LB Group's permanent employees are entitled to receive a company pension under the pension scheme for the respective institution. Several different occupational pension schemes are in place in the NORD/LB Group.

In addition to pension commitments, the present value of defined benefit obligations of € 2.58 billion (2017: € 2.54 billion) includes commitments to benefit payments of € 283 million (2017: € 264 million). The defined benefit obligation is divided as at the reporting date into amounts of € 2,58 million (€ 2,05 million) from defined benefit plans which are not financed through a fund, and amounts of € 7 million (€ 492 million) from defined benefit plans which are fully or partially financed from a fund. This information and further details can be found in the Notes to the consolidated financial statements of the 2018 financial reporting (IFRS).

NORD/LB grants a defined-benefit company pension to employees and members of the Managing Board who were employed by the end of 2013. Starting in 2014, NORD/LB began granting new employees access to a defined-contribution company pension.

All of NORD/LB's pension benefits are based on Bank-wide, non-discretionary rules and do not provide any incentive to take disproportionately high risks. Instead, the aim of the Bank's company pension commitments is to motivate and to work towards the long-term success of the Bank.

A: 401-2

There are also extensive social and fringe benefits available to NORD/LB Group employees, such as contributions to capital formation, continued payment of wages in case of illness, special leave for special events, subsidised catering at lunchtimes and subsidised use of public transport. Almost all company social benefits, such as health care, part-time telecommuting (home office) and parental leave, are generally available to permanent full-time and part-time employees and to employees with temporary contracts.

Diversity, equal opportunities and work/life balance

Diversity and equal opportunities has been identified as a material topic during the materiality analysis. NORD/LB also includes all measures related to work/life balance under this topic.

UNGC

Management approach for diversity and equal opportunities / work/life balance: 103-1

Diversity and equal opportunities recognises the diversity of employees and uses this diversity for the benefit of the company and all stakeholders. Differences and being different are not simply tolerated, but are welcomed and viewed as a valuable addition to the company. Utilising and promoting all of our employees' qualities enables us to recognise different abilities, and provides us with a wide variety of experiences and ways of thinking. Diversity and equal opportunities represent a valuable economic and competitive factor for companies if the different abilities and skills of various groups of employees are consciously utilised. These include core qualities (such as age, gender, religious affiliation) as well as personal characteristics (e.g. skills, emotions, attitudes), origin and type of socialisation as well as the hierarchical affiliation within the company.

Diversity and equal opportunities are important at the NORD/LB Group as well and a key economic factor. NORD/LB actively uses the differences in approaches, perspectives, experiences, cultural orientations and values in order to achieve a better understanding of market and customer needs – and to increase its customer focus. This also allows us to use the various qualities as a source of innovation and creativity in order to boost the economic competitiveness of our products and services as well as NORD/LB's long-term viability on the market and thus for its stakeholders.

Within NORD/LB, the specific needs of generations Y and Z, the need for more flexible forms of work, the growing number of older employees and the current lack of skilled staff are the starting point for diversity and equal opportunity. Employees' non-work life is now inseparable from their work life. That is why the issue of diversity and equal opportunities is bound up with the concept of work/life balance and programmes designed to implement this concept. In order to promote diversity and equal opportunities, employers must create the necessary conditions for integrating employees' different life perspectives into their work life.

The work/life balance offered by an employer is an important issue not only for employees of NORD/LB, but for prospective candidates and applicants as well, as revealed by surveys of recent graduates. And having a good work/life balance is also important for corporate health management and boosts employee productivity. The development of corresponding measures is therefore an important economic factor for NORD/LB.

All these issues - diversity, equal opportunities and work/life balance - have both an internal impact (employees, HR department) and an external impact (society). They are especially important for employees and their families, potential applicants as well as for society.

Diversity and equal opportunities

UNGC

Management approach for diversity and equal opportunities / work/life balance: 103-2

The NORD/LB Group and its Managing Board are expressly committed to diversity and equal opportunities in a non-discriminatory environment. The NORD/LB Group therefore pursues a comprehensive, integrative approach in its efforts to achieve diversity, i.e. by hiring, treating and promoting the workforce fairly and correctly while actively managing the differences, cultural backgrounds and practical experiences for the benefit of the company. This also includes a family-friendly personnel policy.

The diversity of the Group's employees is already part of NORD/LB's corporate identity. Accordingly, NORD/LB defines its diversity management as customer-oriented personnel management, but with a strong impact on the Group's value orientation. Mutual respect serves as the basis for collaboration. The framework guidelines for the Bank's diversity efforts include the Group's fundamental values as set forth in the Code of Conduct and the Diversity Charter of German Companies. NORD/LB has been a member of the Diversity Charter initiative (www.charta-der-vielfalt.de) since 2013; Deutsche Hypo signed the charter in 2014.

The key goals of the Bank's diversity efforts include reinforcing its role as an attractive employer and serving as a beacon in the northern German banking centre for current employees and prospective employees from generations Y and Z. That is why all diversity topics have been integrated in NORD/LB's personnel management tools, such as its training programme and its management workshops. The ability to recognise, value and utilise the diversity of employees is already part of the target profile and skills model at NORD/LB and is therefore required of employees at all levels of the Bank, including junior staff. This creates the conditions for both managers and staff to recognise, share and practice the values of diversity. This also includes providing information about diversity efforts and evaluating the results.

In order to help the Bank achieve its economic and social objectives, in 2018 NORD/LB's personnel department provided tailored offerings related to diversity – including training programmes and personal development measures as well as offers on family and career-related topics to help employees meet family obligations, such as raising children or taking care of ill family members. This offering can be broken down into the following diversity programmes:

- Work/life as a programme to help employees strike a better work/life balance with the aspiration of creating a more family-friendly living and working environment at NORD/LB. This includes:
 - Promoting home offices
 - Subsidised childcare
 - Caring for ill family members
- Women and men as a programme to help promote equal opportunities at NORD/LB with a strong focus on women's equality. This includes:
 - Mixed pools of candidates when filling leadership positions
 - Voluntary ambition levels
 - Active women's networks
- Teamwork and networking as a programme to expand teamwork and promote interdisciplinary networking. This includes:
 - Seminars on mixed-age teams
 - The One Bank Transformation Programme
 - Design Thinking

The behaviour of employees – and thus of the company – is guided by mutual respect, openness, honesty, appreciation and a spirit of trust and collaboration. This outlook had a fundamental impact on the One Bank Transformation Programme, which involved substantial interdisciplinary collaboration. NORD/LB ensures the participation of staff through decentralised coordinators in NORD/LB's specialist departments.

Furthermore, NORD/LB has been using different employee groups and surveys conducted within NORD/LB to discuss and compare different perspectives for many years now. For example, the Bank's skills model was developed in collaboration with various groups within the company, including the Managing Board, senior management, women in positions and employees under the age of 30. These internal activities have helped the NORD/LB Group to gain acceptance among customers, business partners and society.

103-3

NORD/LB's diversity efforts have been supported by transparent corporate communication through, for example, the use of communication platforms including an award-winning staff magazine, management dialogue, an Intranet site that was completely redesigned in 2018 and feedback tools.

405-1

The percentage of women in the workforce amounted to 49.6 per cent (2017: 49.4 per cent), the proportion of women in management positions came to 19.4 per cent (21.2 per cent) and the share of women on the supervisory and administrative boards was at 18.6 per cent (22.3 per cent). These figures have been moving within a stable range with only minor fluctuations.

Because the Group's Managing Board decreased its total membership by a total of five, from 21 to 16 Board members, compared with the previous year (with four of the departing members being men), the proportion of women has dropped to 6.3 per cent (9.6 per cent). In 2018, the Bank's employees came from 33 different countries.

The share of persons with disabilities in the NORD/LB Group totalled 3.1 per cent in 2018. At its current ratio, the Bank is below the legally required minimum, which stipulates that at least 5 per cent of the company's workforce must be comprised of people with disabilities. For this reason, the Bank must pay a compensation fee.

Table 10: Diversity figures

	2016	2017	2018
Employees (total)	6,427	6,453	6,109
male	3,258	3,266	3,082
female	3,169	3,187	3,027
Employees by age category			
Employees up to age 30	1,027	1,015	885
Employees ages 31 to 50	3,285	3,169	2,906
Employees 51 and older	1,436	1,602	1,689
Employees with a management function	679	667	629
Male managers	550	526	507
Female managers	129	141	122
Managers by age category			
Managers up to age 30	4	7	8
Managers ages 31 to 50	418	382	337
Managers 51 and older	257	278	284
Managing Board	23	21	16
male	21	19	15
female	2	2	1
Managing Board age structure			
Members of the Managing Board up to age 30	0	0	0
Members of the Managing Board ages 31 to 50	7	6	1
Members of the Managing Board 51 and older	16	15	15
Supervisory and Administrative Boards	53	36	27
male	44	28	22
female	9	8	5

The NORD/LB Group is obligated to protect its employees and has comprehensive rules and procedures to ensure equal treatment and to make employees aware of the consequences in the event of any violations.

Employees are already provided with special and comprehensive protection against discrimination in Germany through the General Act on Equal Treatment (Allgemeine Gleichbehandlungsgesetz, or AGG). NORD/LB abides by the provisions of the AGG. At the Bank's foreign locations, it abides by local anti-discrimination laws and documents these in employee manuals. In addition, the Code of Conduct prohibits all forms of discrimination throughout the NORD/LB Group, irrespective of whether such discrimination is based on gender, age, disability, ethnic or social origin, religion or beliefs, sexual identity or political views, marital status or involvement in a union. A violation of these principles may result in disciplinary consequences, up to and including dismissal.

Potential discrimination can be reported to a complaints office. Because of the regulatory requirements, the issue of equal opportunity is overseen at NORD/LB by a designated Equal Opportunities Officer. Confidants and representatives of severely disabled staff members are selected to support and protect disabled people, people at risk of disability and the severely disabled. Employees at locations in Germany are required to complete mandatory web-based training concerning implementation of the General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz, or AGG) every two years.

NORD/LB provides all employees with similar qualifications with the same training and advancement opportunities. NORD/LB wants to continuously improve career opportunities for women and wants to increase the share of women in specialist and management positions. Within its specialist departments, the Bank focuses on identifying female candidates for management positions early on and promoting them. NORD/LB aims to motivate both women and men to pursue or continue their careers after they have started a family by providing a broad range of measures to help combine a career with family life.

NORD/LB also ensures equal pay for men and women by offering identical and transparent calculation bases and procedures, as well as through defined remuneration components. Job evaluations are generally conducted

on the basis of the tasks carried out, and not the incumbent. Remuneration is therefore irrespective of gender, nationality, ethical origin, religion or ideology, disability, age, sexual orientation or identity and is based gender-neutrally on qualifications, range of responsibilities and functions as well as professional experience.

Because of increased regulatory requirements, detailed information regarding compensation is disclosed in separate compensation reports prepared by the individual companies of the NORD/LB Group.

A: 406-1

The Group was not made aware of any incident of discrimination in 2017. In 2018, an alleged incident was dismissed in two instances.

Work/life balance

UNGC

Management approach for diversity and equal opportunities / work/life balance: 103-2

Another important element of NORD/LB's diversity efforts are its human resources management tools for ensuring the greatest possible balance between work and family, and improving employees' ability to meet family obligations, such as raising children or caring for family members. These include home offices, a variety of flexible working time models, long-term working time credit accounts and a comprehensive range of support services provided by an external specialist on work/life balance. Employees can make use of free advice and mediation services provided there in the event of illness, a need for nursing or childcare and for help with household chores and gardening.

A: 401-3

The Federal Parental Allowance and Parental Leave Act gives mothers and fathers a maximum of three years' leave per child and the guaranteed right to return to a comparable job. At NORD/LB, full- and part-time women and men who have been with the company for at least five years and who take advantage of the statutory parental leave and do not perform any work outside of the company have the right to return to work at the company six months after the statutory parental leave ends. The employment relationship is suspended during this period (for a maximum total of three and a half years). In 2018, 2.4 per cent of the Bank's employees were on parental leave (2017: 2.6 per cent).

As an employer, NORD/LB always wants to help its employees to achieve a good work/life balance with respect to caring for children and family members who require assistance. The Act on Better Reconciliation of Family, Care and Work (Gesetz zur besseren Vereinbarkeit von Familie, Pflege und Beruf, or FPfZG) of 1 January 2015 governs employees' right to leave and also applies to NORD/LB staff, i.e. employees, apprentices and "employee-like" persons. In addition, NORD/LB works with an external service provider to offer employees advice and referrals of care facilities for family members who require assistance.

Various flexible working options as well as the ability to open long-term working time credit accounts are other options offered by NORD/LB. The service agreement grounded in the collective bargaining agreement enables, for example, sabbaticals and an extension of parental leave. Long-term working time credit accounts enable employees to save remuneration components that are not subject to taxes or social insurance. They provide employees with the opportunity to plan longer-term leaves of absence and strike a good work/life balance.

The interplay of measures related to career and private life not only creates an appreciative working climate and environment, but also ensures good development opportunities for all staff – applied equally to both women and men. This commitment was also recognised in a survey conducted in spring 2018 by ELTERN, a parenting magazine, which looked into the most family-friendly employers in Germany. The assessment criteria included categories such as "family-friendly workplace", "childcare", "flexible working hours", "career during parenthood"

and the “importance of family-friendliness within the company”. NORD/LB received a rating of “Very good” with its practices to reconcile work and family within the category Banks and Financial Services and was named one of the “Best Companies for Families”.

Own disclosure CaF: Part-time telecommuting

In 2018, significantly more female employees (2018: 536 compared to 2017: 423) and male employees (2018: 530 compared to 2017: 356) used part-time telecommuting (home office) compared with the previous year. Part-time telecommuting must not comprise more than 80 per cent of an individual’s working time and is available for NORD/LB staff employed in Germany (excludes student assistants and interns).

Management approach for diversity and equal opportunities / work/life balance: 103-3

The General Managing Board receives information about the status of diversity, equal opportunity and work/life balance, e.g. in the form of submissions to the Managing Board and the sustainability report.

Training and development

Training and development has been identified as a material topic during the materiality analysis.

Management approach for training and development: 103-1

The challenges described above – the regulatory environment, changes to the labour market, digitalisation, a lack of specialist staff and managers and demographic change – pose a problem for all companies in the sector in terms of increasing requirements for the consistent development of junior staff and the training and development of employees, which companies must address if they want to remain competitive. In turn, employees receive professional training, development and career support. From a wider social perspective, providing training to young employees and offering adequate development opportunities to current staff represent important aspects of education and economic policy – with an impact beyond the NORD/LB Group’s business area.

This topic has an impact on individuals both internally and externally, and on society at a regional and national level.

Apprenticeships

Management approach for training and development: 103-2

The “war for talent” continued to be a major challenge for NORD/LB in 2018. Young employees are mobile with a flexible outlook on what is a highly transparent labour market. In addition, the expectations of generations Y and Z during their training period must be met in a manner that is as personal and individual as possible. The general demographic challenge in Germany, the lower reputation of the entire banking industry, which has resulted in fewer applicants, and the ongoing pace of digitalisation in the worlds of work and training mean that the NORD/LB Group, especially through the training that it provides and its development of junior staff, must meet certain resource needs, with a focus on IT. For this reason, NORD/LB enhanced its training offerings for junior staff in 2018, making them even more competitive.

NORD/LB offers attractive and high-quality training opportunities at its locations, primarily in the commercial and IT/technical fields. In addition to these training options, the recruitment of students and graduates through its trainee programme is an important component of the Bank’s future success.

NORD/LB also provides training in line with the federal training regulations pursuant to the Vocation Training Act (Berufsbildungsgesetz, or BbiG). This act regulates vocational training, tests, monitoring of training, professional development and professional retraining. NORD/LB has a special duty of care towards apprentices. NORD/LB complies with regulations that apply to all professions, such as the Act on Youth Employment (Jugendarbeitsschutzgesetz, or JArbSchG).

Junior staff planning

In response to changed requirements in 2018, the NORD/LB Group needed a comprehensive and integrated method for developing junior staff. Junior staff planning is discussed with the Managing Board on a regular basis. The focus of the Bank’s staffing and training efforts in 2018 were on attracting junior staff from generations Y and Z. For this reason, the Managing Board maintained its general approach of steering junior staff towards the Bank’s specialist and career paths in 2018, despite the freeze on hiring external candidate that otherwise applied.

NORD/LB has been gradually taking over the training function of Deutsche Hypothekenbank since 2016, in part with an eye to exploiting synergy effects for the NORD/LB Group in 2018.

The systematic approach to attracting and developing young talent supported the NORD/LB Group’s short- and medium-term personnel needs qualitatively and quantitatively in 2018 by finding and recruiting qualified young professionals. Training was managed in three key ways in 2018:

- The number of junior employees to be recruited and retained at the Bank was defined,
- The quality of the training was improved even further and
- The ability of junior staff to adapt to change was increased.

Junior staff recruitment and retention

NORD/LB's eRecruiting platform provides an online job market and information for students and graduates regarding entry-level career opportunities. NORD/LB was the "Focus Top National Employer" in 2018, part of the rankings compiled by news magazine Focus in cooperation with employer rating platform kununu and online professional network XING. In addition to traditional recruiting measures and focused target group campaigns, NORD/LB also used social media to attract potential candidates in 2018.

Regionally, NORD/LB cooperates in particular with the following colleges: Leibniz University of Hanover, the Hanover Centre of Finance (HCF), the Technical University of Braunschweig, the Georg-August University of Göttingen and the Otto-von-Guericke University of Magdeburg. Thanks to its targeted activities in the areas of science and education (e.g. scholarship funding, mentorships, attendance at trade fairs, strategic funding of professorships and student internships), NORD/LB was once again able to come into early contact with students and young professionals in 2018. In order to meet the Bank's specific resources needs, especially in the area of IT, a university partnership was continued with the elite Finance and Information Management (FIM) Centre in Bavaria. The Managing Board's collaboration with universities has increased the willingness to recommend NORD/LB and improved its reputation as an employer. This collaboration also helped the Bank to once again achieve its recruitment goals in 2018.

NORD/LB's alumni programme provided a recruiting pool for trainees in 2018. A substantial number of the Bank's junior employees were recruited via its alumni circle through networking events, the arrangement of graduate theses and team-building activities. Alumni members include former apprentices/employees and college interns, scholarship recipients and selected members of NORD/LB's university work programme with great potential who have recorded above-average performance and have left the Bank to pursue their studies.

Targeted trainee programmes in which the target position was clearly defined at the start of the programme represented one especially efficient solution for filling vacancies in specialist departments in 2018. This programme, which was accelerated again in 2018, helped to counter the demographic trend at NORD/LB, and created a high level of satisfaction among both junior staff and in the Bank's specialist departments.

On the hard-fought market for the best applicants, speed and a seamless application and hiring process are essential for attracting junior staff to NORD/LB. At NORD/LB, support for junior staff begins before an employee even joins the Bank in order to distinguish the Bank from its competitors through its high quality and its excellent recruiting process – from the first interview after the candidate's application is received to accompanying events to personal support in the form of a specific contact partner during the entire training period. The goals of such individual support are clearly defined: To increase the commitment of junior staff, to begin efforts to retain young employees with potential at an early stage and to boost the performance of junior staff.

The "Leibniz Dialogue", a forum for dialogue and networking hosted by the Leibniz School of Business in collaboration with NORD/LB at which students in dual study programmes discuss innovations in the banking sector with practitioners and researchers and develop joint recommendations for action, supports the retention of junior staff at the Bank.

All apprentices and all other employees may submit any complaints they might have, depending on the nature of the complaint, to their manager, the personnel department or their local or regional staff representative. The first point of contact specifically for apprentices is the youth and trainee representative. For more information, please refer to the "Ethics and integrity" chapter.

Quality of training

The Bank's training strategy aims to ensure the skill-oriented development of all junior staff at NORD/LB – in line with the NORD/LB skills model. The model provides a uniform definition of the expected tasks, attitudes and

competencies in terms of performance, change, action and leadership skills. Apprentices receive basic professional training and are challenged and encouraged in terms of personal development, e.g. through team development exercises and coaching/mentoring. In addition to this basic programme, certain employees and professional groups also receive customised and flexible development measures. At the end of the programme, the qualification level of the Bank's junior staff is subjected to regular evaluations.

Seminars and workshops were used to expand employees' ability to develop solutions and act to great success in 2018. The 2017 redesign of a team development academy for apprentices has helped to improve the culture of performance at NORD/LB – with a clear focus on the Bank's holistic skills model.

The involvement of trainees, apprentices and dual study programme participants in Bank projects provided the participants with a greater understanding of the Bank as a whole while also reducing consulting and staffing costs. Junior staff continued to be involved in Bank-wide projects for young employees, such as the organisation of future days, on a regular basis in 2018.

The partnership with AIESEC, the world's largest student organisation, provided advantages for all participants in just its second year: project work in developing and emerging countries during the trainee programme, e.g. with children and young people or with a focus on cultural exchange, meets the wishes of generations Y and Z to perform meaningful activities as part of a volunteer commitment that also provides them with international experience. With its trainees serving as representatives of NORD/LB and Germany, the Bank made a valuable contribution to social responsibility, while simultaneously strengthening its employer brand in the financial sector thanks to this unique partnership.

Another important focus in 2018 was the Bank's promotion of the capacity for innovation of junior staff. As part of a training and development initiative, the Bank expanded its current interdisciplinary offerings to include creative workshops as well as design thinking workshops. The workshops were conducted consistently by internal coaches.

Management approach for training and development: 103-3

The regular publication of key figures for the Managing Board documents the relevance of junior staff training at the NORD/LB Group. Despite structured trainee recruitment campaigns and stable partnerships with universities, the number of applicants to the Bank's apprenticeship programme fell. In contrast to the industry trend it was, however, within the target range. As a result, despite challenging external and internal conditions, NORD/LB's training ratio of 4.1 per cent was nearly the same as in the previous year (2017: 4.3 per cent). NORD/LB largely filled its advertised positions for university graduates in 2018, despite the difficult staffing conditions. Consequently, the number of junior staff in training fell just slightly to a total of 251 apprentices and trainees (278).

With its positive training figures and retention rates, the NORD/LB Group has fulfilled its educational mandate.

Training

Management approach for training and development: 103-2
A: 404-2

NORD/LB pursues a staff development policy based on potential and focused on quality, investing in the training of its employees in order to ensure its corporate competitiveness and the future of the NORD/LB Group. Employees actively support the Bank by developing themselves and enhancing their skills throughout their entire career. In addition, NORD/LB offers all employees a broad range of seminars, as training and development are decisive prerequisites for professional development and employee commitment.

The digitalisation megatrend had a major impact on personnel development and the associated training offerings. The related “World of Work 4.0” programme and changed customer needs shape NORD/LB, the associated management philosophy and the Bank’s corporate and knowledge culture. This was associated with an essentially higher level of pressure on the Bank’s employees to innovate, a general increase in more complex tasks in the banking and financial sector, and the need for fundamentally more flexible forms of work. On the topic of education, this has brought about a fundamental reorganisation of the interdisciplinary seminar landscape at NORD/LB over the course of 2018, the effects of which will take effect in 2019. In the medium term, NORD/LB will attempt to ensure that its managers and experts are significantly more able to embrace and engage in change, digitalisation and innovation. The offerings for the upper level of management, in particular, were geared to these topics as a result.

In this overall context, the Bank endeavoured to further improve the general management and team skills of its staff in 2018. The strategic focus of development work - and thus of improvements in the quality of staff - was largely on the following areas in financial year 2018:

- Group-wide improvement of performance through the provision of personal and professional training and development
- Boosting the willingness of managers to lead and perform
- Helping and enabling the staff to deal with change, in particular with regard to digitalisation and agile working methods.

Staff development is the responsibility of the Group Organisation/Personnel unit, which reports directly to the Management and Organisational Development organisational unit. Staff development translates the set of requirements based on the business focus into skill requirements for current employees and transfers them into specific employee qualifications.

Skills management at NORD/LB includes the assessment and development of employees' skillsets. The basis for all personnel and skill development measures is the established NORD/LB skills model. The model provides a uniform definition of the tasks, attitudes and competencies that NORD/LB expects of its employees in terms of performance, change, action and leadership skills. This also includes an ongoing analysis of which skills are currently required – from mental attitudes to digital skills.

The need for individual employee training and development is determined together with the Bank’s specialist departments. Development work in the area of knowledge building, training and succession management at NORD/LB was based on the Bank’s offerings, comprised of seminars, training sessions, webinars and traditional web-based training. These offerings traditionally support staff in their specialist and managerial expertise, in their social and methodological skills, and in their personal skills. The training offering is equally available to the same extent for all employees, irrespective of any factors (e.g. age, gender, working-time model, pay scale group, temporary/permanent etc.). The offerings are classified and published Bank-wide in a training programme, that was redeveloped in 2018 with a stronger focus on the Bank’s needs with respect to themes of digitalisation, innovation and change.

Any complaints regarding training and development measures or providers can be submitted to management or the personnel department. There were no such incidents during the reporting year.

404-3

Learning is also intended to develop skills. Building knowledge and providing training are necessary prerequisites for doing this. The goal of operational training at NORD/LB is to identify areas at NORD/LB where there is a need for employee development and where there is potential, to utilise this potential as effectively as possible, and to provide training in a systematic manner for the benefit of the NORD/LB Group. Individual employee training needs are discussed between employees and their managers during the annual reviews which were harmonised Group-wide in 2017, including all international locations. The potential-oriented personnel policy was once again able to make a valuable contribution to ensuring that the NORD/LB Group remains viable for the future.

Mandatory training based on legal requirements (e.g. AGG, compliance) is organised centrally. NORD/LB fully complies with its legal training obligations. For more information, please refer to the “Ethics and integrity” chapter.

Careers at NORD/LB are made possible not only as a result of employee management, but also through specialist expertise. The dominant development career paths in the NORD/LB Group, including management, expert and project career paths, were prioritised across the Group again in 2018. As part of the “One Bank” transformation programme described above, a targeted training programme for managers at NORD/LB was also continued in 2018 with the aim of strengthening the management team to cope with future requirements. This training programme is also part of NORD/LB’s structured succession planning. Also in the context of the “One Bank” initiative as well as a future safeguarding agreement initiated in this regard and thus with a view to succession planning, NORD/LB offered to all employees professional guidance in the form of personal orientation counselling and targeted new placement counselling in the event of professional reorientation.

Staff development at NORD/LB helps establish new ways of thinking and acting in order to promote employees’ transformation. To help them survive in a volatile labour market, NORD/LB has expanded its efforts with regard to forward-looking forms of working and work processes with a focus on agility. Scrum, an agile project management approach was tested, evaluated and firmly integrated into the Bank’s relevant processes in 2018. The Bank also enhanced the Design Thinking approach. Two academies were held on the topic where employees were taught how to act as trainers and disseminators using this method set.

Management approach for training and development: 103-3

NORD/LB’s comprehensive support and training programme strengthened the commitment of employees in 2018. Training and personal development issues were coordinated on a regular basis by the Bank’s highest level decision-making body, the Managing Board, whereby special focus was placed in 2018 on the “One Bank” programme (incl. agile project management) and new, agile forms of working.

Employee and development potential is assessed during regular, structured annual reviews which include performance evaluations and development planning, which took place Group-wide in 2018, including at all international locations. The annual reviews document the principle of lifelong learning as well as the importance of employee development as a management task to be carried out between managers and employees; in 2018, this was done as part of employee evaluations for nearly 100 per cent of female and male employees and female and male managers. The annual reviews are also connected with employee development meetings, which support the dialogue between managers and employees regarding strengths and areas for development. The annual reviews help to identify the expectations, views and ideas of managers and employees with respect to training and development.

Occupational safety and health protection

Occupational health and safety has been identified as a material topic during the materiality analysis.

UNGC

Management approach for occupational health and safety: 103-1

Occupational health and safety serves as the basis for the protection of employees, who are the Bank's most important asset. The Bank can only be successful over the long term if its employees are productive, well trained, motivated and – most importantly – healthy.

The working world is in a constant state of change. There is greater pressure as a result of change and an increased need for employees to be flexible. The consequences of high levels of stress can include, among other things, reduced productivity, illnesses such as high blood pressure, depression, back, shoulder and neck pain, and work missed as a result of these illnesses. These consequences have a direct impact on a company's economic strength and its market success.

There is also a relationship between the working conditions and the performance of employees that the Bank manages by optimising working conditions and strengthening personal resources. NORD/LB believes that corporate health management (CHM) is a worthwhile investment in the health and performance of its employees, and is not just about complying with statutory requirements. For the NORD/LB Group, the health of its employees is not only a factor for economic success in the operational value chain. The health of its employees and thus the management of occupational health also represent an important social topic for the Bank. In the first instance, every employee benefits from the corresponding measures. A low sickness rate also makes it easier to have a social life, helps employees to achieve a work/life balance and eases the burden on the welfare system too.

This topic has an impact both internally and externally. It is relevant for the entire NORD/LB Group as well as for potential applicants and society as a whole and also of particular importance for employees.

Occupational safety

UNGC

Management approach for occupational health and safety: 103-3

The evaluation of corporate health management (CHM) is a continuous process. Illness rates are assessed on a regular basis and linked with action areas. If health issues arise, special counselling events are initiated by the personnel department and the specialist departments of the Bank. Reports covering these activities are also prepared. Feedback processes for managers also provide indicators for a health-sustaining management culture. The defined figures and current activities are recorded on a regular basis as part of CHM, submitted to the Managing Board and summarised in a separate health report. The health report thus provides written documentation of CHM activities, creates transparency for the company regarding the effectiveness of its CHM and offers employees and managers a good basis of knowledge for their daily work.

Due to increased employee requirements and despite its professional corporate health management, the illness rate (the rate of time missed due to illness) at the NORD/LB Group saw a slight year-on-year increase to 5.8 per cent in 2018 (2017: 5.3 per cent).

A: 403-2

Table 11: Overview of days lost to sickness and accidents at work

	2016	2017	2018
Accidents at work (number)	34	36	35
male	19	17	17
female	15	19	18
Accidents at work (working days)	419	453	707
male	208	93	265
female	211	360	442
Deaths due to accidents at work	0	0	0
Days lost to sickness (working days)	69,231	77,788	81,114
male	29,608	33,291	35,811
female	39,623	44,497	45,303
Planned working days	1,469,137	1,463,886	1,375,806
male	765,897	765,615	713,260
female	703,240	698,271	662,546
Accidents at work as a percentage of headcount	0.5%	0.5%	0.5%
Accidents at work as a percentage of days lost to sickness	0.6%	0.5%	0.8%
Accidents at work as a percentage of planned working days	0.0%	0.0%	0.0%
Days lost to sickness as a percentage of planned working days (sickness rate)	4.7%	5.3%	5.8%

403-3

As employees of a financial services company, NORD/LB Group employees generally do not perform activities that can be categorised as especially dangerous or harmful or that involve specific health risks.

Corporate Health Management

UNGC

Management approach for occupational health and safety: 103-2

Ensuring that all staff remain healthy and fit for work through qualitative corporate health management is an important aspect of the management approach to personnel work at the NORD/LB Group. CHM is overseen by the individual personnel departments on behalf of the Managing Board as the highest-ranking decision-making body at the NORD/LB Group.

CHM at NORD/LB supplements traditional occupational safety through the development of working conditions that promote health, by corresponding management behaviour and via other healthcare resources to firmly embed them in the structures of the Bank. These can also involve changes in the work organisation (structures and procedures), the restructuring of work responsibilities or an improvement in communication structures.

NORD/LB's long-term CHM goals are set out in a mission statement with high quality standards. The focus of its activities are the promotion of healthy working conditions as well as strengthening staff and corporate health potential. The successful promotion of health at NORD/LB is characterised by meeting and implementing the following medium-term sub-goals:

- Health is considered to be an important criterion in the structuring and organisation of work.
- Staff have a high awareness of health and actively participate in improving their working conditions and in reducing stress.
- Managers are trained and perform their duties in a manner that promotes health as role models.
- NORD/LB analyses health risks and stresses systematically and comprehensively, and reports systematically on corporate health.

The active participation of employees is just as important for successful CHM as the credible commitment of managers, the Staff Council and the Works Council.

A targeted improvement in working conditions and the work organisation can improve the personal health behaviour of staff and solve or reduce health problems. The work and life quality of employees improves as a result of:

- fewer health complaints,
- increased work satisfaction, identification and commitment,
- improved well-being and a better quality of life,
- healthier behaviour at work and during free time and a
- better atmosphere at work.

The benefits for the Bank are as follows:

- increased quality and productivity,
- decrease in absences, staff turnover and accidents,
- a lower sickness rate,
- increase in productivity and work satisfaction,
- productivity and
- increase in employer attractiveness (image).

In 2018, the NORD/LB Group made its proactive and preventive support tools more consistent with the help of a professional corporate health management system – based on the general standards. The legal framework based on the German Labour Protection Act (Arbeitsschutzgesetz, or ArbSchG) and the Social Code also requires implementation of various measures, such as workplace integration management and a mental health risk assessment.

One particular focus of CHM was the work situation analysis conducted on behalf of the Managing Board as a tool to help carry out the legally required mental health risk assessment (§ 5 ArbSchG). The risk assessment serves as a tool for analysing the effects and identifying and managing the resources available for health management. In this way, NORD/LB demonstrates its role as a responsible employer pursuant to the legal requirements.

Workplace Integration Management (WIM) is used for employees with longer illnesses, irrespective of the cause of the illness. As required under § 167, para. 2 of the Social Code, Book IX, all employees of NORD/LB who are unable to work as a result of an illness for longer than six weeks during a 12-month period - continuous or repeatedly - are offered the opportunity to participate in WIM, with the goal of overcoming their inability to work, making the return to the workplace easier and preventing a recurrence of the inability to work as far as possible. WIM includes all measures that help to prevent the inability to work or at least end it as soon as possible, on the one hand, and on the other help to ensure the workplace. For examples, employees who are ill and present a medical certificate can request that their employer reduce their working time for a limited period of time. Managers and employees are proactively informed about WIM. Communication guidelines for managers and a flyer for employees explain the basics of WIM and point out additional counselling options.

Beyond the legal requirements concerning occupational health and safety, NORD/LB offers all of its staff a range of advisory services. For example, company doctors also provide information on how to optimally organise workplaces and on preventive measures to counter false posture and vision problems. When furniture and com-

puter equipment are purchased, the ergonomic features are taken into account. Furthermore, several Group locations have early defibrillation devices. Neutral external employee and manager counselling is available for all employees with work-related or psychosocial problems. The NORD/LB Group has also increased its preventive and individual health-promotion offerings. The basic offering comprises:

- annual flu vaccinations,
- lunch breaks combined with either exercise or relaxation
- massage,
- business yoga to improve the handling of stressful situations; and
- partnerships with fitness clubs in the region.

Managers at NORD/LB receive training from the date they assume their function. They are shown the WIM tools during a management workshop. There are also other specific seminars for managers, such as “Management and Health”.

In addition, informational material is provided as part of the WIM programme, with topics such as addiction, dealing with employees suffering mental problems and workplace integration management. All employees can consult with social counselling experts at no charge if they experience personal or professional problems.

In addition, particularly to support implementation of reorganisation measures at the Company, NORD/LB offers special seminars – also specifically designed for managers – on topics such as “Leading with Emotional Intelligence”, “Dealing with Change Constructively”, “Staying Healthy During Change” and “Resilience – Finding Personal Sources of Strength”.

Since 2017, NORD/LB has been participating in an innovation project entitled “Health in the World of Work 4.0” (Gesundheit in der Arbeitswelt 4.0) launched by AOK Niedersachsen to help identify the impact of the World of Work 4.0 on employees and both their health and performance and to proactively design it to promote employee health.

Social commitment

A: 201-1 A: 203-1 A: 413-1

The regions where the institutions of the NORD/LB Group are located are not just a business location, they are also the home and living environment of its employees and many customers, and, not least, are an important source of new employees for the future. Banks also obtain many of the services that they use from the region.

For this reason, the institutions of the NORD/LB Group focus not only on supporting business and infrastructure, but also on supporting educational opportunities and social, scientific and cultural developments in their region. They are also financially involved in numerous social projects to help make the region attractive and worth living in:

- as a partner to the economy and municipalities,
- as a promoter of art, culture and science,
- as a supporter of social projects;
- as a donor, backer and sponsor and
- through the voluntary work of its staff.

The institutions of the NORD/LB Group focus on stability, continuity and reliability in their sponsorship activities, as in their business policies in general. The projects thus enabled are usually long-term in nature. In order to ensure a targeted support of selected projects, transparent funding principles have been adopted. Institutions and projects may be supported only if their funding application meets these principles. This approach also fulfils other principles, such as the Compliance Guidelines, the Code of Conduct and the Rules of Corporate Governance.

Because of its business activities and the locations where the NORD/LB Group is active, no negative effects are expected on local communities, nor are there especially negative dependencies or groups that require protection.

Table 12: Overview of donations (in € thousand)

	2016	2017	2018
Social	391	230	174
Culture	1,404	898	593
Environment	10	–	–
Sport	315	386	365
Research, business and science	215	143	199
Others (incl. bonus savings)	417	431	320
Total	2,751	2,088	1,651

Culture

A: 201-1 A: 203-1

NORD/LB has a decades-long tradition as a sponsor of art and culture. This commitment has been taken over by the NORD/LB Culture Foundation, which was founded in November 2012. The purpose of the NORD/LB Culture Foundation is to provide financial and non-financial support for art and culture in areas where NORD/LB conducts its business. In 2018, a total of € 450,621 was awarded to 32 projects. Funds were awarded in particular to educational projects in the areas of contemporary fine arts and music, for example exhibitions in the Sprengel Museum in Hanover, Kunsthalle Bremen and the Neo Rauch Graphic Works Foundation in Aschersleben. The WOMEN IN JAZZ festival in Halle/Saale and the “Urban String” series of concerts in Hamburg offer musical highlights alongside the KunstFestSpiele cultural event in Hanover and the Kurt Weill Festival in Dessau in order to reach a new and younger audience.

In 1994, NORD/LB set up the “Die Braunschweigische Stiftung” foundation together with Öffentliche Versicherung Braunschweig, which is currently one of the biggest sponsorship foundations in Lower Saxony. The foundation is active throughout the region of Braunschweig, where it supports projects in the areas of art, culture, science, research, education, parenting and sport.

Academics

A: 201-1 A: 203-1

NORD/LB has a social responsibility as a regional Bank in Lower Saxony and Saxony-Anhalt and as the clearing house and central Bank for the savings banks in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania. It fulfils this responsibility by providing financial and non-financial support for academic projects in its business region.

In its support for academics, NORD/LB focuses on the next generation of scholars and relies, in addition to awarding scholarships, in particular on the targeted sponsorship of individual academic projects in a number of different disciplines. NORD/LB also funds foundation professorships and sponsors the Hanover Center of Finance, while Braunschweigische Landessparkasse sponsors the Braunschweiger Hochschulbund e.V. (Braunschweig association of universities).

In 2018 Deutsche Hypo also sponsored the Johann Georg Zimmermann Research Prize and the Johann Georg Zimmermann Medal. Both prizes are awarded annually for exceptional service in the field of cancer research. The award presentation ceremony was held in Hannover Medizinische Hochschule (Hanover school of medicine (MHH)).

Social

A: 201-1 A: 203-1

In order to strengthen social cohesion, NORD/LB supports institutions and organisations involved in the education and training of disadvantaged children and young people as well as people with a difficult social background. The aim is to allow them to improve their living conditions. NORD/LB also supports numerous projects in information centres for disadvantaged people and people with special social difficulties. Within the scope of the Bank’s social commitment, support was given to the Caritas “street ambulance” which provides medical assistance, the “bed by night” facility for street children run by the city of Hanover, “Kontaktladen Mecki” run by

the social welfare organisation (Diakonie) at Hanover main railway station - an important point of contact for the homeless - and projects related to disabled sports.

Braunschweigische Landessparkasse underscored its commitment to funding social projects by establishing the Braunschweigische Sparkassenstiftung foundation in 2015.

The foundation has already fully deployed its promotional activities. Many other, generally smaller, clubs and initiatives between Holmwind and Helmstedt have also been supported. Braunschweigische Sparkassenstiftung therefore makes an important contribution to promoting civil engagement and strengthening local communities.

Through Braunschweigische Landessparkasse, NORD/LB Group also performs the important task of educating children and young people about finance. One focal point is its cooperation with schools throughout the business region. For example, the "Planspiel Börse" (stock exchange business game) is offered to children every year to teach them how to manage money responsibly and introduce them to the world of the stock exchange. Primary schoolchildren play games to learn the first handling of money when young-customer coordinators visit the primary schools. Secondary schools are offered project days and lessons on money topics, which provide practical knowledge on issues such as opening a current account for the first time and pension schemes.

Braunschweigische Landessparkasse is also very interested in supporting creative business start-ups so that these young companies are successful. Since 2010, Braunschweig Zukunft GmbH and Braunschweigische Landessparkasse have therefore been inviting young entrepreneurs to submit their business idea and compete for the Braunschweig Founder Award, which is held every two years. "Inspirational business people" are sought here. Creative ideas and the courage to found a company were awarded again in 2018 with a € 10,000 prize. Besides monetary awards, the winners benefit from the consulting and coaching expertise of the Mittelstandsportal (SME portal) corporate network.

One of the long-term focuses of the social commitment in Bremen is providing assistance to children and young people in need. The following initiatives were supported as part of a wager on interest rates: Schattenriss - Beratungsstelle gegen sexuellen Missbrauch an Mädchen e.V. Bremen, EPSYMO e.V. Bremen, Kinderschutz-Zentrum Oldenburg Verein zur Verhütung von Kindesmisshandlung e.V. and Förderverein Kiola e.V. Oldenburg.

Politics

A: 415-1

NORD/LB is actively involved in the development of a binding and transparent regulatory framework for the financial services sector. To that end, its representatives work in various associations, including the German Global Compact Network, the Finance Initiative UNEP FI, the Association for Environmental Management and Sustainability in Financial Institutions, the German Association of Savings Banks and Girobanks, and the Association of German Public Sector Banks.

The NORD/LB Group's guidelines do not permit contributions to political parties or organisations with links to political parties.

Banking operations

Use of resources

Emissions

Emissions have been identified as a material topic during the materiality analysis.

UNGC

Management approach for emissions: 103-1

Climate change is one of the greatest challenges of our time, with a tangible impact across the world. One of the main causes of climate change is the emission of greenhouse gases.

Given the substantial negative impact as well as current global developments – including a shortage of water and resources, deforestation and threats to biodiversity – businesses and society must contribute to the conservation of the natural environment. It is with this in mind that the NORD/LB Group has for years been involved in issues related to climate and environmental protection.

Given the global significance of this issue, there are no boundaries. It is relevant for all stakeholders and also of particular significance socially and politically.

Management approach for emissions: 103-2

The only greenhouse gas emitted by the NORD/LB Group in substantial quantities as a result of its business activities is CO₂. Because CO₂ emissions, and efforts to reduce them, are key factors in climate change, NORD/LB focuses on reducing its direct and indirect emissions of CO₂. For example, as part of the Group sustainability strategy, protection of the environment was defined as a main focus with the goal of improving the Group's environmental efficiency by reducing its consumption of resources, decreasing its consumption of energy and cutting emissions, and in this way helping to reduce global CO₂ emissions.

The significance of this issue can be seen in the management of the indirect environmental consequences of business activities and in corporate environmental protection.

102-11

NORD/LB addresses indirect environmental consequences in its Guideline on Climate Change. In addition, other guidelines have been issued which address the implicit environmental consequences of certain project investment initiatives. These include the Guideline on ESG Requirements for Project Financing, the Guideline for the Responsible Use of Non-Renewable Resources and the Guideline for Hydroelectric Power. In its business activities, the NORD/LB Group takes account of the precautionary approach in line with Principle 15 of the Rio Declaration on Environment and Development. As a company active in the financial services industry, however, the NORD/LB Group estimates that the risk that its own direct business activities could directly contribute to irreversible environmental damage is low.

In terms of its direct emissions, the NORD/LB Group views the continuous reduction of the company's CO₂ emissions as essential in view of climate change. In order to improve the Bank's environmental performance, NORD/LB has set up an environmental management system based on the ISO 14001 international standard. The bank's use of resources is generally limited due to its activities as a service provider as opposed to a manufacturer. However, the NORD/LB Group employs more than 6,000 people in offices which are heated, powered with electricity and supplied with drinking water, and which are also equipped with IT hardware and office equip-

ment. In addition, the activities of the NORD/LB Group require mobility on the part of the Group's employees so that they can perform one of the key services of a financial services company, advising customers.

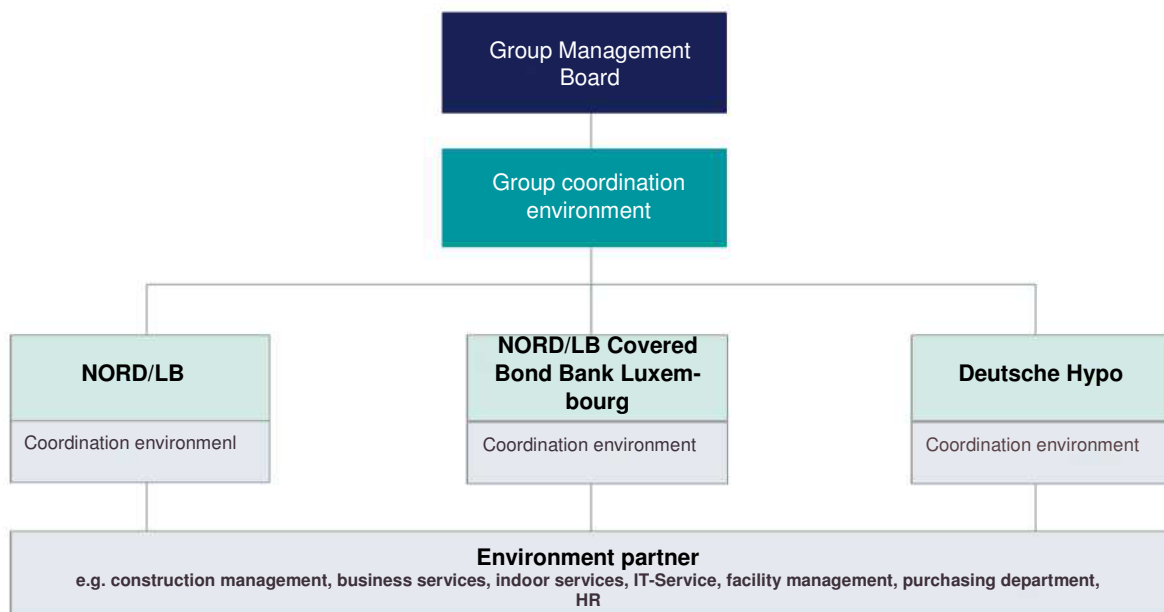
In the search for potential energy savings, the Group also focuses on its buildings. In recent years, external planning and consultancy firms have been used many times, and savings measures have been introduced in the area of building installations, underground car parks, heating, lighting and air conditioning. Measures have also been implemented on the basis of the energy audit conducted in 2015.

Subsidiaries are included in NORD/LB's corporate environmental management as part of its coordinated Group activities. The environmental management team also welcomes feedback and initiates improvements.

Management approach for emissions: 103-3

As part of its environmental management system, the Group manages, records and evaluates all aspects of operational environmental protection, including purchasing management, the construction of buildings and the design of workstations, facility and mobility management, and waste management. This means that several items of the Group's environmental balance can benefit simultaneously from the measures taken.

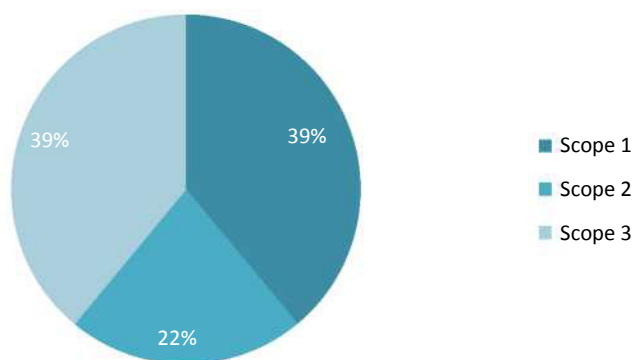
Figure 10: Environmental management system



In order to analyse and manage its emissions, each year the NORD/LB Group calculates its consumption and greenhouse gas emissions (GHG) in accordance with the method specified in the Greenhouse Gas Protocol. The figures are divided into three areas of emission, known as scopes:

- Scope 1 comprises direct emissions of CO₂. At NORD/LB locations, these emissions stem from the use of fossil fuels and the operation of the Bank's fleet of vehicles.
- Scope 2 relates to indirect CO₂ emissions caused by the production of energy by the Bank's suppliers, which the Bank purchases in the form of electricity, district heating and natural gas.
- Scope 3 includes all other CO₂ emissions caused along the value chain by the Bank's business operations, such as business trips by taxi, rail, aeroplane or hire car, as well as the consumption of paper and water, and the production of waste.

Figure 11: Relevance of GHG emissions, scope 1-3



Around 85.1 per cent of CO₂ emissions are caused by the consumption of energy (heat and electricity) as well as business trips with the Bank's own fleet of vehicles or via hire car, rail or aeroplane.

305-1 A: 305-2 A: 305-3 A: 305-4 A: 305-5 A: 305-6 A: 305-7

Table 13: Greenhouse gas emissions using the Greenhouse Gas Protocol method

(in t CO ₂ -e)	2016	2017	2018
Scope 1: Direct CO₂-e emissions			
Natural gas	1,349	1,756	1,448
Heating oil	23	19	21
Fuels (emergency power)	13	0	3
Petrol (service vehicles)	50	120	238
Diesel (service vehicles)	1,758	1,556	1,138
Refrigerant leakage	223	499	837
Scope 1 subtotal	3,416	3,950	3,685
Scope 2: Indirect CO₂-e emissions			
District heating	1,699	1,667	2,079
Electricity	341	482	1
Scope 2 subtotal	2,043	2,149	2,080
Scope 3: Indirect CO₂-e emissions			
Electricity	297	257	139
Heating	880	987	1,014
Travel (e.g. business travel) and transportation	2,275	2,268	1,966
Paper	350	331	279
Water	54	51	47
Waste	344	259	242
Scope 3 subtotal	4,200	4,153	3,687
Total scope 1 – 3	9,658	10,251	9,452
Relative per employee (in kg)	1,567	1,661	1,806

CO₂ has been included in the calculation of CO₂-e. CH₄, N₂O, HFC, PCF, SF₆ and NF₃ and any biogenic CO₂ emissions have not been calculated separately. No information can be provided about 305-1e/f.

Figure 12: CO₂ emissions in 2018 – broken down by source of emissions

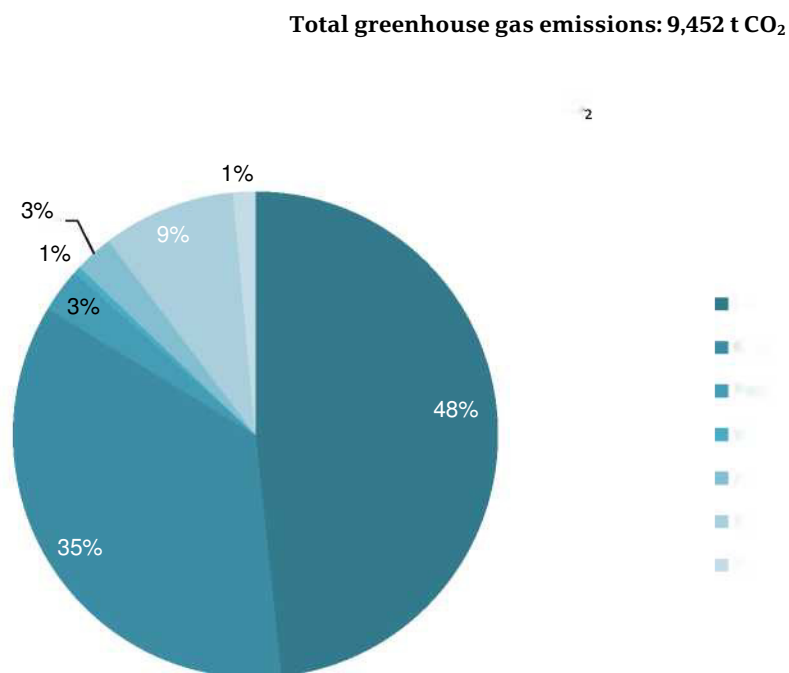
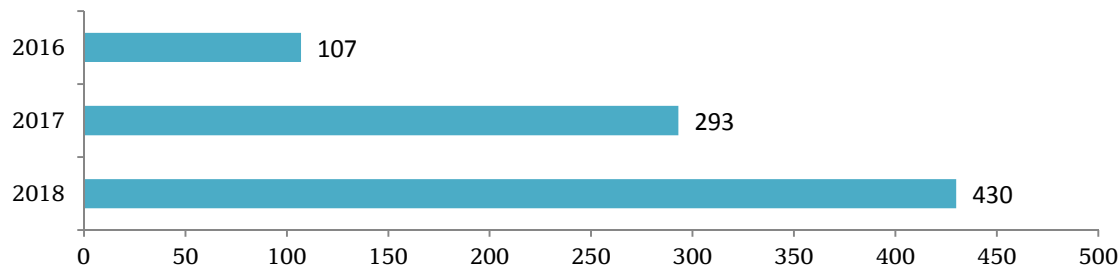


Figure 13: Emissions of ozone-depleting substances / loss of coolants (in kg)



Energy

UNGC
A: 302-1 A: 302-2 A: 302-3 A: 302-4 A: 302-5

The companies of the NORD/LB Group are reliant on energy in order to carry out their business activities. The forms of energy consumed include natural gas, heating oil, electricity and district heating as well as petrol and diesel for the Bank’s fleet of vehicles.

At 8,047 t CO₂, the consumption of energy and business travel made up around 85.1 per cent of total emissions during the reporting year and were thus the largest sources of emissions. The impact represents the largest individual item in all three scopes.

There was also once again a focus on the energy efficiency of the heating of and supply of energy to buildings.

In addition, system equipment was modified and lighting converted to LED technology (including lighting in exterior advertising) as part of investment measures.

Table 14: Direct energy consumption by primary energy source

(in GJ)	2016	2017	2018
Natural gas	24,496	31,891	26,295
Heating oil	296	243	266
Fuels (petrol, diesel) for emergency power	159	5	41
Petrol consumption for vehicles	677	1,391	3,238
Diesel consumption for vehicles	23,351	20,676	15,204
Total	48,979	54,206	45,045

Table 15: Indirect energy consumption by primary energy source

(in GJ)	2016	2017	2018
Electricity	82,588	82,913	73,502
of which from renewable sources	74,318	74,404	73,502
of which from non-renewable sources	8,270	8,509	–
District heating	61,439	58,465	54,917
of which from renewable sources	1,833	1,831	–
of which from non-renewable sources	59,606	56,634	54,317
Total	144,027	141,378	128,419

At NORD/LB, including the Braunschweigische Landessparkasse, Deutsche Hypo, NORD/LB Luxembourg and the locations in Bremen and Oldenburg, the energy consumed mainly comes from renewable sources (hydroelectric power).

Further energy-saving measures have also been implemented in recent years. For example, all PCs and notebooks have been replaced with energy-efficient devices as part of a hardware replacement measure. Most workstations now have thin clients. Printers and monitors have also been replaced. In many departments, standalone devices, fax machines and copiers have been replaced with multifunction devices. By default, printers print in black and white on both sides of the page, and any fax machines that are still in use do not automatically print logs and sent notifications. Devices automatically switch to standby mode shortly after they are used.

Further savings have been realised by discontinuing the use of physical servers as part of a server virtualisation programme (with the parallel operation of various server systems on a physical computer through the use of software and hardware technologies). The migration of applications to data centres operated by service providers also contributed to this result.

Overall, electricity consumption in 2018 fell by around 9.3 per cent to 20,417,276 kWh. Heating-energy consumption for corporate buildings decreased in 2018 by around 10 per cent to 22,644,248 kWh.

In addition, photovoltaic systems at the Bremen and Luxembourg locations produce in-house electricity, and in Hanover a solar thermal system helps to heat water in the kitchen.

Paper and water

UNGC

A: 301-1

A: 301-2

A: 303-1

As service providers, the companies of the NORD/LB Group do not rely on the use of raw materials and supplies. In addition, they do not produce any products that must be packed. However, the Group, like other companies, does rely on various consumables. In this respect, paper is the largest individual item, and reducing the consumption of paper remains a significant challenge.

During the reporting period, paper consumption made up about 3 per cent of total emissions. The effects are in scope 3.

The share of recycled paper was around 6.8 per cent. With regard to virgin fibre paper, most of the printer and copier paper used by the Bank is paper from sustainably managed forests with the Forest Stewardship Council (FSC) seal.

Table 16: Materials used by weight or volume and share of recycled materials

	2016	2017	2018
Paper consumption (in t)	299	282	237
of which recycled paper	33	24	16
of which virgin fibre paper (ECF and TCF)	265	258	221
Percentage of paper with sustainability label	80%	78%	80%
Paper consumption per employee (in kg)	48	46	45

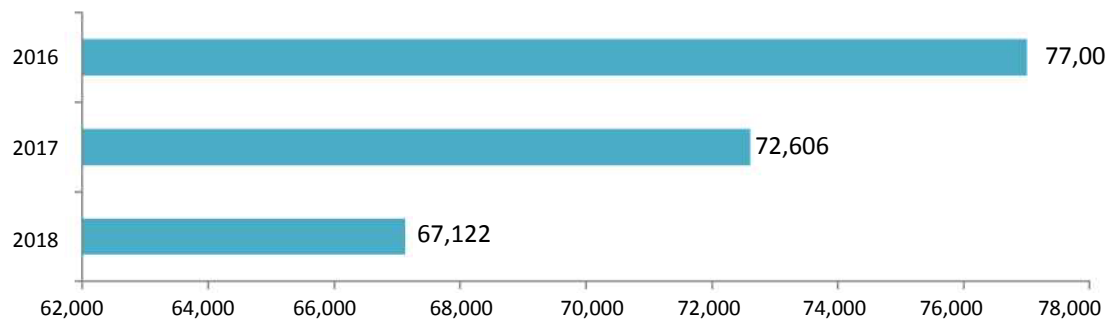
No chlorine-bleached fresh fibre paper is used in the NORD/LB Group.

A: 306-1

The NORD/LB Group primarily obtains drinking water for its locations in Germany and abroad from regional utility companies. The water for the location in Hanover, for example, is obtained from waterworks to the north and south of the city (Elze-Berkhof, Fuhrberg, Grasdorf) as well as from reservoirs in the Harz. In Braunschweig, drinking water is primarily obtained from the Ecker and Grane reservoirs in the Harz. The offices in Bremen obtain their water from the Wildeshausen, Liebenau and Schneeren waterworks. The drinking water of the city of Oldenburg is obtained from the Donnerschwee, Alexandersfeld and Sandkrug waterworks. The foreign branch in Luxembourg obtains its drinking water from the Esch-Sauer reservoir.

Water consumption fell by around 7.6 per cent year on year to 67,122 m³.

The amount of waste water corresponds to the specified water consumption of 67,122 m³. It relates to drinking water used predominantly in sanitary facilities. In compliance with statutory requirements, waste water is fed into to the municipal sewage system and treated there.

Figure 14: Total water consumption (in m³)

Waste

UNGC
A: 306-2

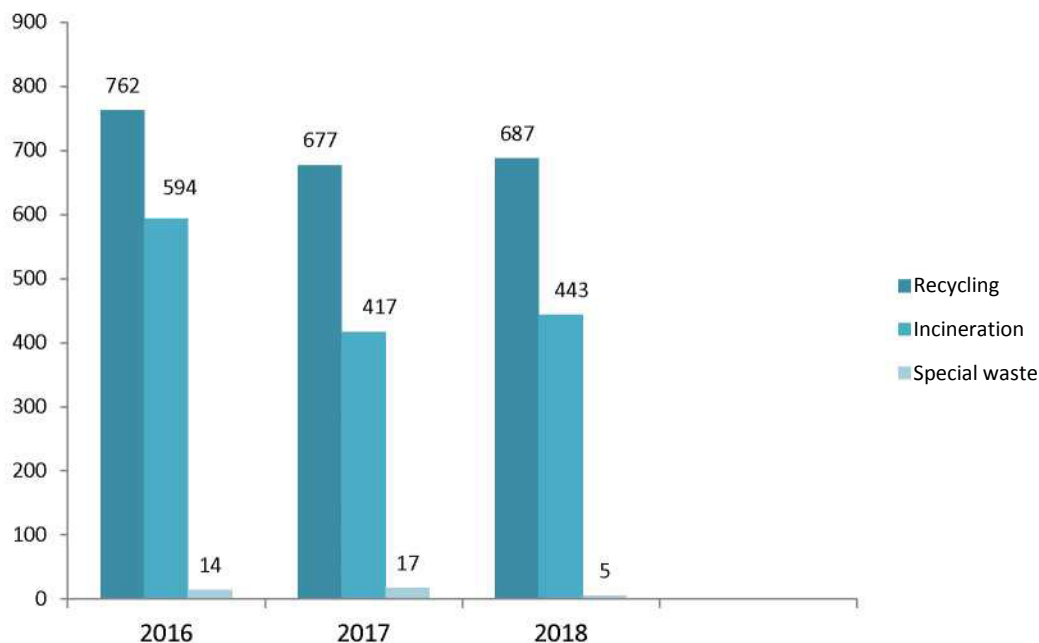
All employees are required to use materials sparingly and to sort all waste consistently. Paper is disposed of via waste paper and data protection containers. Documents that contain sensitive data are destroyed in accordance with the German Federal Data Protection Act. In addition, bins for biowaste, packaging and residual waste have been placed at central points in NORD/LB's locations in Germany.

Recyclable materials are recycled as far as possible. Overall, the NORD/LB Group has achieved a recycling rate of around 60.5 per cent. Special waste is disposed of by waste management companies via the legally prescribed methods. Toner cartridges are returned via manufacturer recycling programmes and reused.

During the reporting period, waste accounted for some 2.6 per cent of total emissions. The effects are in scope 3.

The total amount of waste rose year on year by 2.2 per cent (24 t) to 1,135 t.

Figure 15: Total weight of waste by type and disposal method (in t)



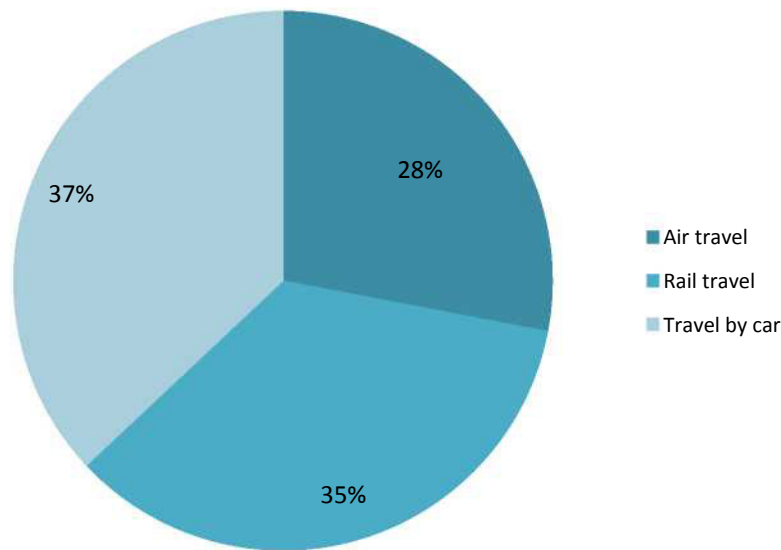
Mobility

UNGC

At 3,342 t CO_{2-e}, mobility accounted for around 41.2 per cent of total emissions during the reporting year and is thus the largest source of emissions. The effects are in scopes 1 and 3.

The banking sector is very reliant on personal contact with its customers and consultation among staff. Business travel is therefore a key factor in the area of transport. NORD/LB's staff are required, first, to choose the most economical form of transport and second, to take into account environmental considerations in their travel planning and arrangements. For example, the Bank's policy for travel expenses states that rail travel is generally preferred over the use of a car or air travel. Additionally, employees are urged of the need to limit travel by air and car to the bare minimum and make increasing use of technological alternatives such as telephone and video conferences.

Car travel was the most frequently used mode of transport in 2018. However, business travel decreased year on year by around 13.1 per cent to 21,243,187 km. Business travel by car dropped by around 17.7 per cent to 7,913,584 km, train travel fell by about 12.8 per cent to 7,297,846 km and air travel decreased by about 7.2 per cent to 6,031,757 km.

Figure 16: Overview of the methods used to transport staff in 2018 (by km, rounded in per cent)

Daily commuting to and from work by its employees is another potential area where the NORD/LB Group can reduce or avoid emissions. For this reason, the NORD/LB Group provides its employees at its major locations in Hanover, Bremen, Oldenburg and Braunschweig with the opportunity to acquire season tickets so that they can travel by public transport in order to reduce the environmental impact as much as possible. In 2018, 2,374 employees of the NORD/LB Group took advantage of this offer.

Environmental footprint

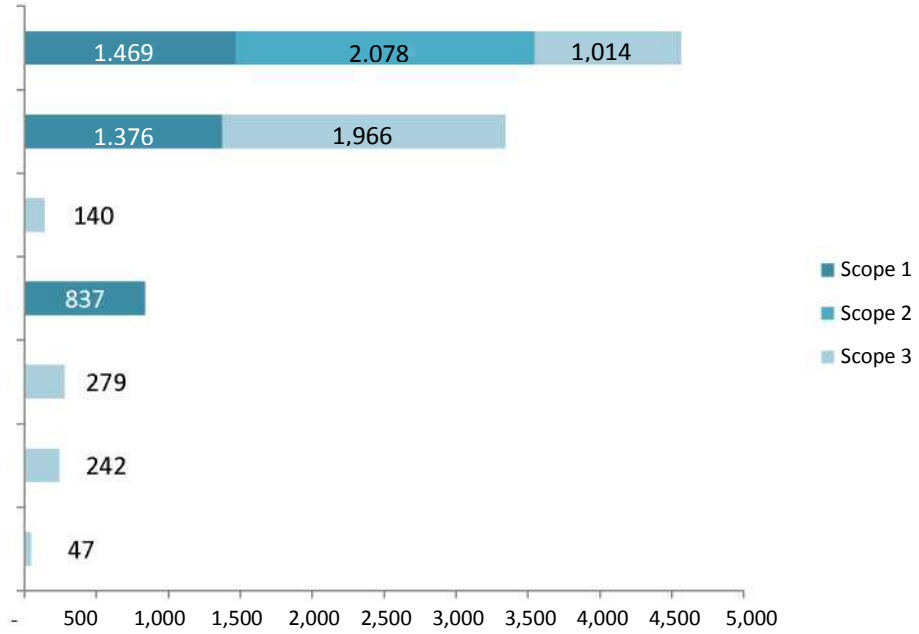
The NORD/LB Group's CO₂ emissions fell by around 7.8 per cent year on year to 9,452 t in 2018.

The largest individual items here are the consumption of heating energy (around 48.3 per cent) and business travel (around 35.4 per cent). Because of the use of green energy, the share of total emissions is very small at around 1.4 per cent.

At 3,687 t, the highest emissions are in scope 3 (around 39 per cent), with most caused by the consumption of energy and business travel.

At 3,685 t, or around 39 per cent, scope 1, which includes emissions caused by refrigerant losses in addition to heating energy and the Bank's own fleet of vehicles, has about the same amount of emissions. The largest amount of emissions in scope 2 are caused from the procurement of heating energy, which accounts for around 22 per cent or 2,080 t of emissions.

Figure 17: Environmental footprint (in t CO₂)



Supplier management

Supplier relationships

UNGC
102-9

A: 204-1

A: 308-2

A: 414-2

The institutions of the NORD/LB Group are service companies. Their core business is the brokering of, providing advice on and selling of banking products. For this reason, banks are not affected by the traditional supply chain risks of manufacturing companies, such as risks associated with the supply of raw materials and supplies.

Nevertheless, the institutions of the NORD/LB Group are reliant on the supply of goods and services, and on their providers, in order to conduct and maintain their business. The following goods and services are bought:

- Software and IT components
- Building and office equipment
- Consumables and forms
- Electricity, heating and water
- Food for the staff restaurant
- Other technology
- Manpower

Long-term business relationships are established with service providers and suppliers. Due to environmental reasons and as a contribution to the regional economy, the institutions of the NORD/LB Group always invite local and regional suppliers to tender for contracts to supply goods and services.

102-10

The activities of NORD/LB Asset Management were acquired by M.M.Warburg & Co. KGaA during the reporting period. This was not accompanied by any major changes with respect to the supply chain.

A: 414-2

There were no significant negative environmental or social effects, real or potential, with respect to the supply chain, and based on the Bank's business activities none are expected. Separate assessments are not planned.

Procurement process

UNGC
A: 308-1

A: 414-1

The procurement process in the NORD/LB Group is currently decentralised and therefore managed in the individual subsidiaries.

The procurement process for NORD is broken down into centralised and decentralised purchasing. The procurement process is set out in corresponding working instructions. Decentralised purchasing is primarily conducted via electronic catalogues and procedures, and is generally limited to means of travel (via a travel agency), approved office materials, forms, advertising materials (via a contract partner) and small-value transactions. Centralised purchasing is performed by organisational units that have been specifically entrusted with procurement management / purchasing activities. This combination of centralised and decentralised activities not only promotes a needs-based and economical purchasing process, it also ensures that all new service providers and suppliers are selected in accordance with the corporate and sustainability principles of both institutions,

and that proof of this can be provided. These requirements include meeting criteria for environmental protection, human rights and labour practices.

At the end of 2013, NORD/LB added sustainability-oriented office items to its electronic catalogue for its locations in Germany in order to highlight environmentally friendly and fairly produced products.

All procurement processes also take account of and comply with the following overriding documents, to which the working instructions make explicit reference:

- Fraud Prevention Policy
- Code of Conduct and Ethical Principles
- Sustainability Principles
- Guideline on Human Rights and Labour Standards
- Data Protection Policy

The procedures for awarding and obtaining tenders are precisely defined based on the volume of the order. Requests for quotes are made when the volume exceeds a predefined limit. When drawing up contracts, the Bank uses standard and master contracts. Contracts that differ from standard contracts are examined by the Legal Department. Special requirements regarding money laundering prevention also prescribe separate integrity checks when annual order volumes exceed a predefined amount.

Due to their size, Deutsche Hypo and NORD/LB CBB procure considerably fewer products and services. The responsibilities for procurement are governed by corresponding purchasing guidelines. Similar to the procedures at NORD/LB, Deutsche Hypo and NORD/LB CBB obtain multiple offers and issue requests for tenders when the volume is above a certain amount. Deutsche Hypo's purchasing guidelines and NORD/LB CBB's framework agreements explicitly refer to the ten principles of the UN Global Compact.

Additional contractual provisions and checks

UNGC

A: 308-1

A: 407-1

A: 408-1

A: 409-1

A: 414-2

The selection of service providers and suppliers takes into account not only economic questions but also environmental and social issues.

NORD/LB, NORD/LB CBB and Deutsche Hypo have issued the "Guideline on Human Rights and Labour Standards", according to which they undertake to apply the principles one to six of the UN Global Compact for 100 per cent of their employees. This is equally expected of service providers and suppliers.

At NORD/LB, the provision of IT hardware and the related components and software is governed by service agreements and is therefore not subject to the procurement process. Of the products that are supplied, IT hardware has the greatest potential impact with respect to the violation of human rights. At the same time, the use of IT components is essential for the banking sector. For this reason, NORD/LB sets requirements for its IT service providers in terms of compliance with anti-corruption and sustainability regulations by including an annex in the framework agreement; the provisions covering sustainability include the ten internationally recognised principles of the UN Global Compact. At Deutsche Hypo, the purchasing guidelines apply and at NORD/LB CBB the framework agreements, both of which refer to the UN Global Compact.

In addition, all other contracts prepared by NORD/LB and NORD/LB CBB, depending on the subject matter of the contract, are accompanied by or include additional contractual provisions that regulate environmental and social aspects.

All general framework conditions include a sustainability clause, which also lists the ten internationally recognised principles of the UN Global Compact and imposes on the service providers and suppliers the contractual

obligation to comply with these. All institutions of the NORD/LB Group also have a zero-tolerance policy regarding corruption and bribery, and expect this from their service providers and suppliers too.

All general terms and conditions or contracts that relate to activities performed by people in the NORD/LB Group also include a supplemental contractual clause under which the contractor undertakes to pay at least the minimum wage defined by law or collective agreement. In specific cases, NORD/LB requests evidence to corroborate compliance. Relevant contracts concerning the awarding of services in the low-wage sector were recently tendered and corresponding contractual provisions were included in the agreements (cleaning, security, personnel services). The client must ensure that all environmental, social and ethical requirements specified are also met by its suppliers and service providers. In the event of any breach of the Sustainability Clause, NORD/LB reserves the right to extraordinarily terminate the contract. They are also entitled to demand corresponding proof from their service providers and suppliers.

The service providers and suppliers of the NORD/LB Group are not exposed to any specific physical risks due to the Group's activities as a service company. As most of the NORD/LB Group's locations are in Germany, a high level of legal protection is in any case applicable. This includes both the legal provisions regarding occupational and health safety issues and compliance with human rights and the prohibition of child and forced labour.

We are not aware of any complaints concerning labour practices and inhumane employment, any information on actual and/or potential negative environmental or social impact, and any cases of discrimination or corruption in connection with the supply chain of NORD/LB and its subsidiaries.

A: 308-2

A: 407-1

A: 408-1

A: 409-1

A: 414-1

A: 414-2

From the Bank's perspective, additional measures related to disclosures 308-2, 407-1, 408-1, 409-1, 414-1 and 414-2 were not required, in part because of the locations and the Bank's activities.

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102-55

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In addition to compliance with the disclosures reported in full in connection with the “GRI standards: core option”, NORD/LB also publishes selected additional information about individual disclosures. In the text, these have been marked with an “A” (e.g. “A: 102-17“)

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Reporting period:	2018 financial year (1 January until 31 December)
Publishing date of last report:	July 2018
Reporting cycle:	The Group Sustainability Report has been produced annually since 2013 as a separate report
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