

## **Statement on Slavery and Human Trafficking 2016 under the UK Modern Slavery Act**

This Statement is made under Section 54 of the UK's Modern Slavery Act 2015 (the "Act") and sets out the steps that Bayerische Landesbank ("BayernLB") took during its Financial Year 2016 to ensure that slavery and human trafficking do not occur in any of its supply chains or any part of its business.

### **Intent and purpose**

BayernLB supports the UK Modern Slavery Act 2015 and its objective to eradicate all forms of modern slavery and human trafficking.

BayernLB want to be recognised as a trusted financial partner acting in accordance with its core values while taking into account internationally recognised principles for environmental protection, human and labour rights, business ethics and anti-corruption. This includes improving business practices to combat modern slavery.

### **Corporate Structure and Business conducted out of the London Branch**

BayernLB, a German bank established under public law, has its headquarters in Munich. Although BayernLB's regional focus is on Bavaria and Germany, it also supports its customers in their world-wide activities. It has branches and offices at particularly important locations. In the United Kingdom, the bank has a branch, serving mainly German businesses and their development in the United Kingdom. In other countries, there are branches in Milan, Paris and New York as well as a representative office in Moscow. Apart from its headquarters in Munich, BayernLB has a branch in Nuremberg and offices in Berlin, Düsseldorf, Frankfurt, Hamburg and Stuttgart.

### **Corporate Governance Principles, Code of Conduct and Sustainability Policy**

The Corporate Governance Principles, the Code of Conduct and the Sustainability Policy together make up the normative foundation of BayernLB. The Bank is committed to a strong ethical culture in the course of its business to improve the economic and social positions of its customers and business and service partners. It is contrary to the Bank's mission and policies to tolerate modern slavery in its business or its supply chain, and the Bank's employees are expected to comply with this position. The Bank is committed to respecting human rights, dedicates a special importance to Social Responsibility and works consistently to combat any kind of modern slavery in all business and supply chains.

The **Corporate Governance Principles** summarize the corporate management and control regulations that are either legal requirements or internal requirements BayernLB has chosen to impose. These have been summarized in the Corporate Governance Principles of the Bank since 2003 and are largely based on the provisions of the German Corporate Governance Code.

BayernLB and its employees regard acting in a lawful, ethical and responsible way as a fundamental and essential part of its corporate and social responsibility. Breaches of law and ethics harm the reputation of our firm. They affect the way the general public perceive us and influence the attitude of customers, owners, business and service partners. An absence of trust in the integrity and reliability of BayernLB would remove the most important basis of sustainable business success.

Our duties extend far beyond simply observing rules. All employees have to apply propriety and judgment to maintain a corporate culture that discharges our social responsibility and allows us to move ahead in a sustainable manner.

**The Code of Conduct**, formulated in 2015, is intended to serve as a standard guideline in our daily activities. By following it carefully we will be doing more than just treating each other fairly. We will also be contributing towards our most important objective – sustainable business success compatible with our social responsibility.

The code applies to all business areas of BayernLB, all employees and the members of the Board of Management and Supervisory Board. All employees are under a duty to observe this code of conduct and apply the principles to guide and check their actions.

Breaches of the code will have consequences and may result in disciplinary action. The code encompasses the major legal regulations and social requirements and describes how to apply these in an appropriate manner. The rules provided represent an essential minimum standard and do not replace more detailed internal instructions and procedures. They apply in dealings with colleagues, clients, suppliers, business partners, market participants, owners, the general public and government agencies.

**Sustainability Policy:** The term “sustainability” covers the entire extent of a company’s environmental, economic, social and ethical impact. BayernLB has therefore incorporated sustainability into its business model and takes into account the social, environmental and ethical aspects of its activities along the entire value added chain. In the context of the Act the following internal regulations are of specific importance.

#### Supply Chain: Sustainability Agreement

BayernLB's suppliers and external service providers are required to meet minimum environmental, ethical and social requirements. BayernLB bases its minimum social standards mainly on the Fundamental Principles of the United Nations’ International Labour Organization (ILO).

The ‘Sustainability Agreement’ describes the principles and standards BayernLB requires its suppliers and service providers to comply with when procuring products or performing services; these relate to their responsibility towards man and the environment. BayernLB expects that its suppliers and service providers in no way support or facilitate forced labour

and requires that they make genuine efforts to comply with the requirements and that they pass these on to their own suppliers.

BayernLB considers compliance with these standards to be an essential part of its contractual relationship with suppliers. Compliance with the Sustainability Agreement by suppliers is checked on a random basis annually by BayernLB by means of supplier audits. This is done on the basis of meaningful documents made available by business partners and searches in external databases, in particular the specialized external RepRisk database. Supplier discussions also take place, and, if necessary, companies are also visited.

Accordingly, serious violations of the standards in this agreement by the supplier constitute grounds for extraordinary termination of all contractual relationships with that supplier. Prior to any such extraordinary termination, BayernLB will warn the supplier of the violation and set a deadline for remedial action. In particularly severe cases, the above-mentioned warning does not have to be given. This termination right exists even if a violation of the above standards is not directly related to the agreement between BayernLB and the supplier. This provision does not explicitly limit BayernLB's other contractual rights.

#### Financing transactions: World Bank standards

The BayernLB Group has observed the environmental and social standards of the World Bank in all relevant financing transactions since 2004. These are based on the performance standards of the World Bank Group's International Finance Corporation (IFC) and Environmental, Health, and Safety (EHS) Guidelines of the World Bank. The standards refer to the observance of human rights as well as of the ILO Labour Standards laid down in the ILO Declaration on Fundamental Principles and Rights at Work, which include the elimination of forced labour, modern slavery and human trafficking. The assessment of the observance of this standard is a basic principle of the due diligence in relevant financing transactions.

#### **Compliance with the Modern Slavery Act**

This Statement has been duly considered by BayernLB and is reflected in the BayernLB – Sustainability Report published on the firm's website.

The Bank affirms its commitment to taking steps to ensure that slavery and human trafficking are not taking place in its business or supply chains.

This statement covers the financial year 1 January 2016 to 31 December 2016.

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Dr Johannes-Jörg Riegler  
CEO