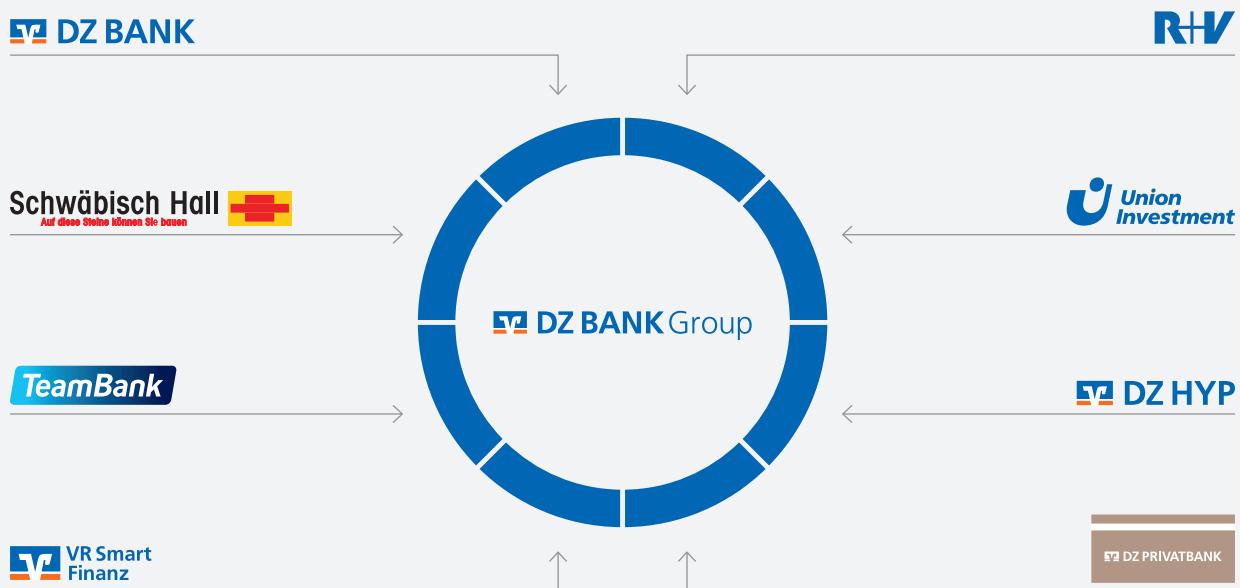


SUSTAINABILITY REPORT 2018

dzhyp.de

DZ HYP – PART OF A STRONG GROUP (SELECTED COMPANIES)



DZ HYP is itself a part of DZ BANK Group and therefore of the Volksbanken Raiffeisenbanken Cooperative Financial Network, which comprises approximately 875 individual cooperative banks. In terms of total assets, the network ranks among the largest financial services organisations in Germany. Within the Cooperative Financial Network, DZ BANK AG acts as the central institution, tasked with supporting the local cooperative banks' transactions as well as strengthening their competitive position. It also operates as a commercial bank, and exercises the holding entity function for DZ BANK Group.

DZ BANK Group comprises Bausparkasse Schwäbisch Hall building society, DZ HYP, DZ PRIVATBANK, R+V Insurance, TeamBank, Union Investment Group, VR Smart Finanz as well as various other specialist financial services providers. Together with their strong brands, the entities of DZ BANK Group allow the Cooperative Financial Network to position itself as a one-stop shop for financial services. DZ BANK Group has organised its strategy and range of services for the cooperative banks and their customers along the lines of four strategic business segments: Private Customers, Corporate Clients, Capital Markets and Transaction Banking.

Combining banking services with insurance products, home loan savings and a range of investment services has a long tradition within the Cooperative Financial Network. The specialist institutions within DZ BANK Group each offer highly competitive and adequately-priced products in their respective area of expertise. This allows Germany's cooperative banks to offer their customers an end-to-end range of first-class financial services.

SUSTAINABILITY REPORT 2018

About This Report

In this report, we relate the central activities dedicated to sustainability that we engaged in during 2018. We outline the economic, ecological and social implications of our business, disclosing the measures we have taken and the progress we have made.

Report Scope and Boundary

The qualitative statements and data in this Report were collected from DZ HYP departments, and then combined in a central database. Responsibility for its analysis lies with the Communications, Marketing and Investor Relations department. This Sustainability Report states that DZ HYP started publishing sustainability reports as early as 2012. In this context, it should be noted that WL BANK was merged into DG HYP, effective on the date of registration (27 July 2018), and that DG HYP was subsequently renamed DZ HYP AG. DG HYP continues to pursue its business activities under its new name.

During the merger, the data of both companies was combined. Where it was not possible to do so, this Report explicitly says so. In the interests of achieving a consistent presentation of our sustainability performance, we decided to only include data for the years 2017 and 2018 in this publication, and continue to harmonise our data collecting.

All metrics refer to DZ HYP's Hamburg and Münster head offices, unless otherwise stated, and were updated as at 31 December 2018. Results of particular relevance, however, were included up to the editorial deadline on 30 April 2019. This report was not verified externally, with the exception of material contents and indicators. All economic figures were taken from DZ HYP's audited Annual Report. The calculation of greenhouse gas emissions is based on the VfU indicator system (Association for Environmental Management and Sustainability in Financial Institutions), which in turn is based on the Greenhouse Gas Protocol (GHG Protocol).

GRI Criteria

This Sustainability Report was drafted following the Guidelines of the Global Reporting Initiative (GRI) in their "Core" option. For an overview of the relevant GRI indicators and where to find the relevant passage in our Report, please see the GRI Content Index.

To better understand which topics matter most to our stakeholders, we engaged in a materiality analysis throughout DZ BANK Group in 2015. As a result, we revisited the structure and thematic priorities of this Sustainability Report, creating a separate chapter on the banking business and the relevant sector-specific sustainability requirements. DZ BANK Group is currently conducting a new materiality analysis, with results due in summer 2019.

We also reviewed our sustainability programme to ensure more transparency on target corridors and the implementation status of our measures in 2018.

Global Compact

This report meets the requirements of the UN Global Compact for a Communication on Progress report. The corresponding references on the implementation of the ten principles have been integrated into the GRI Content Index. Our parent company, DZ BANK, publishes a dedicated Communication on Progress report.

» <https://dzhyp.de/UNGC> (available in German only)

Additional Information

This Sustainability Report is available for download in German or English on our website (www.dzhyp.de). For current trends on sustainability, please also refer to our website. Further information on the economic performance and business model of DZ HYP can be found in the 2018 Annual Report, which is also available on our website.

» <https://dzhyp.de/annualreports>

Disclaimer

We took great care in the elicitation of data for this report, but we cannot rule out any mistakes. Forward-looking statements are based on the information and forecasts available at the time of publication. There are many factors, some of which were unforeseeable at the time of publication, that may cause actual results to differ.

DZ HYP's next Sustainability Report is scheduled to be published in 2020.

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LETTER FROM THE MANAGEMENT BOARD



The Management Board of DZ HYP
From left to right: Manfred Salber, Dr Georg Reutter (CEO), Dr Carsten Düerkop

Dear readers,

DZ HYP can look back on an eventful year. Summer 2018 saw us successfully conclude the merger of DG HYP and WL BANK which bundled many resources. The union has also brought fresh impetus to the company that we intend to leverage – especially in the sustainability domain. Both predecessor banks brought vast knowledge and a wealth of experience to the merged entity. Combining the two opens up new opportunities and ideas. Our shared view of sustainable development, and the desire to achieve it, are rooted in our cooperative tradition. We are also committed to the United Nations' 2030 Agenda for Sustainable Development as a UN Global Compact signatory.

As a bank, we recognize our obligation to continuously strengthen sustainability efforts. For this reason, we are watching with interest as the importance of sustainability grows on the financial markets and the issue is accorded significantly more attention at a political level. The German government intends to make the country a leading nation in the field of sustainable finance, and the European Union is striving to make financial market players responsible through its Action Plan and related legislative proposals. Even the sustainability rating agencies are shifting their focus and applying stricter standards. Sustainability is increasingly becoming an integral dimension when examining the stability and future viability of a company.

We welcome these developments and consider ourselves well-positioned as a cooperative bank. This is evidenced by our consistently good performance in sustainability ratings – including the "Prime" status that ISS-oekom awarded us again – our sound financial products and our consciously low-risk business strategy. However, we are aware that we need to keep moving, that we need to rise to new challenges, and that we need to affirm our own cooperative tradition.

In the environmental domain, the Paris Agreement lays down the objectives that we committed to in 2018 in a jointly adopted DZ BANK Group climate strategy: we intend to cut at least 80 per cent of total CO₂ emissions at Group level by 2050. DZ HYP is on course to do this: we have already been able to reduce our CO₂ emissions in recent years by over 45 per cent compared with 2009. Going forward, we primarily see decarbonisation of the building sector as a key field of action in order to make further progress. In the extensive restructuring that our two head offices in Hamburg and Münster are currently undergoing, we are paying particular attention to improving climate and resource protection.

We believe that sustainable thinking and action also means taking the Bank's social responsibility towards our employees seriously, and being a reliable partner for them. Sustainable thinking and action also encompasses our social commitment, which is why we supported proven projects like the Hamburg Donor's Parliament (Hamburger Spendenparlament) and many social, cultural and community campaigns during 2018.

We will continue to leverage every opportunity that arises so that the Bank grows sustainably. We hope that you find our report informative reading.

Yours sincerely,



Dr Georg Reutter
Chief Executive Officer



Dr Carsten Dierkop

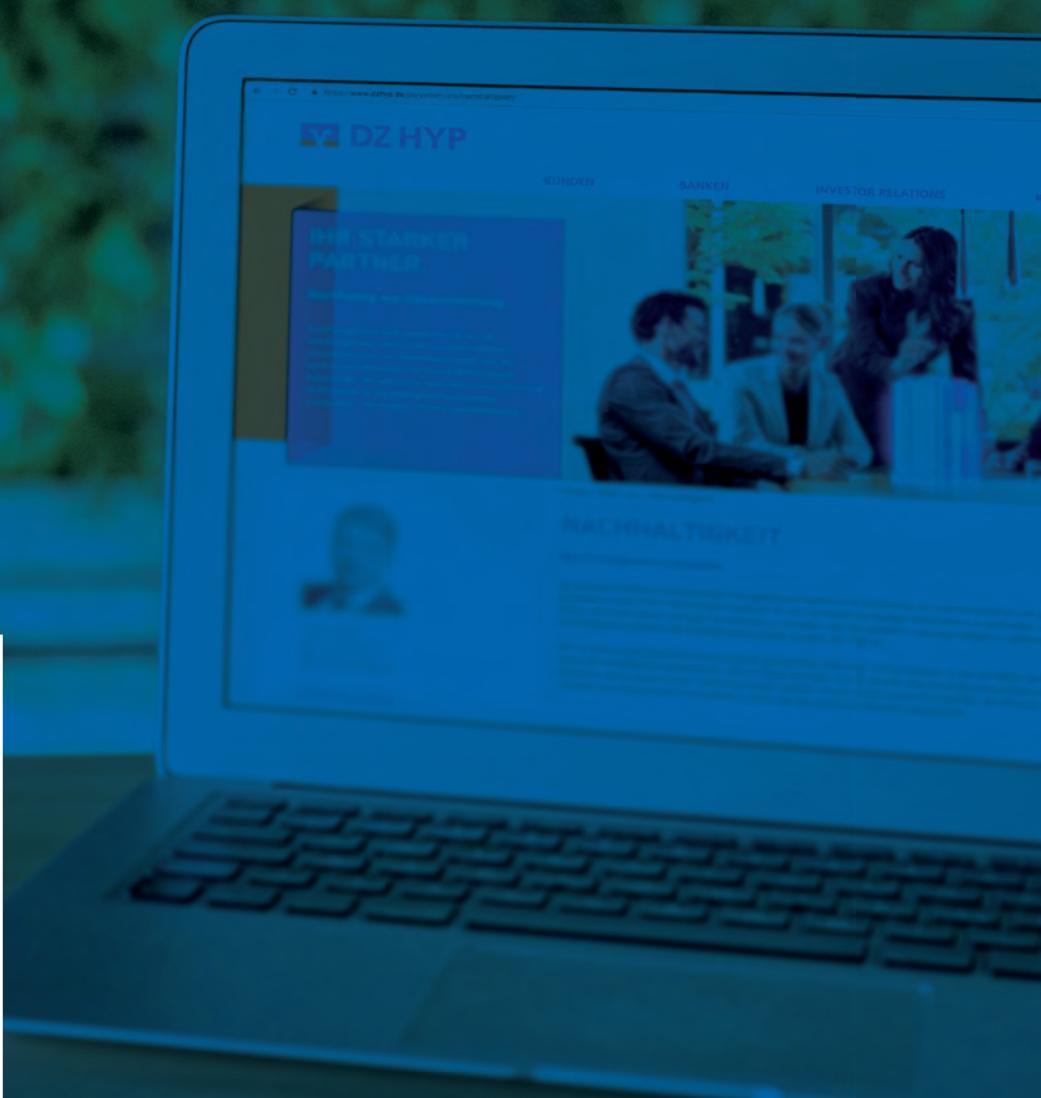


Manfred Salber

The Management Board
Hamburg and Münster, 1 July 2019

OUR COMPANY

Part of a Strong Group



BUSINESS MODEL

DZ HYP is a leading provider of real estate finance and a major Pfandbrief issuer in Germany, as well as a centre of competence for public-sector clients within the Cooperative Financial Network. We divide our activities into four segments: Commercial Real Estate Investors, Housing Sector, Public Sector, and Retail Customers/Private Investors. In all of our business activities, we target our clients directly and act as a partner to the approximately 875 cooperative banks in Germany. This means that we help strengthen the Cooperative Financial Network in its successful and sustainable positioning on the market.

As a member of DZ BANK Group, DZ HYP is committed to the fundamental cooperative concept of sustainable and responsible business practices. We apply a conservative risk strategy, forge long-term business relationships and treat clients with honesty, trust, and a sense of partnership.



Working Together with Cooperative Banks

Our central business policy role is to anchor real estate financing and local authority lending in the Cooperative Financial Network, and to realise financing solutions together. To this end, DZ HYP offers the German cooperative banks an extensive and solution-oriented range of products and services, working hand-in-hand with them to cultivate the regional markets. Cooperation is a guarantee for successfully tapping potential in real estate financing and public-sector lending. In this context, both sides benefit from the partnership – DZ HYP from the direct contact with regional clients, and the German cooperative banks from the business relationships arising from developing the market throughout Germany.



Tailor-Made Offers for Various Customer Groups

In the business with Commercial Real Estate Investors, cooperation with DZ HYP puts the cooperative banks in a position to realise larger financing solutions for their medium-sized clients, as well as diversifying their own risk. In the Housing Sector business, too, the German cooperative banks can tap into the specific financing expertise of their partner within the network, while at the same time contributing their regional market knowledge. The Bank acts as a centre of competence within DZ BANK Group for coverage of clients in the Public Sector. In the Retail Customers/ Private Investors business, DZ HYP offers the coopera-

tive banks various credit models for tailored cooperation and longer fixed-interest periods.

Other services offered to the Cooperative Financial Network include the rating of Commercial Real Estate clients, property valuations performed by the Bank's wholly-owned subsidiary VR WERT, a municipal ranking that uses the latest data to provide information on the economic, budgetary and debt situation of the municipalities in the individual business regions, and the daily "Investor Barometer" newsletter on terms and conditions.

» Annual Report 2018, p. 20 et seqq.

OUR BUSINESS SEGMENTS

Commercial Real Estate Investors	Housing Sector	Public-Sector Clients	Retail Customers/ Private Investors
 Clients (regardless of their legal form) who build, manage, or trade real estate	 Cooperative, municipal, church-based and other housing companies across Germany which provide affordable housing to large parts of the population	 Public-sector entities, and their legally dependent operations, special administrative unions and institutions under public law	 Consumers (as defined in section 13 of the German Civil Code) and other clients (regardless of their legal form) investing in real estate for own use, or for investment purposes
 "Real estate professionals whose principal business is in real estate."	 "The primary focus is on providing affordable housing for large parts of the population."	 "Municipal entities providing public services."	 "Retail customers primarily buy properties for own use, as well as for investment purposes."



Full market coverage and clear client segmentation as building blocks for a successful market presence

Good Ratings Confirmed

In the 2018 financial year, Standard & Poor's (S&P) reviewed DZ HYP's rating in the light of the merger of DG HYP and WL BANK and rated the resulting diversification as advantageous, particularly in the real estate portfolio. As a result, it confirmed DZ HYP's good issuer rating of "AA-"/"A-1+", with a stable outlook. By awarding this rating, S&P has acknowledged DZ HYP's core function both within DZ BANK Group and within the Cooperative Financial Network, with its deep integration into the sector and its membership of the deposit insurance scheme of the National

Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken – BVR). S&P also confirmed the top "AAA" rating for DZ HYP's mortgage and public Pfandbriefe after the merger of the two cover assets pools, and assigned them a stable outlook.

FitchRatings evaluated DZ HYP as part of the joint rating awarded to the Cooperative Financial Network and confirmed the issuer rating of "AA-", as well as the short-term rating of "F1+". The stable outlook was maintained.

RATING OVERVIEW

	Standard & Poor's	FitchRatings *
ISSUER CREDIT RATING		
Outlook	AA-	AA-
Short-term liabilities	stable	stable
	A-1+	F1+
ISSUE RATINGS		
Mortgage Pfandbriefe	AAA	-
Public Pfandbriefe	AAA	-
LONG-TERM LIABILITIES		
- Preferred Senior Unsecured	AA-	AA-
- Non-Preferred Senior Unsecured	A+	AA-

* Joint rating of the Cooperative Financial Network

Sustainability Ratings: DZ HYP Enjoys "Prime" Status

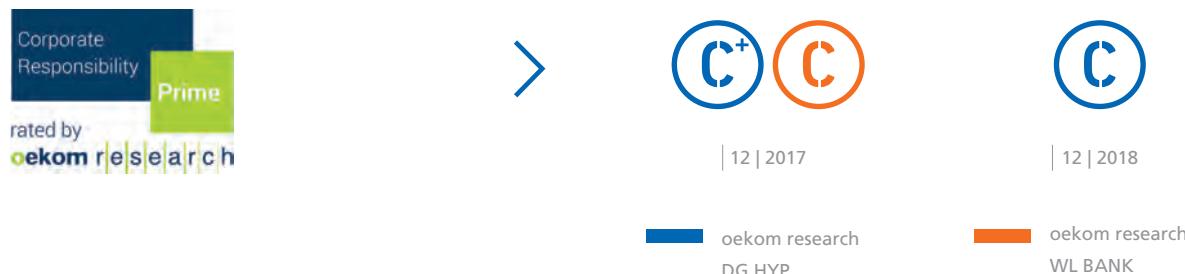
Independent sustainability ratings are helping investors make decisions, and growing in importance in that field, but that is not all: they also help us to continuously review our sustainability performance – and improve it where needed.

The sustainability rating issued by imug | rating, a research and rating agency, published in March 2019 was a pleasing result for DZ HYP: we managed to improve our sustainability rating to "positive (BB)". For

Mortgage Covered Bonds, our rating also improved vis-à-vis those issued for our predecessor institutions. In addition, we scored a very good rating result in the Public Sector Covered Bonds category.

Another sustainability rating agency, ISS-oekom, confirmed DZ HYP's position as one of the best companies in the sector in terms of social and ecological performance, even following the merger, issuing a "Corporate Rating" of "C". DZ HYP has been awarded "Prime" status, meaning that it ranks among the most sustainable institutions in the Financials/Mortgage & Public Sector Finance peer group.

DZ HYP Sustainability Ratings*



* Pre-2017 results relate to DG HYP only

Sources: imug, oekom research

Values and Principles

Sustainable action is an important pillar of our corporate culture, as are the cooperative basic values of aiding empowerment, solidarity, partnership and social commitment. We see that society is facing not only mounting ecological challenges, but also social challenges. In response, we feel committed to systematically steering our business activities towards a more sustainable course.

We act responsibly in our day-to-day business. Our slogan "Close. Together. Successful." says everything about how we think and act. We are close to our

clients, and in constant talks with our stakeholders – thanks to a decentralised presence with Regional Centres and Regional Offices, and local cooperative banks.

Our practical understanding of integrity and ethical business is clearly stated in our Code of Conduct. All employees are bound by the Code, which combines our internal principles with external market standards and reaffirms our commitment to sustainability.

- » <https://dzhyp.de/codeofconduct>
- » Responsible Corporate Governance: p. 26 et seqq.

The Cooperative Basic Value of Aiding Empowerment

When Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch founded the first financial cooperatives – in Germany, about 160 years ago – little did they know that they were writing the first pages of a tremendous success story. Today, financial cooperatives are deeply rooted in many markets. While they come in different structures, they have one thing in common: their members are owners and clients at the same time. This principle is the main differentiation between cooperatives and other forms of cooperation.

In cooperatives, people unite voluntarily to engage in economic activity together and advance their members' business activities in their own right, i.e. not accepting third-party or governmental support. It is this advancement – and not the distribution of yield – that is given priority.

Fundamental decisions are taken by the general meeting, where every member has one vote, irrespective of their equity stake. This is to protect democratic principles, to avoid individual majority owners dominating and to prevent an unsolicited takeover.

Every cooperative is also a member of an Auditing Association. These associations advise their members where needed, and audit the financial condition as well as the regularity of the management. Against this background, for many years now cooperatives have been the by far most bankruptcy-proof legal structure that Germany has to offer.

www.genossenschaften.de

(available in German only)

The UN Global Compact and Sustainable Development Goals

In 2008, DZ BANK AG became a signatory to the Global Compact of the United Nations, thereby committing itself to implementing the ten internationally acknowledged principles stipulated by the initiative for responsible conduct. In 2013, DZ HYP followed suit in taking up these principles: they span human rights, labour norms and work against corruption. We also let our actions be guided by the Sustainable Development Goals adopted by the United Nations in 2015, which cover global economic, environmental and social challenges and apply to all developing, emerging and industrial countries.

The progress made in the integration of these principles into our business divisions is documented in our continuous sustainability reporting. We define responsible corporate governance to include not only adherence to legal standards and requirements, but also to values and principles, together with clear and transparent management.

DZ BANK AG's Communication on Progress for UN Global Compact (available in German only)

» <https://dzhyp.de/UNGC>

The UN Global Compact's Ten Principles

- » Businesses should support and respect the protection of internationally proclaimed human rights; and
- » make sure that they are not complicit in human rights abuses.
- » Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- » the elimination of all forms of forced and compulsory labour;
- » the effective abolition of child labour; and
- » the elimination of discrimination in respect of employment and occupation.
- » Businesses should support a precautionary approach to environmental challenges;
- » undertake initiatives to promote greater environmental responsibility; and
- » encourage the development and diffusion of environmentally friendly technologies.
- » Businesses should work against corruption in all its forms, including extortion and bribery.

www.unglobalcompact.org



BUSINESS DEVELOPMENT

With low interest rates and a stable economy, 2018 was another year of strong demand for real estate. In this environment, our collaboration with partners and clients was both intensive and successful, generating €11.0 billion in new business for our Commercial Real Estate Investors, Housing Sector and Retail Customers/ Private Investors business segments alone (2017: €10.1 billion*). Including public-sector lending, new business in 2018 totalled €11.9 billion (2017: €10.9 billion). Key factors in our success include a business model geared towards sustainability and long-termism, as well as a trusting relationship with partners and clients.

In our Commercial Real Estate Investors segment, new business volume rose to €7.7 billion (2017: €7.1 billion). In line with our strategic focus, €7.4 billion thereof was generated in our German core market. A point worthy of particular mention is the continuous good team play within the German Cooperative Financial Network: joint lending was €3.5 billion (2017: €3.6 billion).

In the Housing Sector segment, our commitment volume rose slightly on the previous year, to €1.0 billion (2017: €975 million). In particular, we provided long-term financing for investments focusing on new construction and modernisation measures. The housing sector business was no exception to our continued collaboration with the cooperative banks in the spirit of trust and partnership.

In the sector of Retail Customers/Private Investors, the volume of new commitments also rose on the previous year, to around €2.2 billion (2017: €2.0 billion). Around €1.5 billion of this was to retail customers, and intermediated by the Cooperative Financial Network (2017: €1.4 billion). The business with private investors contributed €764 million to our positive performance (2017: €613 million).

In the Public Sector business, we generated new business in a volume of €894 million (2017: €765 million), of which €639 million (2017: €561 million) was intermediated by cooperative banks and €255 million (2017: €204 million) was originated through direct business.

* The previous year's figures on business development refer to the merged institution.

Merger Successfully Concluded

2018 was dominated for us by the merger of DG HYP and WL BANK to form DZ HYP. The merger, which took effect retroactively from 1 January 2018, was entered into the Commercial Register as scheduled on 27 July 2018. The strategic objective was to combine the two banks' existing areas of expertise whilst avoiding redundancy, providing clients with a one-stop shop, and in particular, to further enhance benefits for German cooperative banks. The merger marked the continuation of the consolidation process, together with an efficient positioning of the Cooperative Financial Network. The Bank's sound

financial performance in 2018 showed that this was the right move.

Merging two entities is complicated and ties up capacity. It involves issues like the strategic and organisational setup of the merged bank, legal requirements as well as the harmonisation of operational processes and standardisation of IT systems. The latter will be completed by the end of 2019. A longer-term task is bringing the cultures together. The challenge here lies in developing a shared corporate culture without losing the identities of the predecessor banks: it is, in fact, the challenge that we will be dedicating ourselves to next.

VR WERT

VR Wert, a wholly-owned subsidiary of DZ HYP, performed well during the 2018 financial year: for the first time in the company's history, revenues made it into the double-digit millions at €10.0 million (2017: €9.8 million), with around 2,600 expert valuations performed. These expert valuations relate to properties financed by DZ HYP for Commercial Real Estate investors: every single case requires a particularly differentiated and individual approach. It is important to note that every VR WERT valuation includes sustainability aspects. In 2018, HypZert GmbH – an entity established by the top associations of the German financial industry – re-affirmed the high quality of VR WERT valuations, by awarding VR WERT its seal "Approved by HypZert" at the EXPO REAL real estate trade fair. The seal is valid for three years.

Investor Base and Funding

In 2018, the year of the merger, DZ HYP issued covered bonds totalling €4.1 billion*. €1.0 billion of this amount was attributable to the first DZ HYP bench-

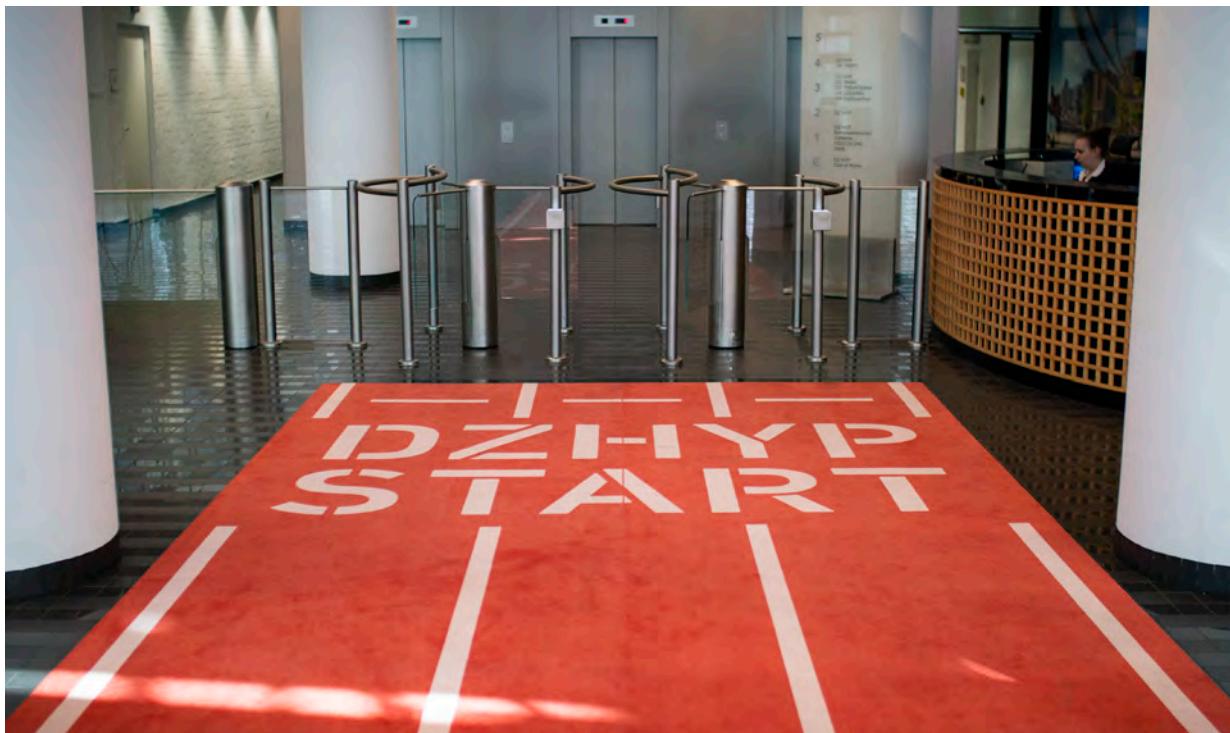
mark issue, successfully placed in early November following the launch of the "new" issuer on the market at a roadshow. The covered bonds in benchmark format are all Mortgage Pfandbriefe. Private placements generated a total volume of €1.4 billion with investors, with Mortgage Pfandbriefe accounting for €1.3 billion of new issuance, and Public Pfandbriefe for €140 million.

As at the 2018 balance sheet date, DZ HYP Pfandbriefe with a total volume of €44.1 billion were outstanding (2017: €44.2 billion), with €28.9 billion attributable to Mortgage Pfandbriefe (2017: €27.3 billion). We generated most of our unsecured funding of €5.1 billion using issues within the Cooperative Financial Network. The total volume of unsecured funding amounted to €22.2 billion as at year-end (2017: €21.8 billion).

Business Development:

» Annual Report 2018, p. 34 et seqq.

* Excluding €500 million in short-term issues for the purpose of participating in Deutsche Bundesbank's long-term refinancing transactions.



SUSTAINABILITY STRATEGY

A Value Compass and Clear Goals



OUR VIEW OF SUSTAINABILITY

As a member of DZ BANK Group, DZ HYP is committed to the fundamental cooperative concept of responsible business practices. We see ourselves as an active member of society, and are aware that the decisions we make significantly influence the environment in which we move, live and work. That is why we strive to base our success as a bank on a sustainable business model that is in line with the needs of our employees, society and conservation of our natural habitat and climate. In doing so, we agree with the Brundtland Commission Report that we must satisfy the needs of today's generations and offer them fair opportunities for development – without compromising the chances of future generations or threatening our natural livelihood. In this context, the Ten Principles of the UN Global Compact and the United Nations Sustainable Development Goals (SDGs) play a major role for us. We consider sustainability to be a constant development and learning process that has to take due account of the changing political and social landscape, dynamic market developments and technological innovations.

Our sustainability strategy is driven by these principles. It serves as a guide for identifying areas of action and suitable measures for sustainability management. One point of reference is the German government's sustainability strategy, which was further specified following the adoption of the United Nations 2030 Agenda for Sustainable Development. In an ambitious response to this we drew up a new climate strategy in 2018 together with DZ BANK Group, in which we undertake to cut at least 80 per cent of total CO₂ emissions at Group level by 2050 based on 2009 as a reference year.

Our sustainability strategy comprises governing principles and makes clear what our responsibility is – and what we mean when we talk about sustainable devel-

opment. The merger of DG HYP and WL BANK at the end of July 2018 saw the sustainability strategy that – until then – had applied solely to DG HYP, expanded to include DZ HYP.

Our understanding of cooperation with our partners, the cooperative banks and our clients is reflected in our "Close. Together. Successful." slogan. It expresses DZ HYP's thinking and actions as well as our view of sustainability.

We have laid down our practical understanding of an ethically sound corporate culture for all employees in the binding Code of Conduct developed within DZ BANK Group.

- » Values and Principles: p. 13
- » <https://dzhyp.de/codeofconduct>
- » Group-Wide Climate Strategy: p. 53
- » Responsible Corporate Governance: p. 26 et seqq.
- » Stakeholder Focus and Materiality: p. 25 et seq.

Sustainable Development Goals: A Future Benchmark

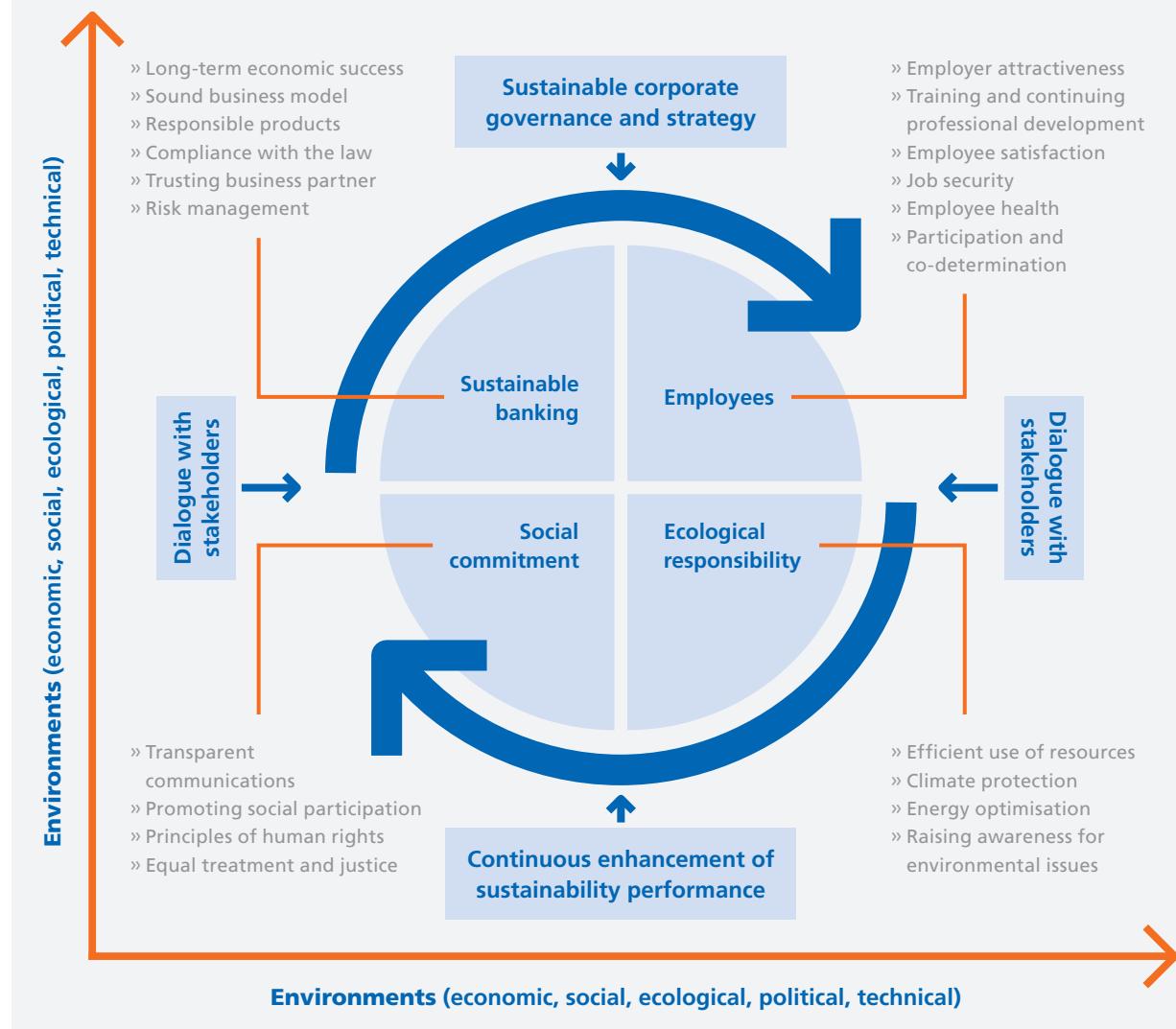
As a leading real estate financier in Germany and competence centre for public-sector clients of the Cooperative Financial Network, we are able to contribute indirectly to the achievement of the Sustainable Development Goals (SDGs) with our loans. This applies, for example, to goal 11: Sustainable Cities and Communities. DZ HYP offers financing solutions for energy-efficient commercial real estate, enabling the cooperative, municipal and church-owned housing companies to provide affordable housing, and also empowering smaller municipalities to invest in public infrastructure in order that the public provision of services is guaranteed. For this reason, we have set ourselves the objective of systematically analysing the potential of using SDGs as a benchmark for companies and investors, as well as examining the impact of our own business activity on the future achievement of the goals.

We are confident that by acting sustainably, we will gain a competitive edge in the medium term. Also, we are closely monitoring the current market situation in the sector Sustainable Finance. In addition, right now sustainable corporate governance already enables us to provide attractive working conditions for our employees, to contribute to climate and environment protection, as well as to maintain trusting relationships with our stakeholders. Regular communication with our stakeholders and transparent reporting are key elements of our sustainability strategy.

SUSTAINABILITY MANAGEMENT

The responsibility for the issue of sustainability lies with the Management Board of DZ HYP. All activities related to sustainability are coordinated by the Communications, Marketing and Investor Relations department within the Communications department.

SUSTAINABILITY AT DZ HYP



The Sustainability Manager works at both head offices, in Hamburg and Münster. The Head of Communications, Marketing and Investor Relations regularly reports internal and external developments to the Management Board. Moreover, the Communications department is the first point of contact for all other departments when questions concerning sustainability and/or the implementation of sustainability programme measures arise. It monitors all sustainable actions, and makes suggestions regarding the advancement of the sustainability programme in conjunction with the affected divisions. Furthermore, it serves as first point of contact for internal and external stakeholders, and is responsible for reporting.

Since 2012 DZ HYP has been actively taking part in DZ BANK Group's sustainability initiative, in order to enable a stronger Group-wide integration of sustainability into the business processes. The objective is to pool sustainability activities, to take advantage of market opportunities, to avoid risks and to maintain a lively exchange of experience and information with the companies of the Group. For this purpose, a permanent Corporate Responsibility Committee (CRC), of which DZ HYP is a member, was established in 2014. The results of this cooperation include, among others, the introduction of a Group-wide database structure, common supplier standards, and development of the Sustainability and Lending policy – as well as the new climate strategy in the year under review. DZ HYP's Sustainability Manager represents the Bank within the Group CRC, as well as within the centre of competence for environmental matters in DZ BANK Group.

Sustainability management represents a cross-sector task within DZ HYP, fulfilled across all management levels and divisions. This is ensured by a unique approach: selected departments formally assume responsibility for sustainability-related topics and implementation of measures. This is to anchor sustainability more strongly within the individual departments, and thus also in the Bank's operations.

An internal, independent Sustainability Committee is planned for the year 2019. The Committee will be

composed of representatives of those departments critical for achievement of the goals defined in the sustainability programme. The main objective of the Sustainability Committee is to support the strategic development of sustainability projects and actions of DZ HYP, to promote the exchange across departments, and to evaluate the opportunities and risks which emanate from current developments in the context of sustainability.

Sustainability Programme

In close cooperation with the relevant departments, our Sustainability Manager develops a sustainability programme for DZ HYP that documents the goals we have set ourselves in individual areas, and how we want to achieve them. Current and planned measures to continuously improve our sustainability performance are linked to a schedule. Achievement and implementation status of these goals – and the corresponding measures – are reviewed in internal audits. This system ensures that the sustainability programme is being put into practice consistently and in a targeted manner. The departments formally assume responsibility for certain sustainability topics, and this ensures that everybody contributes to the programme's successful implementation.

At the same time, we continuously adjust the programme to reflect not only those issues that are material to us (as identified during a stakeholder survey in 2015), but also current developments. To this end, we regularly exchange view with sustainability rating agencies, associations, industry experts and non-governmental organisations (NGOs). We are also open to input from our Advisory Boards. Against this background, we decided to place a stronger focus on real estate and public finance in the context of sustainability going forward.

- » Our Sustainability Programme: p. 69 et seqq.
- » Stakeholder Focus and Materiality: p. 25 et seq.

STAKEHOLDER DIALOGUE

Trust is fundamental for the success of cooperative projects, and an important factor in stakeholder communications. Relevant stakeholders include our employees, our partners in the Cooperative Financial Network, our clients and other business. We also engage in dialogue with analysts and investors, associations, the media, political decision-makers, academia as well as NGOs.

This exchange of ideas enables us to better understand the concerns and aims of the various stakeholder groups, and to act to reflect them. It also serves as a source of information about how the outside world perceives the risks and opportunities associated with our business activities. Not only does this make long-term stakeholder relationships an issue of strategic importance – it also makes them a decisive factor in how we continue to develop our sustainability programme.

- » Stakeholder Focus and Materiality: p. 25 et seq.
- » Complaints Management: p. 37

WHAT WE MEAN WHEN WE TALK ABOUT SUSTAINABILITY AT DZ HYP

 <p>SUSTAINABILITY STRATEGY AND CORPORATE GOVERNANCE</p> 	 <p>SUSTAINABLE BANKING</p> 	 <p>EMPLOYEE MATTERS</p> 	 <p>ECOLOGICAL RESPONSIBILITY</p> 	 <p>SOCIAL COMMITMENT</p> 
<ul style="list-style-type: none">» Anchoring sustainability in our business strategy» Transparent reporting» Regular stakeholder communications» Adherence to legal requirements and internal principles	<ul style="list-style-type: none">» Sound business model, with a conservative risk strategy» Long-term relationships with business partners» Powerful funding options through > the Cooperative Financial Network, and > issuance of Mortgage Pfandbriefe	<ul style="list-style-type: none">» Performance-based remuneration» Work-life balance» Occupational health management» Extensive CPD offers» Empowering the next generation	<ul style="list-style-type: none">» Reducing energy and resources consumption» Reducing the carbon footprint» Enhancing employees' ecological awareness	<ul style="list-style-type: none">» Support for social projects, institutions and not-for-profit organisations» Promoting issues and organisations with real estate topics» Support for research institutes dealing with cooperative studies» Supporting employees' voluntary engagement

Employee Dialogue

We foster a culture of dialogue, openness and mutual respect in our Bank, and our employees play an active part in decision-making processes. In addition, we use our intranet to keep employees constantly informed about what is going on in the Bank. To further intensify the dialogue with our employees, we regularly conduct online employee surveys to assess the Bank's development from the perspective of its employees. The next survey is scheduled for 2019.

» Employee Survey: p. 42

Our employees also have a strong voice in our materiality analysis – a tool for us to identify the most relevant sustainability topics from a stakeholder and company point of view, whose results influence both our sustainability reporting and how we decide to develop our sustainability programme going forward.

The policy of co-determination has a long tradition within DZ HYP. We also uphold the freedom of association, and value the fundamental right of our employees to join trade unions, to form and join organisations of their own choice, so as to foster and defend their own interests as well as to lead collective bargaining with their employer – all without our interference.

Employee interests are represented at DZ HYP through the elected works councils in Hamburg and Münster, and/or membership in a trade union. We pride ourselves in maintaining excellent cooperation with our employees' representatives and in pursuing respectful and constructive dialogue to bring the interests of the Bank and its staff together. These strong ties were of particular importance during the merger, working together to balance interests and forging a social compensation plan. In 2018, we also worked together



at our Hamburg head office, concluding two employer/works council agreements on working hours and employee appraisals. A "non-tariff remuneration scheme" was also part of the agenda.

In compliance with legal requirements, DZ HYP informs the works councils of fundamental changes and concludes agreements regarding their implications as stipulated in the German Works Constitution Act (Betriebsverfassungsgesetz – BetrVG). The works councils, in turn, inform the workforce about current issues on a regular basis, using our intranet. Furthermore, the Hamburg works council issues a regular newsletter for the employees at that location. All internal employer/works council agreements are registered in the Bank's central organisation manual, and may be accessed by all employees at any time. To further foster a dialogue with our workforce, we hold works meetings at various times throughout the year. During these meetings, employees may ask specific questions or come forward with suggestions or proposals.

» Employee Matters: p. 40 et seqq.

» Stakeholder Focus and Materiality: p. 25 et seq.

Cooperative Bank Dialogue

The cooperative banks are amongst our most important stakeholders. To support the dialogue with them, we have instituted an Advisory Board, in addition to personal meetings and visits with our sales staff.

We discuss professional topics openly, and involve the Managing Directors of the cooperative banks in discussions with our Real Estate and Public Sector clients. Through our IMMO PARTNER Dialogue, we have created another nationwide concept that promotes more intensive collaboration with our partner banks in commercial real estate finance. We also organise regional real estate conferences and a variety of events to expand our network and client contacts. One example is a Real Estate Dialogue staged at selected locations in Germany together with Heuer Dialog, an event organiser specialised in the real estate industry, and Volksbanken/Raiffeisenbanken as partners. Another networking event is our annual Municipal Dialogue; this is an occasion for experts on business

with Public Sector clients from the Cooperative Financial Network to meet with peers. With regular reports on real estate markets, particularly regional ones, and our IMMO KOMPAKT publication, we increase transparency on our business activities to support cooperative banks in their daily work on the markets they are active in.

Client Group Dialogue

Especially in the age of digitalisation, for us it is personal meetings that remain a central building block in a successful business relationship. We enjoy an intensive, direct dialogue with our clients and industry partners, and create opportunities to meet and exchange ideas above and beyond our day-to-day business: New Year's receptions, outlook events and our Investors' Open Table – a gathering for Commercial Real Estate clients hosted throughout the year – create spaces for one-on-one talks amongst professionals.

Advisory Boards: Forums for Professional Exchange

DZ HYP has instituted Advisory Boards for professional dialogue with its main target groups: banks, the public sector, and the housing sector. It is the task of these three Advisory Boards to support the Management Board as part of an open and active exchange of ideas, thereby calling attention to the needs and interests of the respective client group. Members of the Advisory Boards also act as multipliers for DZ HYP, and actively promote business relationships. The Management Board informs the Advisory Boards about important matters and the development of the Bank. The meetings take place as required, at least twice a calendar year. Resolutions are adopted by majority voting of the present members. In case of a tied vote, a motion is deemed rejected. For attending the respective meetings and to cover their travel and other expenses, members of the Advisory Boards receive remuneration determined by the Management Board. The term of office is three years, renewable once.

The Advisory Board – Banks counts up to 30 members. At least two third of these are full-time Managing Directors

of cooperative institutions with a close business relationship to DZ HYP. The other members can be representatives of cooperative associations, central banks, data centres, other companies within the Cooperative Financial Network, or other important client groups. Up to five members of the Advisory Board – Banks can be co-opted by the Management Board of DZ HYP.

The Management Board appoints up to 11 members to the Advisory Board – Public Sector. These members are representatives of municipalities, government agencies, or municipal umbrella organisations with a close business relationship to DZ HYP.

The Management Board appoints up to 11 members to the Advisory Board – Housing Sector. They are Managing Directors of housing enterprises with a close business relationship to DZ HYP. For challenges which concern the housing enterprises, the Advisory Board provides a space where ideas can be openly exchanged and solution strategies searched.

Our Housing Sector clients – housing companies in the hands of cooperatives, municipalities, churches or others – have an Advisory Board of their own, and are managed by locally-based contacts, who are active in joint industry networks for the benefit of our clients. Furthermore, DZ HYP is present at many an industry event, and hosts a networking format at the "VdW-Forum Wohnungswirtschaft" conference for the housing industry. In 2016, we launched our Innovative Client Dialogue to give young industry players active at an operative level the chance to meet and exchange ideas in a small group of experts.

For Public Sector clients, we also founded a dedicated Advisory Board and foster professional exchange and networking opportunities. Since 2011, we have hosted an Evening for Local Politics, where local policy leaders and Managing Directors from cooperative banks unite. Last but not least, DZ HYP hosts a working group at the German Treasurer Day, where pressing tasks for municipalities are discussed.

Capital Markets and Rating Agencies Dialogue

We strive for transparency in all communication with partners in the capital markets. We cultivate investor relations intensively, with both larger-scale events and one-on-one briefings. In addition to the annual and interim reports, we publish market-relevant information. Our Debt Issuance Programme (DIP) offers standardised documentation for the issuance of medium- and long-term bonds on the capital market. This is published with the Luxembourg Stock Exchange, the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), and the German Federal Gazette (Bundesanzeiger). It is available on DZ HYP's website, amongst other places. We are also in constant and extensive dialogue with rating agencies and analysts for financial and sustainability ratings.

Selection of DZ HYP's Association Memberships

- » Federal Association of German Credit Unions and Rural Banking Cooperatives (BVR)
- » Cooperative Association Weser-Ems
- » Cooperative Association Frankfurt/Main
- » Cooperative Association Rhineland-Westphalia
- » Cooperative Association Baden-Württemberg
- » Cooperative Association Bavaria
- » German Cooperative and Raiffeisen Confederation (DGRV)
- » Association of German Pfandbrief Banks (vdp)
- » German Property Federation (ZIA)
- » Urban Land Institute (ULI Europe)
- » Association for Environmental Management and Sustainability in Banks (VfU)
- » German Investor Relations Association (DIRK)
- » Federal Association of German Housing and Real Estate Companies (GdW)
- » German Development Assistance Association for Social Housing (DESWOS)

Dialogue with Society and Politics

We hold memberships in numerous associations that allow us to communicate with social and political decision-makers. These include the National Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. – BVR), the Association of German Pfandbrief Banks (Verband Deutscher Pfandbriefbanken e.V. – vdp), the German Property Federation (Zentraler Immobilien Ausschuss e.V. – ZIA) and the German Investor Relations Association (Deutscher Investor Relations Verband e.V. – DIRK). We support efforts towards a more stable financial system as well as the interests of Pfandbrief issuers and the economic and non-economic interests of the real estate sector. We consider ourselves an independent, politically neutral institution, and engage only in expert and industry-specific associations. DZ HYP does not undertake political lobbying, and does not support any political parties in any way. This includes not granting donations to political parties, so as to not expose ourselves to any possible accusation of exercising political influence or earning preferential treatment.

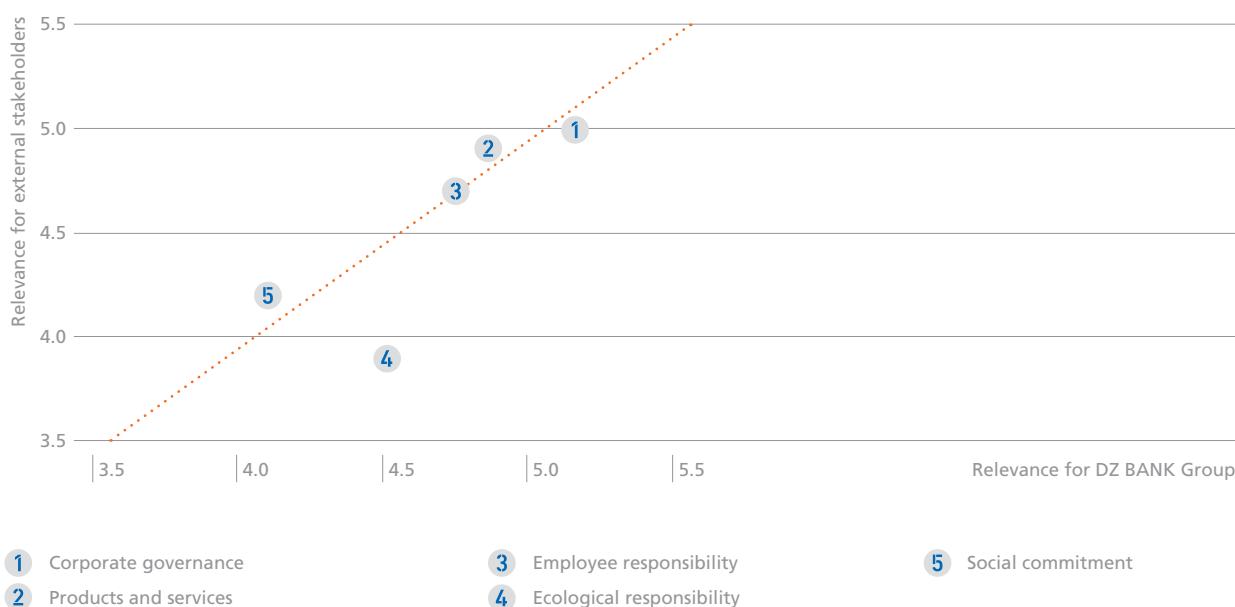
We are, however, an active member of the Association for Environmental Management and Sustainability in Financial Institutions (Verein für Umweltmanagement

und Nachhaltigkeit in Finanzinstituten – VfU), a network of environmental and sustainability managers at leading financial services providers. The VfU provides its members with a platform to exchange subject-matter knowledge and information, and to maintain an interesting dialogue with experts and representatives of NGOs. Further to this, we take part in a round table with the United Nations Environment Programme Finance Initiative (UNEP FI), where recent developments and progress made in the realms of sustainable finances management are discussed.

STAKEHOLDER FOCUS AND MATERIALITY

Our reporting on sustainability is designed to meet our stakeholders' information requirements on the one hand, and to reflect the sustainability issues that are of major importance to us as a bank on the other. This is what the Global Reporting Initiative (GRI) – the standard our reporting is based on – defines as the principle of materiality. Whilst in the past we regularly requested feedback from our stakeholders to help us identify

MATERIALITY MATRIX



"relevant" or "material" topics, in 2015 DZ BANK Group for the first time conducted a systematic materiality analysis to determine which sustainability-related aspects are considered important for cooperative banks and, as a consequence, for DZ HYP and its stakeholders. Another stakeholder survey, together with DZ BANK Group, is scheduled for 2019 to find out how the materiality of topics has changed.

When selecting the stakeholders to participate in the survey, we take various aspects, such as diversity and relevance for our bank, into account:

- » Our most important stakeholders include our employees, the cooperative banks as our partners, as well as our clients and owners.
- » Suppliers and service providers, as well as associations and investors, are of high economic relevance as well.
- » Criticism – voiced by NGOs, rating agencies, policy makers and academia – reflects the social environment we are active in.

The 2015 survey spanned five areas with subordinated aspects, and was based on an analysis of sustainability trends we are currently witnessing in our society. With a response rate of 46 per cent, it yielded valuable indications as to what we should report and work on. The results on DZ BANK Group-level were then evaluated by each entity; the external stakeholders' responses were then compared to internal perceptions, and displayed in a materiality matrix. The matrix shows that both surveyed groups attribute "sustainable corporate governance" and "sustainable products and services" the highest level of relevance. Within these areas, they ranked "cooperative principles and values" and "corporate strategy and success" highest. The results confirm the need for sustainability to be approached as a strategic cross-divisional responsibility, and to be systematically integrated into the core business. For DZ HYP, this means that the principle of sustainability, already enshrined in the cooperative model, needs to be worked out more clearly.

For the future, we will continue to use the results such materiality analyses provide us with to align our sustainability reporting, but also to review our strategy and, where necessary, rework our sustainability programme.

RESPONSIBLE CORPORATE GOVERNANCE

Good corporate governance and sustainable economic management require compliance with legal and regulatory regulations, voluntary commitments and internal guidelines (compliance), the responsible management of risks, protection of the Bank's reputation, and the implementation of transparent business processes. Our Corporate Governance policy provides a framework that spans all legal concerns and operational principles.

Corporate Governance

At DZ HYP, we apply a model of dual leadership. A Management Board of three leads the company according to existing statutory provisions, ensuring compliance within DZ HYP. In turn, the Supervisory Board and its committees monitor the Management Board. The Bank's internal regulations – for example the Articles of Incorporation and Rules of Procedure – comply with legal requirements. In its first meeting of 2019, the Supervisory Board adopted specific guidelines for reviewing the suitability of the Board collectively, and of its members individually, as well as for determining the need for training measures.

As set forth in the Articles of Incorporation, the Supervisory Board of DZ HYP consists of 18 members. In accordance with the German Act to Simplify the Election of Employee Representatives to the Supervisory Board (Drittelparteigesetz – DittelBG), it comprises twelve members elected at the Annual General Meeting and six members elected by employees. As of 31 December 2018, there were 18 active members on the Supervisory Board. Three members stepped down during the year. In line with the rules and regulations, three successors were elected. As of the reporting date, the share of women on the Supervisory Board was 22 per cent.

The Management Board informs the Supervisory Board about relevant plans and developments at an early stage. A focal area of 2018 was the merger of

DG HYP and WL BANK to form DZ HYP, besides ongoing reporting on business developments and the risk situation. The Supervisory Board met six times during the year under review.

For more details, please see the Report of the Supervisory Board published in DZ HYP's Annual Report 2018.

» Annual Report 2018, p. 6 et seqq.

Risk Management

Risk management is an integral part of DZ HYP's strategic and operative management of the Bank as a whole. Assuming risks in a targeted and controlled manner, observing target returns, is an element of our enterprise management – at DZ BANK Group and therefore also at DZ HYP. The activities driven by DZ HYP's business model require the ability to identify, measure, assess, manage and communicate risks. In addition, maintaining an adequate level of equity backing for risk exposure is a vital prerequisite for our business. As a guiding principle for all of their business activities, DZ BANK Group and DZ HYP assume risk only to the extent required to achieve the objectives of their respective business policy, and where there is an appropriate level of understanding and expertise at hand for measuring and managing those risks.

To implement this principle, DZ HYP's Management Board has defined a risk appetite statement which is in line with Group guidelines. For DZ HYP, the term "risk appetite" denotes the type and scope of risks that the institution is willing to take – within the limits of its risk capacity – in order to implement its business model and achieve its business targets. Essentially, it is the limits that DZ BANK Group has allocated and that determine the Liquidity Coverage Ratio as well as the minimum amount of excess liquidity. Based on the risk policy guidelines defined in the risk appetite statement, and based on the business strategy, a framework as well as risk strategies for material risks have been adopted. Each of these risk strategies cover the material risk-bearing business activities, risk management objectives (including provisions concerning risk

acceptance and avoidance) as well as action to achieve these objectives. They were devised initially for the merger between DG HYP and WL BANK, and were discussed with the Supervisory Board.

As part of the merger, numerous activities were initiated to align and harmonise processes, methods and IT systems used for managing risks, amongst other things. The strategic and operational planning for the 2018 financial year, as well as the years after, were also devised with the merger in mind. As a result, material elements of our risk management systems were successfully harmonised. The DZ HYP Management Board received a first report on the merged institution's economic liquidity and capital adequacy in the third quarter of 2018. In 2019, the migration of business data from the IT systems of what used to be WL BANK into the IT systems of DZ HYP – a process commenced in the previous year – was continued. Conclusion of this migration is scheduled for November 2019. Until then, material IT systems will in part be run in parallel.

Regulatory Requirements

The regulatory organisational requirements and the allocation of risk management responsibilities are set out, in particular, in the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – MaRisk) and the Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – InstitutsVergV). DZ HYP considers these requirements, adapting its relevant processes to the specific needs of its business model and considering the specific requirements to the Group waiver. DZ HYP has also developed and implemented a risk management and risk control framework that fulfils the needs arising in the market and competitive environment, as well as the requirements arising from the Bank's integration in DZ BANK Group. This forms the basis that ensures the proper operation and efficiency of the risk management process.

» For more details, please refer to the Risk Report included in the Annual Report 2018, p. 51 et seqq.

Remuneration Oversight Committee and Remuneration Officer

After DZ HYP was classified as a material institution pursuant to the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – InstitutsVergV) in 2013, the Supervisory Board established a Remuneration Oversight Committee in early 2014. This committee monitors whether remuneration systems for the Management Board and for the Bank's employees are appropriate – particularly for those employees whose activities have a material impact on the Bank's overall risk profile, and for the heads of Risk Controlling and Compliance. In this context, the Remuneration Committee assesses the effects of the remunerations systems on the Group's risk, capital, and liquidity management. Furthermore, it prepares the Supervisory Board's resolutions concerning the remuneration for Managing Directors.

The Management Board also appointed a Remuneration Officer and a deputy, in compliance with the InstitutsVergV. The Remuneration Officer reports to the Management Board. He/she functions as supervisor, advisor and reporter for the Remuneration Oversight Committee. The Remuneration Officer prepares an annual remuneration oversight report on the appropriateness of the bank's remuneration systems. In accordance with legal and regulatory requirements, we publish information on our remuneration systems on our website.

The general standards of these systems, including employer/works council agreements, are transparent and accessible to all employees in the central handbook for our organisation.

- » Performance-Based Remuneration: p. 48
- » Remuneration Systems:
<https://dzhyp.de/remuneration>

Transparent Financial Reporting

DZ HYP meets applicable reporting standards to ensure disclosures are comprehensive and transparent in the Annual Report and Interim Reports. The financial statements are prepared by the Management Board and examined by both external auditors and the Supervisory Board. The financial statements are confirmed by the Supervisory Board.

- » Annual Report 2018, p. 8

Compliance

Sustainable economic management requires compliance with all applicable legal requirements and provisions, regulations, voluntary commitment as well as internal guidelines. For financial services providers, reputational protection is of particular importance. Countering corruption and bribery, and preventing money laundering and fraud, are therefore amongst the core principles of our business activity.

As a tool to ensure good corporate governance, and in support of our risk management and internal control system, we established an independent Compliance Office. Its Head also serves as the Compliance Officer in accordance with the above-mentioned MaRisk and the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), and as AML Officer. In all of these roles, they report directly to the Management Board. The Compliance Officer receives support from the Corporate and Capital Markets Compliance department. The Compliance Office combines compliance functions as per MaRisk and WpHG, as mentioned above; it also serves as the Central Unit for the prevention of money laundering and fraud, and holds responsibility for data protection, IT security and business continuity planning. Furthermore, the Compliance Office advises and supports the Bank's business units in implementing and adhering to legal requirements. For its various tasks, the Compliance Office can count on sufficient resources.

Prevention of Money Laundering, Terrorism Financing and Fraud

The AML Officer ensures that adequate risk management as well as internal protective measures are in place to prevent money laundering, terrorism financing or other criminal acts that could endanger the Bank's assets. The AML Officer is responsible for compliance with AML rules and regulations, as well as for fulfilling the above-mentioned requirements to prevent criminal activities. As they fulfil their duties, they receive support from the AML and Fraud Prevention department. A dedicated monitoring system and other auditing activities help us keep watch for suspicious business relationships and transactions. Based on a risk-oriented plan, controls are performed to review the appropriate implementation of the prevention measures as instructed, and to review their functioning. At the point of joining the Bank, all employees receive training on legal provisions, internal arrangements as well as the methods applied in money laundering, terrorism financing and other criminal activities. Every two years, or when their duties change, they complete refresher courses. A system for reporting suspicious activities is in place.

Furthermore, our AML and fraud prevention department cooperates closely with Risk Controlling's operational risk group to identify, assess and manage risks. With uniform instruments for the identification of operational risks and processing feedback from risk analyses, DZ HYP ensures that the risk of losses is minimised and eliminated at an early stage. While suspicious activity reports were filed, there was no need for further action.

Whistleblowing System

To prevent white-collar crime and deter unauthorised influence from being exercised on our employees, DZ HYP has instituted a whistleblowing system. As part of this system, employees can relay information about non-compliant practices, serious violations or other failings to an internal compliance unit – confi-

dentially, and without their name being disclosed. Information provided will then be investigated and the necessary measures will be enacted.

Human Rights

Adhering to and honouring human rights is a prerequisite for DZ HYP's day-to-day business. As our business activities are focused on Germany, human rights abuses such as child and forced labour are not an issue. Further topics such as equal treatment, freedom of association and collective bargaining, anti-discrimination or data protection are addressed in internal regulations, prevailing principles and the Group's Code of Conduct.

Data Protection

Through appropriate technical and organisational security measures, DZ HYP guarantees that personal data is protected, and only used for specific purposes. As the number of working steps being digitalised and the amount of information provided electronically are on the rise, such data is growing in importance and sensitivity. We therefore assign a high priority to data protection in our ongoing digitalisation campaigns and continuously advance our security measures to remain on top of technological developments. The EU's General Data Protection Regulation is of course being adhered to.

Monitoring data protection is the responsibility of an internally appointed Data Protection Officer. In performing their data protection duties, this Officer is free from external influence or other instructions, and reports directly to the Management Board. In addition, all employees are bound to confidentiality, and are familiar with the relevant provisions and data protection requirements. For training and individual refreshers in data protection, they can turn to the Bank's data protection learning programme.

» Protection of Client Data: p. 37

German General Equal Treatment Act

Our employees, especially our executive staff, receive regular training on the German General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz – AGG). New employees receive this training at the very start of their career with DZ HYP. In the year under review, no violations or complaints regarding non-compliance with the German General Equal Treatment Act were registered.

» Equal Opportunity: p. 45 et seqq.

Engaging Suppliers

DZ HYP also applies economic, environmental and social criteria when choosing its suppliers, based on Group-wide sustainability standards for suppliers established in 2012. These criteria are based on the principles of human rights, labour standards, environmental protection and anti-corruption stipulated by the Global Compact of the United Nations, the Code of Conduct published by the German Association Supply Chain Management, Purchasing and Logistics (Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. – BME), as well as on the relevant conventions of the International Labour Organisation (ILO).

DZ BANK Group gives preference to local suppliers and service providers: that means, quite simply, they are located close to one of our offices. All suppliers with an aggregate turnover that exceeds a fixed threshold will be reviewed by our procurement department for sustainability criteria and how open they are towards taking further measures to meet or improve upon these criteria. Using a list of criteria based on the above-mentioned principles, codes and conventions and that stretches from critical human rights issues to illicit employment, minimum wage infringement and improper disposal of construction materials, each supplier is assigned a score. A medium score will lead us to request an extensive self-declaration. This allows us to spot risks in the supply chain at an early stage, and react quickly in case of infringements. In this context, we keep a particularly close eye on construction, security and cleaning companies.

For the companies of DZ BANK Group, compliance with their sustainability standards is a must for any business relationship. An incident of non-compliance will lead to a specific action plan being developed together with the supplier in question, including an escalation scheme that – in extreme cases – may lead to the termination of the business relationship.

» <https://dzhyp.de/suppliers>
(available in German only)

SUSTAINABLE BANKING BUSINESS

A Responsible Approach to Financing



OUR CORE BUSINESS

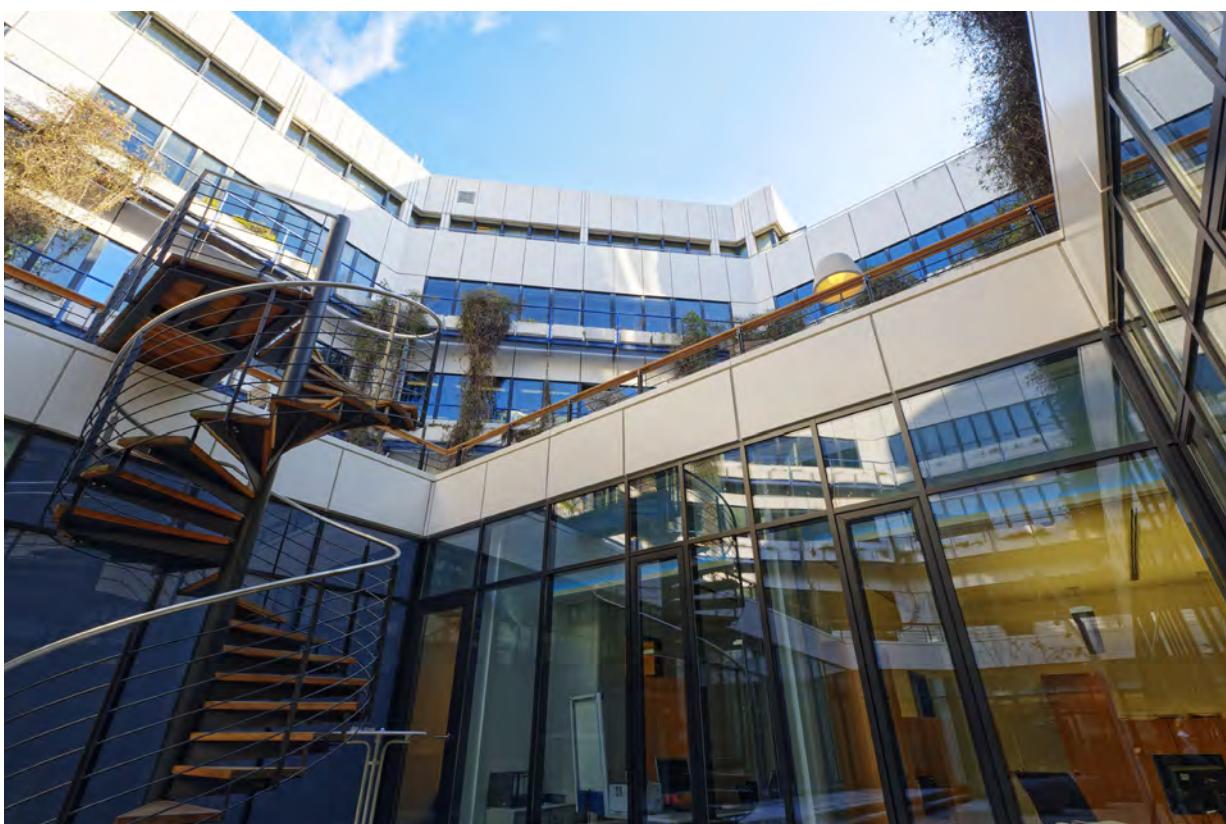
Every day, we face questions of sustainability in our lending business. When reaching financing decisions on projects for Commercial Real Estate Investors, the criteria comprise both strict risk and return considerations, and social and environmental aspects. The objects we finance often fulfil standards such as the certificate of the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen e.V. – DGNB) or the Leadership in Energy and Environmental Design (LEED) of the US Green Building Council.

Investments in private properties of Retail Customers/ Private Investors – be it new constructions or modernisation measures – help increase energy efficiency and usually meet high demands regarding accessibility for people with disabilities, security/safety and family friendliness. Sustainable investments such as these will usually be combined with special loans granted by KfW, the German government-owned development bank, as part of one of its promotional programmes.

In the Housing Sector segment, we serve cooperative, municipal and church-based housing companies from all over Germany, amongst others. In other words: clients who want to provide affordable housing to large parts of the population.

Our clients in the Public Sector include regions, towns/cities and local authorities, as well as special administrative unions and institutions under public law who want to invest in the public infrastructure. Their projects may be small and/or short term in nature, but we also provide long-term financing for municipalities who look for planning security and would like to seize the opportunity of low interest rates to take sustainable action.

Following the successful merger to form DZ HYP, we will be tackling many sustainability-related challenges that await us, in particular in the financial sector, in the coming years. These challenges include the EU's Action Plan on Financing Sustainable Growth, questions of climate change, and the point of creating housing in metropolitan areas.



SUSTAINABLE LENDING

Over the next three years, we want to shape our lending process to fit the mould of sustainability criteria even better. To this end, DZ BANK Group adopted a policy on sustainable lending in 2016, whose implementation is currently in progress across the Group.

Sustainable lending also means that we adhere to the Group's reputational risk strategy when making financing decisions, which also provides for exclusion criteria. In other words: we will not finance projects in certain industries or sectors. This ensures that minimum requirements on ecological, social and governance criteria are being met, and the risk of reputational damage is reduced. As a general rule, we do not provide financing to industries that play a role in producing or trading controversial weapons, or where material environmental damage occurs (e.g. uranium or coal mining). We also do not enter into business relationships with borrowers from the adult entertainment or gambling industry, and exclude financings if internationally recognised principles of human or labour rights are being violated.

» <https://dzhyp.de/lending>

Assessing Real Estate Financings

The criteria when deciding on whether to finance a project comprise both strict risk and return considerations, and social and environmental aspects. According to these criteria, VR WERT, a wholly-owned subsidiary of DZ HYP, and our Real Estate Valuation team prepare lending and market valuations that assess properties in terms of the following aspects:

- » economic quality, e.g. occupancy, cash flows, third-party usability of property structure, efficiency of ground plan,
- » technical quality, e.g. construction, facilities engineering, room quality, materials employed,
- » functional quality, e.g. location, accessibility for people with disabilities and the general public, space efficiency,
- » socio-cultural quality, e.g. architecture, city planning, design, comfort, user satisfaction,
- » lifecycle quality, e.g. re-letability, stability of value including third-party usability, and the ratio between maintenance costs and the modernisation risk for the value of the property.

Sustainability in the Housing Sector

Our Housing Sector business is geared to the principle of sustainability. It serves to build, preserve and care for residential real estate. Our client relations, too, are intended to promote long-term and strong partnerships.

For the most part, clients in the Housing Sector segment are housing companies belonging to the Federal Association of German Housing and Real Estate Companies (GdW). In 2018, the members of GdW built around 31,000* new dwellings (2017: about 24,000), thus making real progress in combating the housing shortage in Germany.

In 2017, on average, the net cold rent of the GdW companies amounted to €5.64 per square metre. It was hence way lower than the nationwide average rents for existing housing in Germany. The GdW volume also includes publicly funded housing. About 60 per cent of social housing in Germany (785,000 of 1.24 million housing units) is managed by companies of the GdW. Our clients thus significantly contribute towards the social sustainability of the local housing offering.

For historical reasons, many housing companies in Germany have cooperative structures, and therefore have an interest in providing private and affordable housing for their members. Business decisions are explicitly taken with regard to sustainable social responsibility and the public good.

To achieve these goals, we support our clients with tailor-made financing solutions and industry expertise. Aside from our own financing solutions, we intermediate – acting as principal bank – subsidised development loans granted by the German government-owned development bank (Kreditanstalt für Wiederaufbau – KfW). We support measures to increase energy efficiency by offering highly favourable lending conditions; we also support renovation and modernisation measures for age-appropriate housing. In the reporting period, the volume of KfW-subsidised development loans from DZ HYP to Housing Sector companies amounted to €1.1 billion. Most of these loans (€1.04 billion) were for KfW's energy efficiency programmes.

*The definitive number was not yet available at the editorial deadline.

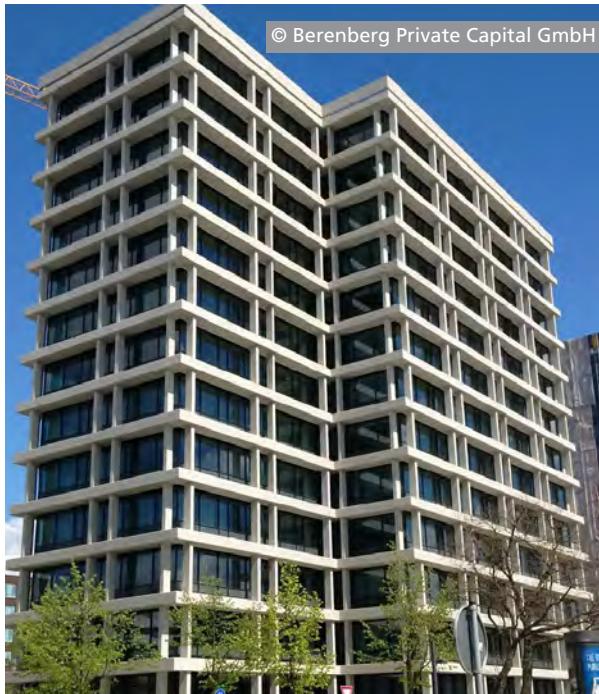


DZ HYP supports this project as a financing partner.



The "Kastanienhöfe" (German for "chestnut courts") in Düsseldorf-Eller offer modern, quiet and green living at an affordable rent. The construction facilitates social living, and creates an environment where the young and the elderly, singles and families, people with and without disabilities, can feel equally at home. The green courtyard, with its old chestnut trees, is a place for residents to meet and relax. All housing units and access routes are easily accessible or even barrier-free. As another contribution to inclusion, eight apartments include ambulant care provided by "Lebenshilfe Düsseldorf", a charitable organisation that focuses on people with special needs.

Hamburg Heights, Height 1
Certified Gold by DGNB



Paunsdorf Center, Leipzig
Certified Platinum by DGNB



KÖLNCUBUS Süd, Köln
Certified Gold by DGNB



Maximilians Quartier, Berlin
Striving for the KfW Efficiency House 40/55 standard

Financing Sustainable Properties

2018 was another year that saw DZ HYP providing financing for projects with high sustainability standards. One specific example is the Height 1 office building, the former headquarters of the SPIEGEL publishing house. The task at hand was a sustainable refurbishment to increase the building's energy efficiency level, while also complying with the requirements set forth for the protection of this listed heritage. This meant that the structure of the building, designed by architect Werner Kallmorgen in the 1960s, had to be preserved in full. The success of this building project led to a nomination for the DGNB award "Sustainable Building", where it landed amongst the top three.

CLIENT SATISFACTION

Client satisfaction is a major success factor for our business. This is why we regularly review our performance and engage in dialogue with our clients, who include investors, residential and commercial real estate developers, private builders and private investors, municipalities and municipal companies as well as housing companies. We present our products and services extensively with information materials, in personal discussions, regular meetings, a series of events, and on our website.

In the spring of 2017, we mandated the market research firm Kantar TNS for the second time to conduct a representative survey amongst our clients in Commercial Real Estate. The goal of this survey was to identify fields of action for our positioning in the market and our offering, and to identify ways for optimisation. With 84 per cent of our clients saying they were completely or very satisfied with DZ HYP, we improved our service quality from an already high level (2013: 76 per cent). The reasons for this improvement were a high degree of reliability, and competent personal contacts. The survey also showed that the number of clients providing positive feedback rose markedly. Client loyalty was clearly above the market average of 72 per cent, at 87 per cent.

The Retail Customers segment conducted such a client satisfaction survey in 2017, whose results were published in the year under review. Overall satisfaction with the Bank came in at a score of 77 – a high level and up from the last such analysis. Around 80 per cent of respondents gave the Bank a "very good" or "good" rating. The driver for this good overall satisfaction was, once again, collaboration with the sales department (83 score points), whose professionalism, personal service and accessibility pleased clients.

Overall, DZ HYP is seen as a premium provider in the market, as being close to its clients – and also, as a provider that will conduct business not based on price alone, but also thanks to a convincing service offering. In the context of the latter, the Bank's cooperation with the Cooperative Financial Network plays an important part: almost half of the clients questioned confirmed that their financing was conducted hand-in-hand with a Volksbank or Raiffeisenbank; this share rises to more than three-quarters in the Public Sector business.

In late 2017, DZ HYP commissioned InWIS Forschung & Beratung GmbH, a company specialised in providing research and advise to the housing sector, with a survey amongst housing companies in Germany. The survey focused on client satisfaction, current issues and trends, and enabled us to learn more about how our clients envisage a modern working relationship in times of digitalisation, and future ways of securely transferring large amounts of data. This helps us strengthen good client relationships and make them fit for the future. In total, the Bank scored 89 out of 100 point on client satisfaction – 3 percentage points more than in 2015. The domain with the highest satisfaction score was "employees" (92 points), followed by "loan processing" (88 points) and "active client focus" (86 points).

Recognising our performance once more, during 2018 the Berlin-based European Real Estate Institute (EUREB-Institute) named us as the most powerful real estate brand in the Banking category. The annual award is based on a representative survey amongst experts to identify the most powerful real estate brands in ten categories. The main reasons for our high ranking were the "regional competence", "transparency" and "intention to reuse" performance criteria.

Complaints Management

A key indicator for the quality of our work is client satisfaction. It shows where we are fulfilling and surpassing our clients' expectations, but also where we need to improve. To capture and manage complaints systematically, we developed a complaints management system that lies within the responsibility of Compliance. Our clients, cooperative partners and other third parties may contact DZ HYP by phone, email or in person. All complaints received are reviewed by the responsible divisions in a timely manner. In general, we seek to resolve misunderstandings and difficulties at an early stage and in direct talks – and to find individual solutions, so as to avoid complaints altogether.

» Compliance: p. 28

Protection of Client Data

Pursuant to our internal Data Protection Policy, which is mandatory for all employees, we guarantee our clients that their personal data will be protected and only used for specific purposes. Protecting our clients' data is also central to our projects for digitalising the client interface: we want to fulfil our clients' demands for quality-enhanced processes, higher efficiency and speed, while at the same time complying with the highest standards on data protection and security. As we do not offer products in the traditional sense, we do not engage in advertising activities that could be defined as product marketing.

- » Data Protection: p. 29 et seq.
- » Digitalisation: Annual Report 2018, p. 14

The Pfandbrief: A Sustainable Investment

In 2019, we celebrated 250 years of Pfandbrief. Pfandbriefe are covered bonds with a dual recourse feature. They are considered a safe haven in the investment universe since, in case of the issuer becoming insolvent, investors also have recourse to the cover assets pool. The value is defined through the German Pfandbrief Act (Pfandbriefgesetz – PfandBG), which establishes specific security mechanisms for investor protection and the basis for the Pfandbrief's high quality. To issue a Pfandbrief, a licence is needed, which the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) grants only when certain minimum requirements are fulfilled. Furthermore, the Pfandbrief issuer needs to have a risk management system in place that

is appropriate for Pfandbrief business, and identifies, assesses, manages and monitors all risks associated with it. The high quality of the Pfandbrief also rests in the strict requirements with regards to the cover assets pool: pursuant to the German Pfandbrief Act, only real estate loans, and only up to the first 60 per cent of the mortgage lending value, are eligible as cover pool assets for Mortgage Pfandbriefe. Therefore, the Pfandbrief is in every sense a long-term funding vehicle that meets investors' security and transparency criteria – even in difficult capital market phases. This claim is underscored by the fact that no Pfandbrief has ever defaulted. With the help of our conservative risk strategy and our internal credit guidelines, we have laid the groundwork to continue delivering, consistently and uniquely, the high quality standards of our Pfandbrief issuance.

THE INTERVIEW

»I CONSIDER OUR GREATEST CHALLENGE TO LIE IN ECONOMIC SUSTAINABILITY.«



Alfons Reinkemeier has been Treasurer for the City of Münster since 2012. He became head of the finance department back in 1992, before it was merged with the city treasury and the tax office. The member of our Public Sector Advisory Board explains what sustainability means when it comes to dealing with city finances.

Mr. Reinkemeier, municipal responsibilities are increasing but income is limited. This means that the room for manoeuvre has not grown. Nevertheless, or maybe for precisely this reason, Münster defined a sustainability strategy in 2018. Does this strategy also influence how city funds will be allocated in future?

The City of Münster's sustainability strategy is all-encompassing, covering all of the city's products and services for its citizens. For this reason, the influence on city funds is two-fold: firstly, the use of city funds changes depending on the sustainability criteria, e.g. in procurement or in the awarding of grants. Secondly, the sustainability criteria also directly affects the city's financial management. Three years ago, the City of Münster even took steps to make the city's financial assets more sustainable, for example.

Is sustainability becoming more and more important for the municipalities?

Definitely. As is the case in society, sustainability is also playing an increasingly greater role in the public sector. The City of Münster is a true pioneer here, for example in making the city's financial assets more sustainable. We were awarded the German Sustainability Prize and named Germany's Most Sustainable City 2019, which acknowledges our commitment. However, sustainability in the economic sense remains absolutely crucial going forward in financing issues.

Sustainability projects not only need to be planned, they also need to be funded. Where do you see the greatest challenges for municipalities in this domain, in the years to come?

I consider our greatest challenge to lie in economic sustainability. In order to achieve it, a structurally balanced budget and sound funding of a city's long-term obligations need to remain top priorities. Municipal pension obligations constitute one specific example that I can give here. The City of Münster's pension expenses are currently in the region of €25 million. This figure is set to run into hundreds of millions in the years and decades to come. This is an enormous burden for the budgets of future generations to bear if the amount has to be paid out of the current budget. That is why the City of Münster started investing in pension funds over 15 years ago. We are also working on adding an additional component by covering part of the pension obligations with a reinsurance policy.

You are also a member of DZ HYP's Public Sector Advisory Board. Climate-friendly and energy-efficient building, the creation of affordable housing as well as efficiently guaranteeing the public provision of services in the form of schools and hospitals are issues that affect us all. How do you think financial service providers like DZ HYP can support and even promote sustainability efforts in the municipalities?

In my opinion, there are two ways to do this: firstly, the choice of financial products on offer that meet sustainability criteria is not yet very large. This is where we need more providers, particularly if they have extensive experience in the municipal sector, like DZ HYP. The second way involves economic sustainability: any treasurer would be happy to be able to count on a reliable partner in the financial sector with good municipal lending conditions in order to fund housing, schools and hospitals in the long term.

EMPLOYEE MATTERS

Social Responsibility is an Integral Part
of our Corporate Culture



RESPONSIBLE HR ACTIVITIES

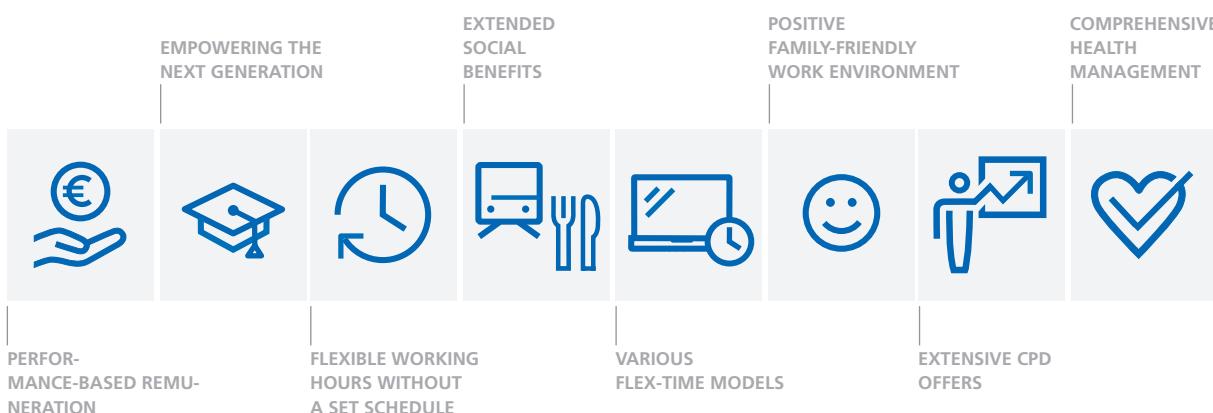
Motivated and skilled employees are our most vital resource because it is their commitment and dedication that decide whether the Bank's activities will render success from an economic point of view. It is not only for ethical and legal reasons that we provide a working environment in which everyone is treated with respect, openness and fairness. It is also because with such an environment we lay the groundwork for long-term entrepreneurial success.

We pursue a responsible human resources policy, one that aims to fulfil our employees' needs, whilst meeting economic requirements. We offer our staff performance-based remuneration, flexible working hours without a set schedule, and a family-conscious corporate culture. Our attractive offer is complemented by extensive continuing professional development offers, social benefits, plus comprehensive occupational health management. As a matter of principle, we set great store by a trusting collaboration with the works council, with whom we worked together successfully to balance interests and forge a social compensation plan in 2018.

In addition to structural and technical requirements, cultural integration following the merger of DG HYP and WL BANK – two independent entities, with their respective workforce – was also a challenge for the Bank's human resources work during the year under review. DZ HYP pursues a long-term concept, using various formats. These are intended to ensure that employees cope well with the changes that need to be made, and can make a contribution to the integration of the two institutions. The first and foremost task lies in familiarising all employees with the orientation of DZ HYP and convincing them to unite behind common goals. Even during the merger process, interested employees were invited to dialogue events with the Management Board, allowing them to engage in informal discussions about the merger – and the changes that it would entail – in a small group setting. In addition, the Bank organised a first conference for all executive staff.

As part of the uniform alignment of the Bank's HR work, the Human Resources Business Partner (HRBP) concept, which has been established in the Hamburg offices for many years, has also been launched at the Münster offices. The aim is to bring human resources work more closely into line with value creation in the units it supports. The HRBP concept helps employees to contribute to business success and create added value for clients. The areas in question are provided with close support in tackling the individual challenges facing them.

KEY BENEFITS AT A GLANCE



Demographic change and competition for competent specialists and executives will present major challenges in the years ahead. An ageing working population and a looming shortage of skilled labour present the Bank with the aim of retaining more experienced staff longer and fostering their commitment. At the same time, we need to increase our attractiveness as an employer for potential employees, and make an effort to recruit more female talent. We aim to future-proof our human resources management with an approach that reflects the needs of different stages in life, strengthening our reputation as an employer and our competitiveness.

CORPORATE CULTURE AND MANAGEMENT PRINCIPLES

Our managers are responsible for upholding a corporate culture that motivates and supports our staff and creates a stable atmosphere for them to work in.

Employee Survey

In order to intensify the dialogue with our employees, and receive feedback on the working atmosphere as well as the Bank's development, we regularly organise employee surveys. The most recent surveys before the merger were conducted online, in 2014, at DG HYP and WL BANK, and its findings showed above-average employee satisfaction and a high level of organisational identification in both cases. In particular, employees valued fair working conditions, independent work ethic, good teamwork, and a positive, personal tone. The survey also showed that employees backed the solid and reliable business models pursued by their former banks.

After the merger, employees have had to face many changes. So more than ever, we need a dialogue and

feedback. To achieve this, a DZ HYP employee survey is scheduled for 2019, which will focus on cultural integration.

Future-Proof HR Initiatives

In order to meet the demands of a working world that is changing at an ever faster pace, several new programmes were launched in 2018 to harness the opportunities that digitalisation has to offer. The employee portal – introduced in 2018 – is a key element of future-proofing the Bank's HR work. It is based on state-of-the-art SAP technology and features functions such as time management, salary statements and the management of personal details or evaluations for managers. Access is personalised and encrypted. The introduction of the new employee portal has resulted in the end-to-end digitalisation of the travel expense report process: since the portal was launched, employees have been able to create their own travel expense reports, which are then approved by their managers – speeding up the process considerably.

Another key element is the new employer/works council agreement on working hours which came into force on 1 November 2018 at our Hamburg head office. The aim was to create a codex which promotes flexible working conditions and independent work. Within a set timeframe, employees can now decide – on their own – when and how to fulfil their tasks. Working hours are recorded on a voluntary basis. Not only is it now possible to perform work in a mobile and digital form, but employees can save up additional vacation days or take a sabbatical of up to three months. With effect from 1 April 2019, function levels and salary bands have been introduced for non-tariff employees for the first time. Also, in pursuit of a modern management approach, our Hamburg head office has worked out a modern and practicable format for employee appraisals. It ensures that employees and managers enter into a dialogue with an emphasis upon partnership at least once a year, which – instead of being a backwards-oriented, formalised assessment – focuses on strengths and potentials. Similar solutions are planned for Münster head office in 2019.

TRAINING AND CPD

DZ HYP aims to maintain the professional and personal expertise of its staff and on promoting their potential, not least because the job requirements in our industry are changing rapidly. We therefore offer a broad range of training – which is continuously adapted, such as: in-house seminars, departmental training, team-building measures, workshops, language classes and IT training. Our employees may also attend external seminars and visit other DZ BANK Group entities.

Employees regularly sit down to converse with their manager as to what kind of training they need. These discussions go above and beyond the scheduled annual appraisals. In addition, there are annual development review meetings between managers and HR, in which we take a look at the individual development of each employee. We also examine the development of the team and the trends each department has to prepare for – and which might require changes.

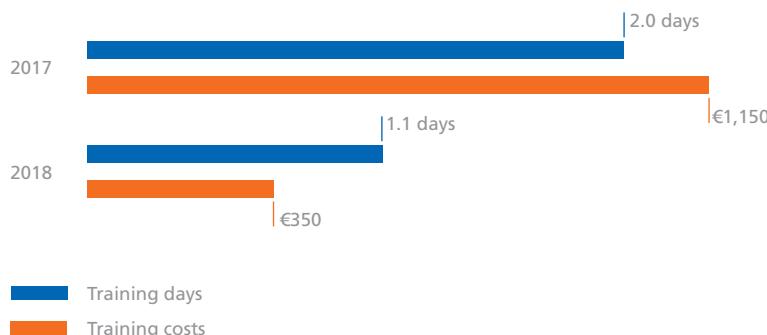
During the year under review, DZ HYP's employees completed 1.1 training days on average (2017:

2.0 training days). This year-on-year decrease can probably be explained primarily by an increased workload due to the merger and numerous projects. In total, 42 per cent of employees took part in at least one training measure during 2018.

Due to the merger, our traditional continuing professional development (CPD) programme was enhanced with dedicated workshops for managers and seminars for employees. We aimed – and still are aiming – to support and strengthen those active in fields of change, in terms of processes, procedures, and professional expertise. We also offer team-building measures for new teams that are formed across locations, to foster the process of getting to know each other and collaboration. 70 per cent of the trainings and seminars held in 2018 focused on professional development measures; 13 per cent dealt with soft skills, i.e. personality, team spirit and collaboration, as well as target-group-specific topics.

Further to existing measures, DZ HYP plans to expand its CPD offering towards age-appropriate learning. Against the background of demographic change, it is our goal to increase interest in training measures and benefit from the experience and knowledge of older employees.

TRAINING DAYS, AND COSTS PER EMPLOYEE



DZ HYP Real Estate Academy

Since 2010 the DZ HYP Real Estate Academy has been a fixture in our CPD programme. It is organised in combination with the International Real Estate Business School (IRE|BS), a well-renowned training provider in the real estate sector. In 2018, the fifth year of the academy successfully graduated. Among them were ten employees from cooperative banks. The Real Estate Academy offers comprehensive qualification and deeper insight in different Real Estate sector areas. The programme comprises three modules, with a total of twelve and a half days of lecture, and closes with a demanding project to be completed and presented in small teams.

Empowering the Next Generation

Owing to demographic change and growing competition for specialists and executives, developing and maintaining the attraction of the employer has moved to the forefront of strategic human resources activities. DZ HYP decided to take early action against the shortage of skilled young talent, offering tailored vocational training and professional development programmes for school leavers, students and university graduates, including study programmes whilst in employment. An internal promotional programme in Münster offers practical continuing professional training for all careers – and a direct exchange with the Management Board – to young talent from different departments. In addition, they receive a two-thirds scholarship for an appropriate dual study programme or comparable training with additional qualification. A maximum number of three students will be accepted to the three-year programme, which will also be introduced at the Hamburg head office in 2020. As a promotional programme, it is not only open to young talent, but – in the spirit of lifelong learning – to all employees wishing to evolve professionally. The Münster head office has been training bank clerks since 1989. Trainees rotate through all of the relevant departments over a period of two and a half years. Since the merger, some departments of the Hamburg

head office have also been included in the programme. For the theoretical part of their vocational training, trainees attend blocks of lessons at the GenoKolleg cooperative vocational college in Münster.

In addition to conventional vocational training, the Münster office has also been offering dual study programmes for Bachelor and Master of Arts degrees in Banking & Finance, with an integrated two-year vocational training component, since 2012. The programme features alternating practical and theoretical phases at ADG Business School in Montabaur.

Several school cooperation projects, together with participation in vocational training fairs and in internship programmes organised by the Chambers of Commerce and Industry (IHK), promote contact with individuals who are potentially interested in completing their training at DZ HYP. A total of four trainees and two dual students are recruited every training year.

DZ HYP's 18-month graduate trainee programme was developed and launched in 2010. One trainee, who will focus on Commercial Real Estate Finance, was recruited in Hamburg in 2018. In the Münster offices, one trainee was recruited to the Back Office – Housing Sector, Retail Customers/Private Investors. Three participants in the previous trainee programme cycle successfully completed their course in the year under review, and were given permanent employment contracts. Trendence and Absolventa, the leading online jobs portal for young academics, once again awarded DZ HYP its seal of quality in 2018 for its "career-promoting trainee programme".

Joining us through Internships or Student Clerkships

Students and pupils may also get to know DZ HYP through internships, student clerkships or their academic (thesis-) work. When designing such projects, we adhere to the Fair Company Codex, a voluntary self-commitment we made in 2014 and for which we were awarded the corresponding seal.

EQUAL OPPORTUNITY

Equal opportunity and anti-discrimination are cornerstones of our corporate policy and our human resources management. We treat all employees equally, regardless of their heritage, skin colour, religion, gender, age, nationality, sexual orientation, gender identification, marital status or degree of disability, and make sure that they receive regular training on the German General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz). We value the diversity of our employees, and therefore decided to sign the German Diversity Charter in 2012.

The principles of equal treatment and anti-discrimination also apply to questions of wages and salaries. As a general rule, our employees' remuneration depends on the collective bargaining agreement for the private banking sector as well as on the basic collective agreement and the collective agreement for cooperative banks, as well as for the cooperative central institution. These collective bargaining agreements

define gender-neutral criteria on job classification and the corresponding remuneration, institutionalising equal pay for men and women as early as in the collective remuneration scheme. For non-tariff employees, remuneration and remuneration development are set forth in an employer/works council agreement, based on the employees' activities and their qualification. When an employee is placed in a particular salary band, the works council as well as the Remuneration Officer are involved. All this ensures a gender-neutral remuneration scheme at DZ HYP. Men and women with equal jobs, equal suitability and equal experience will receive equal pay.

Our corporate culture promotes integration: as such, severely disabled members of staff are an important part of our workforce. During the year under review, 3.3 per cent of our employees were classified as severely disabled. Severely handicapped employees, together with their interests and concerns, have dedicated representatives.

» Performance-Based Remuneration: p. 48

The Fair Company Codex

- » Fair Companies offer internships for students; the goal of these internships is to provide professional orientation and guidance.
- » At Fair Companies, the tasks and goals of interns are clearly outlined, and all interns have a fixed contact in the company.
- » Fair Companies employ interns for a sensible period of time.
- » Fair Companies do not fob off graduates applying for a job with an internship.
- » Fair Companies pay their interns an adequate allowance.
- » Fair Companies provide transparency on tasks, contacts and the goals of the internship, as well as on the Fair Company Codex.



Promoting Women: Statutory Quotas and Corporate Initiative

In accordance with statutory requirements, DZ HYP's Management Board and Supervisory Board are obliged to set targets for the proportion of women on the Supervisory Board, the Management Board, and the two management levels below the Management Board – as well as target dates for achieving them.* Against this background, in accordance with section 111 (5) of the German Stock Corporation Act (Aktiengesetz – AktG), in 2017 what was then DG HYP's Supervisory Board set a target quota of 22 per cent for the proportion of women on the Supervisory Board, and a target quota of 0 per cent for the proportion of women on the Management Board. The target date for implementation of these quotas was 31 July 2018. Both quotas were met at expiry of the term. On 18 June 2018, and again in accordance with the above-mentioned legal provisions, the Supervisory Board set a target quota of 22 per cent for the proportion of women on the Supervisory Board, and a target quota of 0 per cent for the proportion of women on the Management Board. The target date for implementation of these quotas is 31 July 2020. Following the merger, the targets remain valid for DZ HYP.

* The proportion of women on the two management levels below the Management Board during the year under review is not given for reasons of the merger – the corresponding targets were set for the former DG HYP. New targets will be set on 30 June 2019 and communicated in next year's Sustainability Report.

Making Life Simpler

Achieving a proper work/life balance can be a challenge, especially where there are children to take care of or family members to nurse, but also where staff dedicate a share of their free time to charity. With a broad range of measures, we aim to make life easier for our staff, and represent a corporate culture that reconciles family needs with career planning. We are well aware that there cannot be a "one size fits all" approach; we are therefore always in search of individual solutions to personal matters, together with our employees.

Flexible working hours are an integral part of these solutions. Instead of setting a core time, we bank on flexible working arrangements that give employees a degree of autonomy. We run time-savings accounts and reach agreements on team and department levels to make sure that the needs of both the individual employee and the workplace are met. In addition, we offer various part-time models, as well as mobile, digital working. All full-time employees are entitled to 30 vacation days per annum. For part-time employees, the number of vacation days is subject to the working days per week that have been agreed upon individually. This pro-rata calculation is also based on an annual vacation entitlement of six weeks. In addition, employees at our Hamburg offices may save additional hours up towards additional days of annual leave, or take a sabbatical of up to three months.

USE OF FLEXIBLE WORKING HOURS

Employees (in %)	2018	2017*	2017*
	DG HYP	DG HYP	WL BANK
Flexible hours	100.0	100.0	100.0
Full time	77.9	81.0	77.7
Part time	22.1	19.0	22.3
Occasional mobile working	69.9	76.7	32.8
Partial retirement	0.6	1.0	0.3
Parental leave	2.7	2.3	4.3

*Indicators for DG HYP and WL BANK are reported separately for the time prior to the merger.

"berufundfamilie" Certificate



In recognition of our family-oriented human resources policy, the non-profit Hertie Foundation awarded us the "**audit berufundfamilie**" certificate in 2013, and confirmed it in 2016 following an extensive re-audit process. This entitles us to bear the seal "berufundfamilie" until 2019.

Above and beyond our flexible working hours, we also offer professional counselling as well as childcare support and support for employees who nurse family members. These are provided through cooperation agreements with external service providers. Experts are also there to help with personal emergencies or problems of all kinds. There is also a parent-child office available at short notice, and we offer emergency childcare where necessary.

The Hertie Foundation auditors evaluated DZ HYP and confirmed that we are a family-friendly employer offering many practices and policies that allow individuals to balance work and family commitments. Over the course of the audit, which took several months, we developed more measures to further help our employees address work-life balance issues, which we will implement one step at a time.

Responding to Family Needs

In Münster, we joined forces with Sparkasse Münsterland Ost, a local savings bank, for a corporate daycare centre ("Der kleine Däumling", or "Little Thumb" in English). There, our employees' offspring are in good hands during their parents' working hours, and are close to the Bank. We enlisted the support of the City of Münster's children, youth and family office for this, while two professional childminders/teachers take care of infants of less than one year old, and children up to three years of age.

Several times a year, we offer holiday care for our employees' children in close vicinity of DZ HYP in Münster, together with a local sports club (Blau-Weiß Aasee e.V.): after a family breakfast at the Bank, the children head out to a sports park, where they are looked after by qualified personnel for five days, while they enjoy a variety of activities, ranging from football, volleyball or dance, to self-assertion classes and a sports Olympiad. They may also obtain the German Sports Badge. The team at Tafelschmitz catering, who also run the Bank's canteen, provides sustenance at lunch.

During the year under review at our Hamburg offices, we celebrated our traditional childrens' Christmas party. Around 110 children accepted the Management Board's invitation, joining the celebrations with parents and grandparents. Lots of activities take place, such as handicrafts, face painting, and a musical fairy tale. Thanks to the childrens' Christmas party success in Hamburg, our Münster colleagues will organise a similar event in 2018.

Social Benefits

On top of a performance-based remuneration, we offer comprehensive social benefits for our employees to enhance their protection and improve their work/life balance. Our benefits include corporate retirement provisioning, childcare support, a transit card ("job ticket") and transit allowance for public transport, group accident insurance, a corporate sports programme, anniversary bonuses, a subsidised canteen, and financial support for next of kin. DZ HYP also contributes to employees' capital-building payment schemes.



Performance-Based Remuneration

Our remuneration strategy observes our business and risk strategies, whilst also adequately and transparently recognising the achievements of our employees. Remuneration is based only upon qualifications and performance; gender-related aspects are not taken into account. A fixed base salary enables our employees to plan for the future, and gives them a regular income upon which they can rely. We further honour their achievements by paying a performance-based bonus once a year. In addition to commercial success, we honour individual and team achievements. The variable component is determined based on the individual's performance assessment, or the achievement of agreed targets pursuant to the provisions on variable remuneration.

398 members of staff were non-tariff employees as at 31 December 2018; 462 were tariff employees, 16 received a trainee salary or other forms of remuneration.

Remuneration of the Management Board

The Management Board is remunerated in accordance with legal and regulatory requirements. The Supervisory Board is responsible for the Managing Directors' remuneration and conducts regular reviews, in particular with regard to appropriateness and changes necessary to comply with new regulatory requirements. The remuneration is comprised of a fixed and a variable component. Payment of the variable component is dependent on a sustainable development of the Bank, and is linked to enterprise value. Accordingly, the variable remuneration of the Management Board is calculated on the basis of multi-year criteria, and risk-related indicators are taken into account. The legal basis for this is the German Regulation on

Remuneration in Financial Institutions (Institutsvergütungsverordnung – InstitutsVergV), as amended in August 2017.

» Remuneration Oversight Committee p. 28

Remuneration of Risk Takers

Employees at our Hamburg location whose professional activities may have a material impact on the Bank's risk profile are classified as risk takers. Where the individual remuneration for a risk taker exceeds a certain limit, provisions in the employer/works council agreement on retention, payment and entitlement conditions apply. 80 per cent of the variable remuneration component is retained, for up to four years following determination. During this time, a minimum of 50 per cent of the variable remuneration depends upon DZ HYP's sustainable performance. The legal basis for this was the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – InstitutsVergV), as amended in December 2013. This Regulation was again amended in August 2017, and is being implemented in this version at DZ HYP in 2019.

Individual analyses for our two locations identified 61 risk takers at our Hamburg offices as per 20 April 2018 (2017: 43): Members of the Management Board, executives and employees within the meaning of section 5 BetrVG (German Works Constitution Act) as well as – for the first time – the Members of the Supervisory Board. The inclusion of the latter is also the reason for the rise in the number of risk takers. At our Münster offices, 19 risk takers were identified as per 20 December 2017. This number includes the Members of the Management Board. The current risk taker analysis as per 31 December 2018 will be ready in mid-2019.

AVERAGE LENGTH OF COMPANY SERVICE



HEALTH AND SAFETY IN THE WORKPLACE

As we take our responsibility as an employer seriously, we aim to create a safe working environment by not only eliminating factors that may trigger or worsen conditions, but also by taking preventive measures to preserve and improve employee health – an important cause also in economic aspects, as this means safeguarding DZ HYP's ability to perform. We know that one of the factors our performance hinges on is how fit our workforce feels, and how well they can cope with their workload.

Occupational Health Management

Our comprehensive occupational health management contributes to the performance, health and commitment of our staff. It also comprises a versatile range of in-house sports (including in our own fitness rooms), healthy meals in the staff restaurant, advice from the company doctor, regular health checks, as well as

discounts at gyms and seminars in the quest to promote employee health. Additionally, we have equipped all workstations with height-adjustable desks.

During 2018, 147 employees at our Hamburg offices took up our offer of corporate sports and fitness programmes, such as complete body training, yoga, beach volleyball, tennis, boxing and running (2017: 163).

In the summer months, we again took part in the "Cycle to Work" initiative, started by the German Cycling Club (ADFC) and the AOK health insurer. Around 30 Hamburg colleagues participated, cycling almost 8,511 kilometres between 1 May and 31 August 2018, alone or in teams. Furthermore, DZ HYP running teams participated in sporting events such as the marathon hosted by Volksbank Münster, or the JP Morgan Corporate Challenge in Frankfurt/Main. In Münster, the Bank allows its employees to lease a company bike or e-bike – just like a company car – at a reasonable price via the leading bicycle lease provider JobRad. Setting a financial incentive for this offer – which after all is good not only for the environment, but also for our employees' physical health –

COMPREHENSIVE HEALTH MANAGEMENT AT DZ HYP



PROMOTION OF HEALTH

- » Exercise, company sports offers
- » Lectures, information material
- » Healthy diets
- » Relaxation, stress management
- » Vaccination campaigns
- » Healthcare action day



OCCUPATIONAL HEALTH & SAFETY

- » Threat analysis
- » Occupational medicine / health check-ups
- » Workplace visits, advice on workplace ergonomics
- » Information, advice



OCCUPATIONAL RE-INTEGRATION MANAGEMENT

- » Re-integration following longer periods of illness or other absence
- » Personal discussions with returning employees



PERSONNEL DEVELOPMENT

- » Health seminars for managers
- » CPD measures / seminars on healthcare, stress, psychological pressure



SUSTAINABLE CATERING

- » Healthy meals in the in-house restaurant and café
- » Workplace nutrition

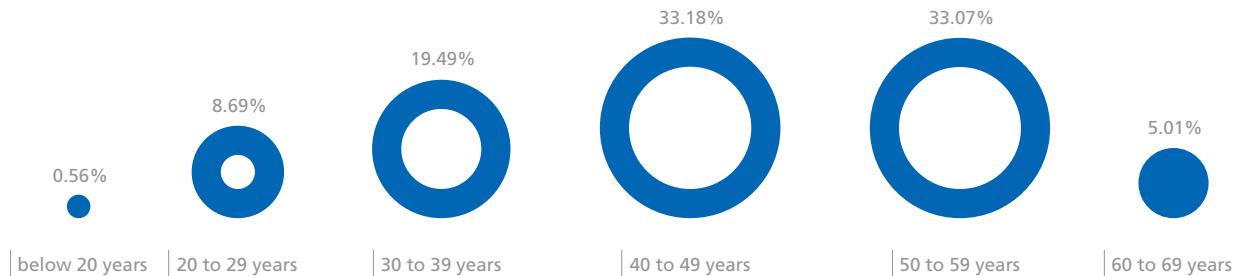
DZ HYP subsidises the lease with €10 per month and pays insurance for the bike. As per year-end 2018, our employees in Münster had leased 101 bikes or e-bikes. JobRad is scheduled to be rolled out to Hamburg in 2019.

The average illness rate at DZ HYP was 4.0 per cent in 2018 (2017: 3.6 per cent). Even though this was an increase on the previous year, it is still a good level. Last but not least, we not only invest in preventive occupational health measures; we also support employees returning after longer periods of illness, via an occupational re-integration programme.

Occupational Safety

In accordance with the statutory provisions and requirements for occupational and fire safety, all employees receive safety training when they join us, which is conducted by our occupational safety specialist. Furthermore, we are currently working on a new online training for occupational and fire safety that all employees will need to complete once a year. We also carry out regular workplace inspections, safety instructions and measures to raise awareness for occupational safety issues. As in the previous years, there were no work-related fatalities in 2018. The rate of work and commuting accidents at DZ HYP was 1.49 per cent in 2018 (2017: 0.6 per cent).

EMPLOYEE AGE STRUCTURE



STAFFING INDICATORS

	2018	2017 DG HYP	2017 WL BANK
Number of employees*	873	480	397
Temporary employees	35	20	22
Permanent employees	838	460	357
Expenses for compulsory social security contributions (€ mn)**			
Wages and salaries	81.7		
Company pension schemes	6.8		
Other social security contributions	10.1		
Percentage of women			
Total workforce	45.3	40.7	48.0
Executive positions	13.2	11.3	11.1
Average age	45.3	47.1	41.0
Percentage of employees with disabilities (%)	3.3	5.1	1.8
Fluctuation rate	4.4	4.2	2.4
Illness rate	4.0	3.6	4.4
Workforce by type of employment (%)			
Non-tariff employees	45.1	63.2	19.7
Tariff employees	54.9	36.8	81.3
Other employees	–	–	–
With the option to take special leave	100.0	100.0	100.0
With the option to work part-time	100.0	100.0	100.0
With company pensions	97.7	95.8	100.0
Represented in the works council	97.8	97.8	97.0

* Average for the year. ** Reported in accordance with IFRS for the first time in the 2017 Report.

ECOLOGICAL RESPONSIBILITY

Aware of Ecological Consequences



GROUP-WIDE CLIMATE STRATEGY

Conserving an intact and stable environment means preserving the basis of life, and is the biggest challenge of our times. As such we cannot ignore it, and nor can we ignore what our business activities have to do with it. Systematic environmental and climate protection takes a major role in our day-to-day work, with our focus being on those areas where we have a direct influence. Our environmental management focuses on optimising the use of energy and resources at the Bank, and on using renewable energy sources to consistently reduce our operational carbon footprint. Facility management, in particular, holds very specific potential for minimising negative contributions. We also seek to reduce mobility-related emissions, such as those resulting from business travel. Looking at environmental issues in the supply chain of products and services is also part of our sustainable corporate policy.

DZ HYP is part of DZ BANK Group's Corporate Responsibility Committee (CRC) and together with the other units represented there, we developed a Group-wide environmental and climate strategy in 2014. This strategy is now constantly reviewed, modified if appropriate, and developed further in a targeted manner. It sets common standards for a compelling environmental policy, efficient environmental organisation with clear responsibilities, and lean processes. In order to exchange know-how and expertise, improve the strategy, and define Group-wide standards, the experts of a dedicated "knowledge centre" meet regularly.

To support the Federal German Government's Climate Action Plan and the UN's Paris Agreement to limit the increase in global average temperature to a maximum of 2 °C, in early 2018 the eleven companies of DZ BANK Group decided to renew their joint climate strategy and committed to reducing their aggregated CO₂ emissions by at least 80 per cent by the year 2050. Indeed, DZ BANK Group – employer of around 30,000 people – has already reduced its CO₂ emissions by 44 per cent, based on 2009 as a reference year.*

The main drivers for this reduction so far have been a switch to using energy from renewable sources, as well as efficiency enhancements in heat generation and distribution. DZ HYP and all other Group entities have agreed to making compensation payments in the event of failure to achieve the planned annual savings.

* This metric refers to the 2017 reporting year, since reviewing and broadening the scope of the climate strategy means that no data is available for the current reporting period.

ORGANISATION AND MANAGEMENT

To further advance environmental protection at DZ HYP and keep track of the effects of our business activities for the environment, we systematically record and analyse our resources consumption. This makes it easy to identify where action needs to be taken, and where there is room for improvement: it also helps us verify and plan corrective action according to urgency, efficiency and benefits. In accordance with our environmental policy, we derive environmental targets and the measures we need to take in order to meet them. The fact that the Münster site has been certified under the "ÖKOPROFIT" programme (an ecological project for integrated environmental technology involving the City of Münster, industry, chambers of commerce and national partners) since 2012, including regular renewals, bears testimony to the high quality of the environmental management system. The most recent re-certification was conducted in 2017.

Coordinating environmental protection at DZ HYP lies within the responsibility of our Sustainability Manager, who is also our Environmental Management Officer. Together, they represent the competent authority for developing the Bank's environmental management system – supported by the departments, who in turn are responsible for implementing environmental action in their realm.

- » Sustainability Management: p. 19 et seq.
- » Sustainability Programme (Ecological Responsibility): p. 73

Engaging Our Employees

For environmental management to bear fruit, it needs to be supported by all colleagues. This is why we place great importance on engaging our employees and keeping them updated about goals and results in the realm of environmental and resource protection. We want to motivate our employees and make them see environmental protection as their own cause: as such, creating the desire to pursue it actively in both their professional and private lives. To support them and raise awareness, tips for environmental protection in practice can be found on our intranet. We would also like to win over the tenants and service providers of our properties towards pursuing more environmental protection in everyday life. As such, we instruct our service providers to make sure that waste is consistently separated and environmentally friendly cleaning agents are used.

In Hamburg, we regularly hold environment and sustainability days together with the CLUB OF ROME's German charter, resident in our building. During those events, the CLUB OF ROME teaches our staff interesting facts on ecological key issues such as energy, water, CO₂ emissions and waste management, as well as on the complex relationship between the Bank's use of resources and a healthy environment.

Also at our Hamburg offices, we held a biking day in 2017 to further promote alternative mobility concepts at DZ HYP. Hamburg police attended the day, and employees were able to have their bikes coded in order to prevent theft. In 2018, we organised a professional safety check for bikes. It will be repeated in



2019 due to popular demand, and will also be organised for Münster, where the above-mentioned lease-a-bike model in cooperation with JobRad has proven quite popular amongst our employees. Employees at our Regional Centres can have their bikes checked with a bicycle dealer. A guided bicycle tour was organised for our employees in Hamburg in 2018, and will be repeated in 2019.

» Mobility: p. 61 et seq.

CARBON FOOTPRINT

Our calculations of greenhouse gas emissions (CO_2 emissions) are based on the VfU indicator system (Association for Environmental Management and Sustainability in Financial Institutions). In accordance with the Greenhouse Gas Protocol (GHG Protocol), we differentiate between the following types of emissions in our reporting:

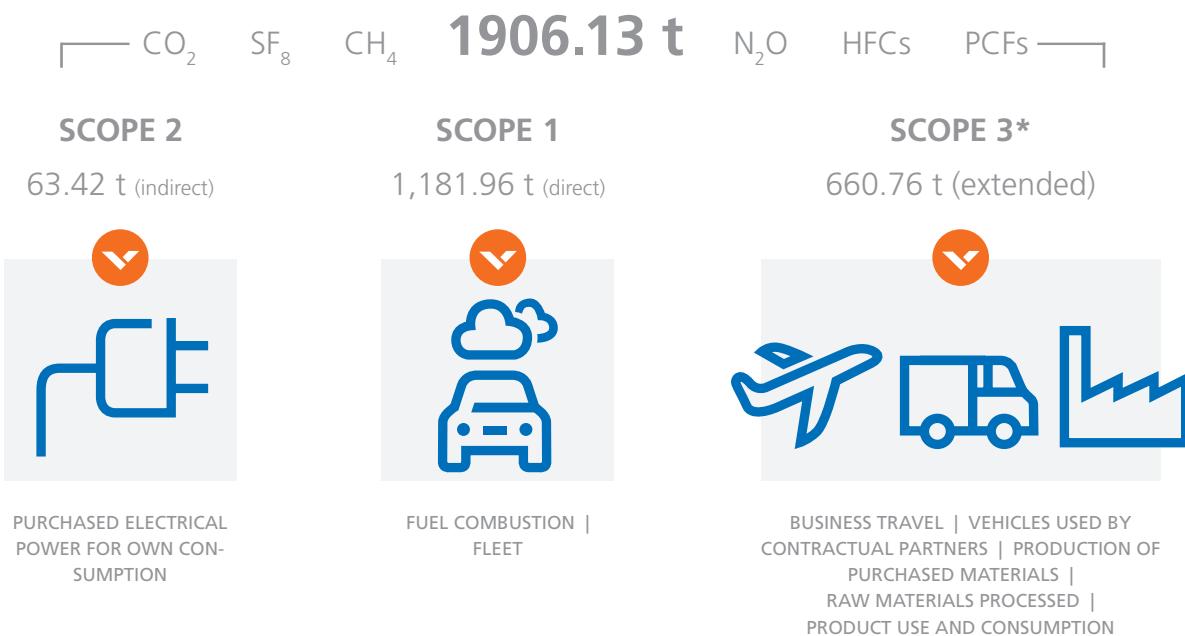
- » **Scope 1:** Direct emissions from within the system under review (e.g. vehicle fleet).
- » **Scope 2:** Indirect emissions from externally generated energy (in particular, electricity and heating). Since 2015, the GHG Protocol asks for data to be reported in two ways: one based on a so-called location-based method, and one based on a market-based method (dual reporting).

Following the VfU, we continue to allocate scope 2 emissions based on supplier- and product-specific emission factors (market-based method).

- » **Scope 3:** All other indirect emissions, e.g. related to transportation and logistics, the use of products and services, supply and disposal for our service providers, and business travel.

This is the basis upon which we identify our main emissions and their sources, and calculate our carbon footprint. Based on the indicators as determined and within the framework of our environmental management systems, we decide upon which actions to take that are suitable to reduce our consumption and avoid CO_2 emissions. We continuously monitor our indicators, and this helps us in identifying potential for saving energy and finding appropriate measures for better energy efficiency.

CARBON FOOTPRINT



* Scope 3 takes into account the use of resources for paper, water, waste, and business travel.

CO₂ EMISSIONS

	2018*	2017 DG HYP*	2017 WL BANK*
Total electricity-related CO₂ emissions (kg)	23,639	10,549	10,941
Specific electricity-related CO₂ emissions (kg/FTE)	36	32	31
Total heat-related CO₂ emissions (kg)	800,087	484,685	259,755
Specific heat-related CO₂ emissions (kg/FTE)	1,220	1,448	731
Total water-related CO₂ emissions (kg)	6,880	3,815	2,808
Specific water-related CO₂ emissions (kg/FTE)	10	11	8
Total paper-related CO₂ emissions (kg)	49,481	33,568	19,732
Specific paper-related CO₂ emissions (kg/FTE)	75	100	56
Total waste-related CO₂ emissions (kg)	1,967	1,944	1,054
Specific waste-related CO₂ emissions (kg/FTE)	3	6	3
Total travel-related CO₂ emissions **(kg)	1,024,076	490,493	380,855
Specific travel-related CO₂ emissions (kg/FTE)	1,561	1,466	1,073
Total CO₂ emissions (kg)	1,906,130	1,025,054	675,146
Specific CO₂ emissions (kg/FTE)	2,906	3,063	1,901

* 75 per cent coverage per full-time employee (FTE); part-time positions are added up to a 100 per cent basis. This includes permanent and temporary employees (excluding Management Board, interns, those on placements, trainees, working students and externals). Our calculations are based on the VfU indicator system; they therefore include preceding and subsequent processes as well.

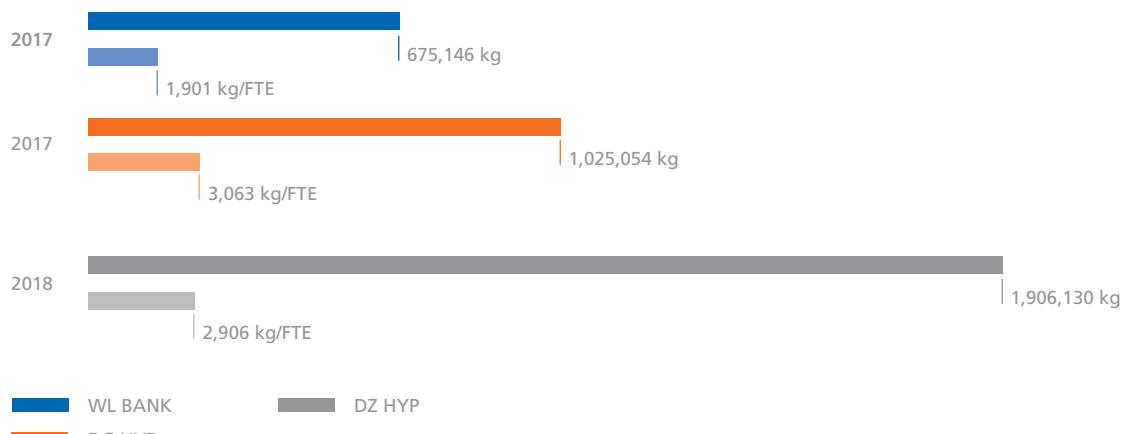
** 100 per cent coverage per full-time employee (FTE).

Including private vehicle usage.

For our Hamburg head office, we are able to indicate the real annual mileage of our cars. CO₂ indications therefore are accurate.

For our Münster head office, the data is calculated based on the kilometres travelled and the estimated average consumption.

TOTAL AND SPECIFIC CO₂ EMISSIONS



ENVIRONMENTAL INDICATORS

Electricity and Heat Consumption

For some years now, DZ HYP has sourced 100 per cent of its electricity from renewable energy sources. All electricity consumed in Münster has been generated in Scandinavian hydro-electric plants since 2012, and all electricity consumed in Hamburg has been certified hydroelectricity since 2013.

During the year under review, the aggregated electricity consumption at both head offices was 3,581,630 kWh, up 13.5 per cent on 2017 (3,155,654 kWh). On a per-FTE basis, electricity consumption was 5,457 kWh (2017: 4,575 kWh). The main reasons for this increase are the construction works in Hamburg, and the alternate and project sites that became necessary as a result of the merger.

We have taken a number of measures to reduce our electricity consumption. Apart from raising awareness with our employees, for example concerning the avoidance of standby power loads, enhancing energy efficiency is a major topic. We are increasingly combining energy-efficient LED with movement-sensitive lighting and demand-based lighting controls (e.g. for timing and intensity). When deciding on equipment for general-use areas such as kitchens, we attribute

great importance to devices with a high degree of energy efficiency.

In Hamburg, heat is generated with natural gas. By replacing the burners of two boilers, the efficiency of our heating system improved considerably. The third boiler was decommissioned and dismantled in 2018, to be replaced by a co-generation unit that meets the needs of the building, and which will be used in the summer months. The unit is designed to cover the entire base load of the building, at economically attractive terms. The previous components of our heating system were modernised and transferred to third parties for further use. The alternate and project space that became necessary as a result of the merger is supplied with district heating.

We also use natural gas in Münster, where we reduced gas consumption by around 40 per cent vis-à-vis 2007, thanks to a variety of measures including replacing the existing boilers and the circulator pumps, switching to pneumatic valves and insulating the heating system's fittings.

During the year under review, aggregate heat consumption (natural gas plus district heating) rose by around 11 per cent on the previous year, from 2,907,163 kWh in 2017 to 3,235,955 kWh in 2018. Similarly to the rise in electricity consumption, this increase in heat consumption was caused by the construction works in Hamburg together with supplementary and project space required as a result of the merger.

ELECTRICITY AND HEAT CONSUMPTION

	2018*	2017 DG HYP*	2017 WL BANK*
Electricity consumption			
Total electricity consumption (kWh)	3,581,630	1,548,989	1,606,665
of which sustainable hydroelectricity (kWh)	3,581,630	1,548,989	1,606,665
Specific electricity consumption (kWh/FTE)	5,457	4,629	4,524
Heat consumption			
Heat consumption (natural gas) (kWh)	2,792,451	1,892,495	1,014,668
Heat consumption (district heating) (kWh)	443,504	–	–
Total heat consumption (kWh)	3,235,955	1,892,495	1,014,668
Specific heat consumption (kWh/FTE)	4,930	5,655	2,857

* 75 per cent coverage per full-time employee (FTE); part-time positions are added up to a 100 per cent basis.
Including permanent and temporary employees (excluding Management Board, interns, those on placements, trainees, working students and externals).

Energy-Saving Renovation of Buildings

We have been carrying out extensive renovation and refurbishment work at our head office in Hamburg since the start of 2018, with the aim of extending the building, increasing flexibility of use and making it more energy-efficient. High-quality refurbishment of the entire building at our other head office in Münster has also been agreed and is set to start in early summer 2019. In addition to the creation of a more modern and flexible working environment, the focus will be on cutting energy demand and – as a result – improving environmental performance. The modernisation work at both sites will be certified by the German Sustainable Building Council (DGNB). In Hamburg, we are aiming for a "Silver" DGNB certificate while certification in the "Gold" category is possible in Münster.

Hamburg Head Office, Rosenstrasse 2

In 2018, we started the construction work and renovation of the façade. The first step saw the windows on existing floors 2 to 4 replaced during day-to-day operations. The additional shell to extend the fourth and fifth floors was also built, while the construction companies renovated and adapted the heating and ventilation systems in parallel. The air scrubbers now work completely chemical-free since they have been equipped for disinfection, as is already the case in other buildings, with germicidal UV light waves and a water purification system. In addition to the hygienic advantage and lower maintenance required, this has significantly cut water consumption. The additional photovoltaic system which is due to be installed in 2019 will further increase performance, thereby reducing the building's peak load by around 15 per cent. Parts of the air conditioning and air handling systems in the exhaust ventilation area will also be optimised for energy efficiency and partially upgraded in the course of further refurbishment. The façade renovation will incorporate sun protection blinds with daylight control: this will also help to cut electricity consumption further since this less artificial light will be required for daytime operation. Once summer 2019 is over and the existing recooling systems have discharged their duty, they will be replaced with three new hybrid recooling systems that meet current air quality requirements. The construction work is scheduled to finish at the start of 2020. We have already

completed the pre-certification stage to be certified "Silver" by the German Sustainable Building Council (DGNB).

Münster Head Office, Sentmaringer Weg 1

The 12-storey office building, dating from the 1970s, is being given a facelift that includes a double façade featuring integrated external sun protection and daylight control. In order to boost energy efficiency further, measures such as upgrading to air circulation cooling systems, LED lighting, highly efficient heat (and humidity) recovery via rotary heat exchangers and a construction design using as few interior walls as possible, are also planned. The quality of environmental data collected will be boosted with multi-tenant spaces. The installation of additional intermediate meters in the building allows for a more precise area-specific calculation of the consumption figures. Almost all the areas in the building will be designed to be barrier-free. There will also be a new access path for cyclists, including parking spaces in line with the requirements of the German Cycling Club (ADFC) as well as changing facilities. Construction work is due to finish in 2021.

QUARTIER 21 in Münster

DZ HYP has had the office building QUARTIER 21 constructed as an investment property in the immediate vicinity of the Münster head office and despite unforeseeable difficulties in the demolition of the old building, put it into operation right on schedule in April 2018. It was fully rented out after just a few months. The building offers state-of-the-art and above all flexible office space for various forms of working, over a total area of 7,800 square metres. It has an extensively landscaped flat roof that complements the surrounding environment. QUARTIER 21 is heated with district heating and a heat pump. The energy-efficient flooring has a combined heating and cooling function. A photovoltaic system serves to generate electricity for the general-use areas. The underground garage offers 134 parking spaces for bicycles and 126 for cars. Four of the car parking spaces are equipped with e-charging stations. The office building features changing and shower facilities especially for cyclists. For 2019, during upgrading of the Münster head office building, DZ HYP will move into a tenant unit.

Water Consumption

DZ HYP sources water from the public utility for the Hamburg region, HAMBURG WASSER, and from the public utility of Münster, Stadtwerke Münster. Total water consumption during the year under review was 10,376 cubic metres, up from 9,422 cubic metres in 2017. Specific water consumption per employee rose from 14 cubic meters in the previous year to 16 cubic metres in 2018. The rise in water consumption can again be explained by the use of supplementary and project space following the merger.

Paper Consumption

Amongst the consumables, printer and copier paper account for the largest share in terms of volume. Both in Hamburg and Münster, we have been relying on recycled and/or paper certified by the Forest Steward-

ship Council (FSC) for several years now. Since the mid-2018 merger, Blue Angel certified recycled paper has been used throughout the Bank. In 2018, 76 per cent of the paper consumed at DZ HYP carried that label (2017: 67 per cent). For marketing materials and publications, we use almost exclusively FSC-certified paper. Double-sided printing has been the default setting at all printers at our Münster offices since 2012.

To further reduce our paper consumption in Münster, all sanitary facilities and washrooms in Münster are equipped not only with paper towels, but also with cloth towel dispensers. Cloth towels are exchanged and cleaned regularly, making them a good alternative to their paper equivalents.

In sum, total paper consumption was 5 per cent lower in 2018 than the year before: 45,418 kg versus 47,730 kg.

WATER CONSUMPTION

	2018*	2017 DG HYP*	2017 WL BANK*
Total water consumption (m³)	10,376	5,427	3,995
Specific water consumption (m³/FTE)	16	16	11

* 75 per cent coverage per full-time employee (FTE); part-time positions are added up to a 100 per cent basis. Including permanent and temporary employees (excluding Management Board, interns, those on placements, trainees, working students and externals).

Water withdrawn from the public drinking water system. Waste water is fed into the local sewerage system; it is not discharged directly into streams and rivers. Waste water produced by DZ HYP does not affect biodiversity, due to its characteristics.



PAPER CONSUMPTION

	2018*	2017 DG HYP*	2017 WL BANK*
Printer and copier paper consumption			
Total paper consumption** (kg)	24,764	19,579	10,006
Specific paper consumption (kg/FTE)	38	59	28
Share of FSC-certified paper	16	0	82
Share of recycled paper	76	98	6
Share of totally chlorine-free (TCF) paper	8	2	12
Printed material			
Total paper consumption (kg)	14,064	5,319	6,243
Specific paper consumption (kg/FTE)	21	16	18
Share of FSC-certified paper	99	100	99
Hygienic paper consumption***			
Total paper consumption (kg)	6,590	5,205	1,378
Specific paper consumption (kg/FTE)	10	16	4

* 75 per cent coverage per full-time employee (FTE); part-time positions are added up to a 100 per cent basis. Including permanent and temporary employees (excluding Management Board, interns, those on placements, trainees, working students and externals).

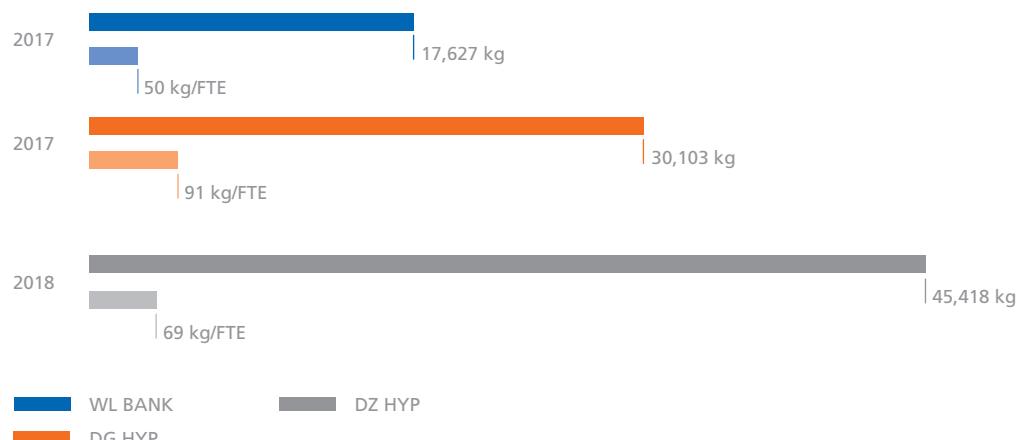
** Changes in data collection have resulted in different data than that published with 2013's status report (paper consumption incl. envelopes 2013-2014).

"Printer and copier paper" no longer lists FSC-certified and elemental chlorine-free paper, due to low volumes.

"Printed material" no longer lists ECF and TCF paper as these types of papers are no longer used.

*** Differing methods of data collection at both head offices prevent us from reporting the percentage share of elemental chlorine-free (ECF) and totally-free (TCF) hygienic paper. We are currently working on harmonising the methods of data collection.

TOTAL AND SPECIFIC PAPER CONSUMPTION



Mobility

To cut down on business-related travel, we are raising employee awareness and making more use of video and teleconferences. We are further encouraging employees to increase their use of low-emission public transport wherever possible, providing transit cards ("job tickets") and transit allowances for existing season tickets as a financial incentive. During the year under review, 251 employees at our Hamburg offices took advantage of these financial incentives (previous year: 252 employees), 45 employees at our Münster offices made use of the transit card. Since 2015, our employees in Münster have also been able to purchase bikes and e-bikes as company bikes from the bicycle leasing provider JobRad at favourable conditions. This allows our employees to travel to work in an extra environmentally friendly way. DZ HYP subsidises the lease with €10 per month, and also pays insurance for the bike. As per year-end 2018, our employees in Münster had leased 101 bikes or e-bikes. JobRad is scheduled to be rolled out to Hamburg in 2019.

Due to the merger, business-related travel in 2018 was up almost 24 per cent to 5,995,282 km (2017: 4,849,816 km). In particular, we saw an increase in business-related travel between our two head offices in Hamburg and Münster. On a positive note, the share of business air travel decreased to 4 per cent (2017: 9 per cent), while the share of climate-friendly rail travel increased to 39 per cent (2017: 32 per cent). As a result of the merger, the planned evaluation of whether to compensate for emissions caused by air travel with climate protection projects was postponed. However, this evaluation will be further pursued in the future.

Around 50 complimentary bicycle parking places as well as a bike repair station are available to employees, and also to commercial tenants of our cooperative companies, in the underground garage at our head office in Hamburg. In Münster we have more than 120 covered bicycle parking places. This offer will be extended in the course of the refurbishment of the building. Moreover, there are 24 charging stations for e-bikes in the underground garage. Our employees can also use the free parking spaces of the bicycle station at the railway station – an offer especially appreciated by commuters travelling by train.

We set great store by a fuel-efficient and low-emission vehicle fleet. In Münster, the company car regulations provide a guideline for this, in which CO₂ emissions are regulated as well. The gradation depends on the function of the employee entitled to a company car. The maximum values range between 150 and 180 grammes of CO₂ emitted per kilometre.* In addition, the company promotes early switching to hybrid vehicles. A company car regulation which promotes the purchase of environmentally friendly vehicles in a comparable way, is in preparation for DZ HYP as a whole.

Following a change of the leasing company in 2015, we are now able to indicate the real annual mileage of the cars at our Hamburg offices. CO₂ indications therefore are far more accurate than in previous years. For our Münster head office, the mileage data is calculated based on the kilometres travelled and the estimated average consumption. In 2019 we will

* Cars with automatic transmissions may exceed the maximum value by 20 gram of CO₂ per kilometre each.

WORK-RELATED TRAVEL

	2018*	2017 DG HYP*	2017 WL BANK*
Total work-related travel (km)	5,995,282	2,575,788	2,274,028
Specific work-related travel (km/FTE)	6,661	5,366	6,404
Share of travel by train in %	39	34	29
Share of air travel in %	4	15	3
< 500 km in %	90	92	93
> 500 km in %	10	8	7

For DZ HYP's work-related travel by train, it is worth noting that the German railway company Deutsche Bahn uses sustainable energy only, making this form of travel climate-neutral since 1 April 2013.

* 100 per cent coverage per full-time employee (FTE).

switch to petrol cards in Münster, which also allow precise consumption measurement. When compared to the previous year (871,348 kg CO₂), emissions from work-related travel rose by 30 per cent to 1,130,575 kg CO₂ during the year under review.

Since 2016, our employees in Hamburg have been able to use a BMW i3 electric car for business-related travel, which was met with great acclaim. The vehicle can be charged fully within the course of two hours using our very own charging stations located in the underground garage. In Münster, we provide four hybrid vehicles for business-related travel (BMW X5 40e, BMW X5 40e, VW Passat Variant GTE, Mercedes-Benz GLC 350e). Two charging poles are available for the employees for their own vehicles; another one is reserved for our clients. A possible expansion of our electric car pool is currently being discussed.

In cooperation with our leasing partner we have been able to offer our employees in Hamburg, Berlin, Frankfurt, Dusseldorf and Munich trainings with company cars on fuel-efficient driving techniques. The realisation of such trainings at other offices is still pending. The trainings are aimed at all company car or pool car users, subsidised with €75 each by the German statutory accident insurance and repeated on a regular basis. The response of participants was consistently positive.

In order to steer mobility management of the company towards a more environmentally friendly direction, the Münster head office participated in the "mobil gewinnt" programme at the beginning of 2018. A combined initiative from the Federal Ministry of Transport and the Federal Environment Ministry, it

takes the form of a competition aimed at promoting exchange between companies and municipalities, providing examples of best practice, and offers financial promotional funding options to the winners. In the wake of the programme, the Münster office carried out an as-is analysis and drew up a catalogue of measures.

Waste

We try to avoid waste wherever we can. Where this principle cannot be applied and we generate waste, it is reused or recycled. All of our waste is disposed of by an external contractor, with most of the waste generated in Hamburg – 88 per cent, as in the previous year – being recycled.* 10 per cent of waste is used to replace primary energy sources, and is prepared as substitute fuel for thermal energy generation, thus contributing to the saving of resources, and to reduce CO₂ emissions. Only 2 per cent of our waste is not recyclable. Transparency of waste data has increased considerably over the past years, as queries have become more differentiated and data suppliers more involved.

Batteries, electronic scrap, wires, aluminium and copper waste are disposed of individually. The contractor reimburses these materials in accordance with market standards; credit is applied against disposal costs and distributed separately. It is in particular the recirculation of sorted materials that has a positive economic effect.

* For Münster, our waste management service providers have not been able to provide us with recycling quotas for the year under review. We will endeavour to report this number for both head offices in next year's Sustainability Report.



Due to deviating municipal requirements, waste is sometimes disposed of differently at the two head offices. Accordingly, it is not possible to indicate the quantities of mixed packaging waste and commercial waste, as provided in last year's Sustainability Report. The procedures for collecting consumption data are currently being harmonised. The data will be included in the next Sustainability Report.

However, total waste quantities were used to calculate the CO₂ emissions from waste generated by DZ HYP, so that these values are indeed comparable. The result: compared to 2017 (2,998 kg), CO₂ emissions were reduced to 1,967 kg. It is fair to assume that on account of construction measures at both head offices, CO₂ emissions that result from waste will increase in the coming year.

Furthermore, the high quantities of confidential paper waste can be attributed to the fact that large stocks of old documents requiring approval were scanned, electronically processed and placed in electronic files. With the introduction of electronic files in 2015, we

significantly reduced paper consumption. We will continue to promote paperless communication in the future.

Our employees are also encouraged to consistently sort their waste, and suitable places – such as the kitchens – are equipped with bins for residual waste, glass and recyclable plastics. In addition, all offices are equipped with an additional dustbin to facilitate the segregation of paper waste and general (residual) waste. The plastic bin liners used in the cleaning company's collection areas have been replaced by environmentally friendly jute sacks. In order to raise awareness with our employees concerning waste separation, the paper bins at Münster head office are not emptied if the waste has not been separated correctly.

In 2018 the Münster employees again collected discarded printer devices and cartridges with a total weight of almost 100 kilogrammes in special boxes and handed them over to a DEKRA-certified specialist company for disposal, audited in accordance with ISO 9001 and 14001. There, the devices or cartridges are

WASTE

	2018*	2017 DG HYP*	2017 WL BANK*
Non-hazardous waste			
Total paper (excluding confidential paper) (kg)	57,723	16,570	34,954
Specific paper (excluding confidential paper) (kg/FTE)	88	49	98
Total confidential paper (kg)	64,289	77,020	4,895
Specific confidential paper (kg/FTE)	98	230	15
Total building site waste emanating from the building modernisation programme (kg)	46,550	56,990	0
Specific building site waste from modernisation (kg/FTE)	71	170	0
Total non-hazardous waste (kg)	168,562	150,580	39,849
Specific non-hazardous waste (kg/FTE)	257	450	112
Hazardous waste			
Total toner waste (kg)	143	163	155
Specific toner waste (kg/FTE)	0.2	0.5	0.4
Total electronic machinery waste (kg)	2,841	4,690	1,600
Specific electronic machinery waste (kg/FTE)	4	14	5
Total lighting waste (kg)	249	211	18
Specific lighting waste (kg/FTE)	0.4	0.6	0.5
Total hazardous waste (kg)	3,233	5,064	1,773
Specific hazardous waste (kg/FTE)	5	15	5

* 75 per cent coverage per full-time employee (FTE); part-time positions are added up to a 100 per cent basis. Including permanent and temporary employees (excluding Management Board, interns, trainees, working students and externals).

sorted manually by article and, as far as possible, passed on to other recycling companies for reprocessing. Defective devices are recycled in accordance with the law. Thanks to the preliminary sorting and separating of the materials, valuable raw materials can be recovered more effectively.

Since the end of 2014, the Hamburg employees have participated in an initiative to collect pens, promoted by international recycling and upcycling company TerraCycle: biros, felt pens, and synthetic office utensils are collected and reused.

IT

As IT is a major influence upon energy consumption and CO₂ emissions, we place great importance on improving energy efficiency when procuring new equipment. In general, and where available, we prefer devices with an environment mark such as Blue Angel or Energy Star.

Gradually, we are equipping our meeting rooms with new, energy-efficient flat screens and modern video conference systems. This provides us with further opportunities for meetings across locations, without the need for travel. In 2019, all of the Bank's computers will be replaced with new, energy-efficient models, which will also enable mobile working. Moreover, all printers and multifunctional devices in our Münster head office will be switched to new models, thereby also reducing the number of printers.

Environmental Protection Along the Supply Chain

When selecting suppliers, we abide by DZ BANK Group's sustainability standards for suppliers. These standards have been an integral part of our procurement process since 2012. Suppliers exceeding a fixed threshold of business with DZ HYP must commit to reducing environmental impact beyond legal minimum

requirements, and have organisational structures for a systematic environmental management in place. We give preference to local suppliers and service providers; this means, quite simply, that they are located close to one of DZ HYP's offices. This results in short transportation routes and helps reduce CO₂ emissions.

» Engaging Suppliers: p. 30

Climate-Friendly Food Choices

It is our commitment to primarily offer seasonal and regional food at our staff restaurants in Hamburg and Münster. We use high-quality products, whose origins and production chains are transparent, and prefer humanely raised meat and MSC-certified fish for our meals. Furthermore, our staff restaurant in Hamburg has offered only fruit from organic farming since the beginning of 2018. Dairy products are mainly provided by a small local creamery cooperation. A coffee roasting house in Münster's surrounding area provides exclusively fair-trade organic coffee. Leftover food will be transferred to a certified company, which sorts and prepares it for energy generation in biogas plants.



Since July 2012 our Hamburg offices have been part of the "KlimaTeller" project of the GreenFlux e.V. charity: every Wednesday, our canteen offers no red meat products, nor any dairy products with fat content above 15%. This is because the production of such foods usually entails application of fertilizers, destruction of rainforests to create pasture land, and significant greenhouse gas emissions emanating from animal digestive processes.

SOCIAL COMMITMENT

Together for the Common Good



DZ HYP, as a company, is part of society. As such, we want to make a specific contribution to promoting development and fostering the public good. And that is what we do – as an employer, a trainer, a client, and a taxpayer, but also through our commitment to society. The cooperative basic values of aiding empowerment, solidarity, partnership and social commitment are the cornerstones of our activities. Together with our staff, we are active in: supporting a large number of social projects and institutions, professionally-oriented non-profit organisations, as well as the social involvement of the Cooperative Financial Network.

Community Service

During the year under review, we again patronised the Hamburg Donor's Parliament (Hamburger Spendenparlament), which supports initiatives to help the homeless and people living in poverty and isolation. We also supported two projects for refugees, as part of our ongoing commitment in this area: we patronised the "BFD Welcome Hamburg" project created by STADTKULTUR HAMBURG e.V., where refugees can take up regular volunteer work in the domains of culture and education, as well as a charity in Bamberg, which runs its own community centre and helps refugees (Freund statt fremd e.V.).

During the year under review, we also backed various initiatives that work for the welfare of children, teenagers and their families, such as the children's network United Kids Foundations, which was established by Volksbank Braunschweig-Wolfsburg and now organises an annual "walk4help" to raise funds for the fight against child poverty. We also sponsor Schmetterling Neuss e.V., a charity that helps the

families of sick or disabled children, or children who have passed away. Vinzenzwerk Handorf e.V. is a special education facility that gives a home to over 150 children, teenagers and young adults, living there in various forms of care.

Our employees are committed to make a difference and actively engage in social projects; and we as a Bank are committed to supporting them. That is why we held a fifth Social Day in the summer of 2018 – a day for our staff in Hamburg to spend their working time doing social work. This year, they again helped spruce up the gardens at the local Sternenbrücke children's hospice. The employees' annual Christmas collection, traditionally doubled by the Bank, was donated in 2018 to a centre for strays run by Basis und Woge e.V., a Hamburg-based charity, as well as to the "Wünschewagen" project of the Arbeiter-Samariter-Bund (Workers' Samaritan Foundation) that grants a heartfelt wish to people in their final phase of life. As in the previous year, we once again decided not to send out Christmas cards in 2018, instead using the amount saved to provide financial support to two social projects proposed by our employees.

DZ HYP has been a member of DESWOS e.V. – a non-profit organisation for social housing – since 2015. The main sponsors of this NGO are the housing companies belonging to the Federal Association of German Housing and Real Estate Companies (GdW), but their associations (as well as other corporations and private individuals) support DESWOS e.V. through membership fees, donations and charitable work. Our support of DESWOS is not limited to our membership fee. Rather, we support them in aiding empowerment to families in need who would like to build a home and securing their livelihood, by sponsoring charity events and donations.

Related Field Project Support

Promoting the CLUB OF ROME and its mission statement, which advocates sustainable development that aligns the needs of today's and future generations to the limited availability of resources of our planet, has become a tradition for us. Since 2013, we have been providing the CLUB OF ROME's German charter with facilities at DZ HYP House in Hamburg at no charge. We have also been supporting the CLUB OF ROME school network with an annual donation since 2013. We were honoured as an educational partner for the schools in 2015, and in this role contribute to the implementation and expansion of the CLUB OF ROME school network at a national level. In addition, we serve as the host and financial backer of the annual meeting of the CLUB OF ROME schools. For several years we have provided The Chance Chocolate giveaways at events for the CLUB OF ROME children's initiative "Plant-for-the-Planet". Every sale of five chocolate bars plants one tree.



The employees of DZ HYP have been providing aid to the DZ BANK Microfinance Fund for many years, and continued to do so in 2018. The Microfinance Fund extends small loans to people in developing countries who have neither access to conventional banks nor

funding of their own. These micro-credits are granted mainly to women who are active in trades, crafts, agriculture or food production. With these loans, they are able to build a business, create jobs and independently improve their living situations, in line with the cooperative principle of aiding empowerment. The DZ BANK Microfinance Fund was founded by DZ BANK employees in 2000. In 2012, it was converted into a cooperative with over 250 members, including DZ HYP staff.

Within the scope of the "Schools and Business Partnership" project launched by a chamber of commerce and industry, we are cooperating with two schools in Münster. Internships and trainees serving as "educational ambassadors" aim to stimulate students' interest in economic issues, and support them in thinking about their careers. We also offer students internships as part of the state of North Rhine-Westphalia's initiative to help young students successfully take the step from the school bench to a traineeship ("Kein Abschluss ohne Anschluss").

Since 2015, we have been a member of the Real Estate and Leadership Foundation e.V. (REaL). The foundation, which comprises 24 companies and twelve personal members at present, aims to bring the sciences, research and education to bear on interdisciplinary and system-wide leadership issues in the real estate sector. In 2017, the Hamburg School of Business Administration (HSBA) launched the Real Estate and Leadership master's programme with an interdisciplinary, practical and research-based approach that makes it the only one of its kind in Germany.

In addition, we supported the Women in Real Estate association (Frauen in der Immobilienwirtschaft e.V. VISIONALE 2018) as well as IMMOEBS, the real estate sector's alumni network, as a premium partner.

Cooperative Charitable Support

DZ HYP's sponsorship activities also include cooperative charitable support. The recipients of our support include organisations promoting or researching the idea of cooperative banks and the cooperative movement, such as the Research Institute for Cooperative Studies at the University of Erlangen-Nuremberg (Forschungsinstitut für Genossenschaftswesen der Universität Erlangen-Nürnberg), together with the

Friendly Association to the GIZ Foundation (Förderverein zur Stiftung GIZ e.V.) and the Society for Promoting Cooperative Studies (Gesellschaft zur Förderung des Instituts für Genossenschaftswesen) at Philipps University Marburg/Lahn. Together with DZ BANK and other companies within the Cooperative Financial Network, we also support the Active Citizenship Association (Aktive Bürgerschaft), which advocates civic action, non-profit organisations, and a fair and powerful civic society.

DZ HYP Partner Awards

In 2018, we once again presented the DZ HYP Partner Awards. This distinction serves to recognise banks with whom we have collaborated with especially closely in the Retail Customers/Private Investors sector. Three banks are given awards in all of the three different classes based on the institution's total asset size. What makes the prize special is that €1,000 is attached to each award that is then donated to anyone of the recipient's choosing, which means that we can express our gratitude for good teamwork while also making a contribution that promotes the well-being of the Bank's immediate community. As in previous years, a variety of groups enjoyed the donations initiated by the Partner Award, including infants with heart conditions in Dusseldorf, a football club in St. Leon-Rot, triathletes with vision and hearing impairments, foundations that support young people who have lost their spouse or associations that promote local craft enterprises, as well as other charitable causes. They all share one core value – that help has to go directly where it is needed, and must aid empowerment.



Providing help for children in their area (from left to right): Anke Kochems-Twardokus (Kinderherzhilfe Langenfeld, i.e. help for infants with heart conditions), Wolfgang Inderfurth (VR Bank eG Bergisch Gladbach-Leverkusen), Birgit Weber (DZ HYP), Claire Günzel (Kinderherzhilfe Langenfeld, see above), Axel Quell and Waldemar Wajand (both VR Bank eG Bergisch Gladbach-Leverkusen).

SUSTAINABILITY PROGRAMME

Objective	Period	Measures	Status
Sustainability Strategy and Corporate Governance			
Establishing an internal, independent Sustainability Committee	2018-2019	<input checked="" type="checkbox"/> Developing and adopting Rules of Procedure (composition, tasks, organisation, etc.) <input type="checkbox"/> Convoking a constituent meeting	Planned for Aug/Sep 2019
Intensifying the external stakeholder dialogue	Ongoing 2019	<input checked="" type="checkbox"/> Processing rating and stakeholder enquiries <input checked="" type="checkbox"/> Conducting a stakeholder survey and updating the materiality analysis together with DZ BANK Group	Objective for 2018 met
Adding further supplier requirements and consulting with departments	2019-2020	<input checked="" type="checkbox"/> Updating and reviewing the buying policy with regards to sustainability criteria <input checked="" type="checkbox"/> Consolidating supplier requirements and updating the processes, as part of the merger	
Training employees on the prevention of money laundering and fraud	Annually/ every other year	<input checked="" type="checkbox"/> All trainings for DZ HYP staff scheduled for 2017-2018 took place	Objective for 2018 met
Improving data protection measures to keep up to date with technological advancements	Ongoing	<input checked="" type="checkbox"/> Internally appointed Data Protection Officer (direct reporting line to the Management Board) instructs new employees, provides training and is responsible for conveying latest developments in data protection as well as implementing the highest security standards for handling client data	Objective for 2018 met
Internal series of presentations on sustainability	2019-2020	<input checked="" type="checkbox"/> Organising the events series and inviting external presenters to look at sustainability from different angles, but with a view on DZ HYP's core business	

■ annually/regularly

concluded in 2018

being implemented

pending/new target

Objective	Period	Measures	Status
Sustainable Banking Business			
Adding further sustainability criteria to the lending process	2021	<ul style="list-style-type: none"> ■ Actively contributing to DZ BANK Group's "Sustainability and Lending" working group <input checked="" type="checkbox"/> Defining exclusion criteria in the context of our reputational risk strategy <input type="checkbox"/> Reviewing and developing a sustainability check list / a list of criteria for clients and properties, taking the extended business model of DZ HYP into account 	Partial objective met
Continuously achieving good results in sustainability ratings	Ongoing	<ul style="list-style-type: none"> ■ Analysing rating results and defining departmental responsibilities to unlock optimisation potentials 	Objective for 2018 met
Financing sustainable buildings	Ongoing	<ul style="list-style-type: none"> ■ Continuing to provide mid-term financing of green buildings in Commercial Real Estate Finance such as: <ul style="list-style-type: none"> • Hamburg Heights, Height 1 • Paunsdorf Center, Leipzig • KÖLN CUBUS Süd, Cologne • Maximilians Quartier, Berlin <input type="checkbox"/> Disclosing the proportion of green financings in Commercial Real Estate Finance <input type="checkbox"/> Disclosing the proportion of social financings in the Housing Sector segment 	Objective for 2018 met
Monitoring client satisfaction	Ongoing	<ul style="list-style-type: none"> ■ Based on complaints received, Complaints Management is continuously looking for ways for us to improve ■ Conducting regular surveys of the different client segments/intermediaries 	Objective for 2018 met

■ annually/regularly

concluded in 2018

being implemented

pending/new target

Objective	Period	Measures	Status
Employees			
Recruiting, fostering and retaining talent	Ongoing	<ul style="list-style-type: none"> ■ Continuing the trainee, bank training and dual study programmes » Trainee programme: With two trainees, the programme entered its eighth year in 2018; three participants successfully completed their trainee programme in the same year Absolventa, an online jobs portal, and Trendence, an advisory and market research firm, awarded us, once again, their seal of quality in 2018 » Bank training: Currently sixteen trainees » Dual-study programme: Currently three students ■ Providing internship and working students vacancies ■ Adhering to the Fair Company Codex ■ Girls' and Boys' Day ■ Next generation empowerment programme in Münster: <ul style="list-style-type: none"> » Maximum of three participants per year » Targeted development of future specialists and executives » One participant in 2018 ☒ Extending the programme to include Hamburg and opening it up to all employees; to systematically develop talent, the maximum number of participants is limited to three 	Partial objective met
	2019		
Preserving and improving employee health	Ongoing	<ul style="list-style-type: none"> ■ Regular health days ■ Influenza vaccinations ■ Dedicated initiatives (2018: bike inspection and tour) ■ Offering seminars to preserve employee health ■ Adding more options to our corporate sports offering (sailing, yoga, etc.) ■ Reducing mental stress at the workplace ■ Conducting threat analyses to assess occupational stress on a team level, every 2–3 years 	Objective for 2018 met
	2019		
	Ongoing	<ul style="list-style-type: none"> ☒ Extending the existing employee integration management to include the Münster offices JobRad ■ Offering the possibility to lease a company bike at the Münster offices; total of leased bikes at the end of 2018: 101 	Partial objective met
	At the end of 2019	<ul style="list-style-type: none"> ☒ Extending this offer to include our Hamburg offices 	Objective for 2018 met

■ annually/regularly

☒ concluded in 2018

☒ being implemented

□ pending/new target

Objective	Period	Measures	Status
Employees			
Increasing the proportion of women at management level	Ongoing	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Increasing the proportion of women at department head level to 13% by 30 June 2019 <input checked="" type="checkbox"/> Defining new targets regarding the proportion of women in executive positions (in accordance with the Act on Equal Participation of Women and Men in Executive Positions) <input checked="" type="checkbox"/> Programme to increase the proportion of women in executive and expert positions 	Objective for 2018 met
Promoting women	Ongoing	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Specifying our CPD offering (in-house seminars, external seminars, cooperations with women's real estate networks) 	Objective for 2018 met
Increasing employer attractiveness and preparing the Bank for demographic change	Ongoing	<p>Further strengthening DZ HYP's employer brand:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Continuously evaluating existing communication channels <input checked="" type="checkbox"/> Optimising employer communications <p>Further strengthening flexible work models:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Implementing the models, e.g. to increase the number of RAS for working remotely as well as the number of laptops to 615 (2017: 515) <input checked="" type="checkbox"/> Developing company-wide full-/part-time and vacation models (e.g. sabbatical) <input checked="" type="checkbox"/> Establishing a single employer brand for DZ BANK Group in the labour market 	Partial objective met
Encouraging employees to take CPD courses	Ongoing	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> 2018: 1.1 training days on average (2017: 2.0) <input checked="" type="checkbox"/> 2018: 42% of employees took part in at least one training measure (2017: 76%) 	
Expanding the internal stakeholder dialogue	Ongoing	<p>Further improving employee satisfaction</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Regular employee surveys; the next survey will be conducted in 2019 <input checked="" type="checkbox"/> Concluding and implementing measures based on survey results 	
Helping employees balance their work and family commitments	Ongoing	<p>Embedding the principles of family-friendliness in our corporate culture, and living them on a daily basis</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Christmas party for kids <input checked="" type="checkbox"/> Providing childcare support, and also support for employees who nurse family members via external service providers <input checked="" type="checkbox"/> Strengthening of the cooperation with Familiengenossenschaft eG (Family Cooperative) (training measures, offering of uncomplicated support in the event of emergency situations) <input checked="" type="checkbox"/> Signing a new target agreement – in the wake of the 2016 re-audit process of the "berufundfamilie" certificate – concerning the optimisation of measures to help our employees address work-life balance issues <input checked="" type="checkbox"/> Consciously using the audit, undertaken every three years, to review progress and develop new measures 	Objective for 2018 met

annually/regularly

concluded in 2018

being implemented

pending/new target

Objective	Period	Measures	Status
Ecological Responsibility			
Protecting the environment and reducing carbon footprint by 15% compared to 2012	2020	<p>Hamburg head office: Implementing construction measures based on DGNB criteria (start: 2018)</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Achieving DGNB pre-certification "Silver" <input checked="" type="checkbox"/> Converting lighting in corridors and ancillary areas <input checked="" type="checkbox"/> Comprehensively refurbishing the building façade and modernising the heating systems <input checked="" type="checkbox"/> Converting the heating systems <input checked="" type="checkbox"/> Installing a cogeneration unit <input checked="" type="checkbox"/> Installing a photovoltaic system for in-house generated electricity <input checked="" type="checkbox"/> Completing core removal of the penthouse level and converting it into a full storey (new building area of 1,800 square metres) <input type="checkbox"/> Converting office lighting to LED 	Partial objective met
Follow-up objective, taken from the Climate Strategy of DZ BANK Group: Reducing carbon footprint by 80% by 2050, compared to the 2009 reference year	2021	<p>Münster head office:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Renovation measures based of the criteria of DGNB are scheduled to begin in summer 2019 » New double façade with integrated sun shading » Converting air cooling units » Highly efficient recovery of heat (and humidity) via rotary heat exchangers » Converting lighting to LED » New entrance and parking places for bicycles » Formation of multi-tenant areas 	
	2020	<p>Both head offices</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Assessing appropriate compensation measures, such as participation in peatland rewetting projects <input checked="" type="checkbox"/> Switching to climate-neutral post and parcel shipments <input checked="" type="checkbox"/> Reviewing and developing mobility alternatives for employees <input type="checkbox"/> Extending the recording of emissions to include commuter traffic, hotel stays, events, office materials, etc. <input type="checkbox"/> Expanding electric car fleet <input type="checkbox"/> Applying the existing regulations on company cars with maximum values for CO₂ emissions to the Hamburg offices 	
Reducing consumption of resources	Ongoing	<p>Implementing energy-saving measures at our Hamburg head office:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Converting conventional lighting to energy-efficient methods <input checked="" type="checkbox"/> Pilot project to convert office lighting to direct and indirect LED floor lamps with presence detectors <input checked="" type="checkbox"/> Reducing the water consumption of our air conditioning units by switching to softened water <input checked="" type="checkbox"/> Reducing the consumption of municipal water by refitting air scrubbers <input checked="" type="checkbox"/> Reducing gas consumption by refitting the boiler burners <input type="checkbox"/> Drinking water purification systems in the kitchens 	Objective for 2018 met
	2020	<p>Münster head office:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Further developing the digital processes to reduce paper consumption <input checked="" type="checkbox"/> Switching from print edition newspapers to online subscriptions 	Objective for 2018 met
Raising environmental and sustainability awareness	Ongoing	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Integrating sustainability themes into welcome events for new employees 	Objective for 2018 met

annually/regularly

concluded in 2018

being implemented

pending/new target

Objective	Period	Measures	Status
Social Commitment			
Contributing specialist expertise, promoting networks and cooperation	Ongoing	Related Field Project Support Supporting CLUB OF ROME <ul style="list-style-type: none"> ■ Supporting CLUB OF ROME schools ■ Using the Plant-for-the-Planet initiative's The Change Chocolate as a giveaway at events ■ Supporting DZ BANK Microfinance Fund ■ Supporting DESWOS e.V., which – according to the principle of aiding empowerment – supports families in need on housing projects in Africa and Asia ■ Cooperation with two schools in Münster within the scope of the "Schools and Business Partnership" project launched by a chamber of commerce and industry ■ Offering of student internships as part of a project run by the State of North-Rhine Westphalia ("Kein Abschluss ohne Anschluss") 	Objective for 2018 met
Supporting solidarity	Ongoing	Community Service: <ul style="list-style-type: none"> ■ Supporting the Hamburg Donor's Parliament ■ Providing aid to refugees: Patronising the "BFD Welcome Hamburg" project of STADTKULTUR HAMBURG e.V., as well as the Freund statt fremd e.V., a charity based in Bamberg ■ Supporting the charity run against child poverty of the United Kids Foundation ("walk4help") ■ Supporting Schmetterling Neuss e.V. for the benefit of families with severely disabled children. ■ Supporting Vinzenzwerk Handorf e.V., a special education facility for children and young people ■ Doubling employee's Christmas donations (in 2018 the donation went to the "Wünschewagen" project of the Arbeiter-Samariter-Bund (Workers' Samaritan Foundation) and to the Basis und Woge e.V. charity) ■ Largely refraining from sending Christmas cards, donating the saved amount to social projects (including Kindernothilfe in 2018, for children in need) ■ Supporting real estate associations and initiatives such as IMMOEBS e.V. and Women in Real Estate (Frauen in der Immobilienwirtschaft e.V. VISIONALE 2018) 	Objective for 2018 met
Promoting cooperative concepts	Ongoing	Cooperative Charitable Support: <ul style="list-style-type: none"> ■ Supporting the Active Citizenship Association (Aktive Bürgerschaft) ■ Supporting research on cooperative science (Forschungsinstitut für Genossenschaftswesen at the University of Erlangen-Nuremberg, Förderverein zur Stiftung GIZ e.V., Gesellschaft zur Förderung des Instituts für Genossenschaftswesen at Philipps University Marburg) 	Objective for 2018 met
Expanding corporate volunteering	Ongoing	Activities and events <ul style="list-style-type: none"> ■ Regular Social Day (2018: helping with the gardening at the Sternenbrücke children's hospice; 2019: Supporting Hanseatic Help e.V.) 	Objective for 2018 met

■ annually/regularly

concluded in 2018

being implemented

pending/new target

GRI CONTENT INDEX

The Global Reporting Initiative (GRI) has created a standard for sustainability reporting in order to establish an international basis for comparing sustainability performance between different companies. The report follows the GRI standard guidelines in its "Core" option. The given GRI Content Index comprises the core indicators and provides references to corresponding pages in the report where the relevant information can be found.

GRI Indicator		Page(s)/ URLs/comments	UN Global Compact
GRI 101: FOUNDATION			
GRI 102: GENERAL DISCLOSURES			
	Organisational Profile		
102-1	Name of the organisation	front cover, 2, 6, 7, 83, 85	
102-2	Primary brands, products, and services	6, 7, 9, 10, 15, 16, 32, 33, 34, 35, AR p. 20 et seqq.	
102-3	Location of headquarters	4, 6, 7, 82, 84	
102-4	Location of operations	82, 84	
102-5	Ownership and legal form	2, 9, 26, 27, AR p. 6 et seqq.	
102-6	Markets served	9, 10, 15, 16, 32, 35	
102-7	Scale of the organisation	2, 10, 15, 16, 51, AR p. 34 et seqq., AR p. 40 et seqq.	
102-8	Employees by employment type, gender and region	4, 46, 48, 50, 51 No breakdown is available linking gender and work-time models	
102-9	Supply chain	30, 64, https://dzhyp.de/suppliers (available in German only)	
102-10	Significant changes during the reporting period	4, 6, 7, 15, 27	
102-11	Precautionary principle	18, 19, 26, 27, 28, 41, 42, 53, 66	7
102-12	External initiatives	4, 14, 18, 19, 44, 45, 66 https://dzhyp.de/UNGC (available in German only)	1 to 10
102-13	Memberships of associations and stakeholder groups	21, 22, 23, 24, 25, 67	
	Strategy and Analysis		
102-14	Statement from the most senior decision-maker (CEO or Chairman of the Supervisory Board)	6, 7	
102-15	Key impacts, risks, and opportunities concerning sustainability	6, 7, 13, 18, 19, 20, 27, 69, 70, 71, 72, 73, 74	
	Ethics and Integrity		
102-16	Values, principles, standards and norms of behaviour	13, 14, 18, 19, 26, 27, 42 https://dzhyp.de/codeofconduct https://dzhyp.de/UNGC	1 to 10
102-17	Mechanisms for advice on ethical and lawful behaviour	14, 21, 29, https://dzhyp.de/UNGC	1 to 10
	Governance		
102-18	Governance structure, incl. the highest governance body	19, 26, 27, AR p. 6 et seqq.	
102-19	Process for delegating authority for economic, environmental and social topics	19, 20, 69	
102-20	Executive-level responsibility for economic, environmental and social topics	19, 20, 26, 28, 29	
102-21	Processes for consultation between stakeholders and the highest governance body	19, 20, 21, 22, 23, 24, 25, 69	
102-22	Composition of the highest governance body and its committees	19, 20, 26, 27, 46, 72, AR p. 109	
102-23	Independence of the Chair of the highest governance body	6, 7, 19, 20, 26, 27, AR p. 6 et seqq.	
102-24	Nomination and selection processes for the highest governance body and its committees	26, 27	
102-25	Process for avoiding conflicts of interest	26, 28	
102-26	Role of highest governance body in setting strategy and goals	18, 19, 20	
102-27	Measures taken concerning the highest governance body's knowledge in sustainability issues	19, 20, 26	
102-28	Evaluation of the highest governance body's performance concerning sustainability	28, 48, https://dzhyp.de/remuneration	

GRI Indicator		Page(s)/ URLs/comments	UN Global Compact
GRI 102: GENERAL DISCLOSURES			
	Governance		
102-29	Highest governance body's role concerning sustainability risks and opportunities	19, 20, 26, 27	
102-30	Highest governance body's role concerning the effectiveness of risk management	27, 28, AR p. 51 et seqq.	
102-31	Frequency of the highest governance body's review of sustainability risks and opportunities	19, 20	
102-32	Highest committee that formally reviews and approves the sustainability report	19, 20	
102-33	Process for communicating critical concerns to the highest governance body	26, 28, 29	
102-34	Critical concerns that were communicated to the highest governance body	28, 29	
102-35	Remuneration policies for the highest governance body and senior executives	28, 45, 47, 48, 51 https://dzhyp.de/remuneration	
102-36	Process for determining remuneration	28, 45, 48 https://dzhyp.de/remuneration	
102-37	Stakeholders' views regarding remuneration	21, 28	
102-38	Ratio of the highest annual total compensation to the median annual total compensation	https://dzhyp.de/remuneration	
102-39	Ratio of percentage increase in the highest annual total compensation	https://dzhyp.de/remuneration	
Stakeholder Engagement			
102-40	Stakeholder groups engaged	21, 22, 23, 24, 25, 26	
102-41	Percentage of employees covered by collective bargaining agreements	22, 29	
102-42	Identification and selection of stakeholders	21, 22, 23, 24, 25, 26	
102-43	Approach to stakeholder engagement and frequency	19, 21, 22, 23, 24, 25, 26, 69	
102-44	Key topics and concerns raised through stakeholder engagement and response	19, 21, 25, 26, 69	
Reporting Practice			
102-45	Entities included in the consolidated financial statements	2, 9, 10, 15	
102-46	Process for defining the report content	4, 18, 19, 20, 25, 26	
102-47	Material topics identified	19, 21, 25	
102-48	Restatement of information provided in previous reports	4, 6, 7, 15	
102-49	Significant changes in the scope and topic boundaries	4, 15, 18	
102-50	Reporting period	4	
102-51	Date of most recent previous report	4	
102-52	Reporting cycle	4	
102-53	Contact point for questions regarding the report	85	
102-54	"In accordance" option with GRI and Content Index chosen	4, 25, 75-82	
102-55	GRI Content Index	75-82	
102-56	External assurance for the report	4, AR p. 112-117	

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GRI 201: Economic Performance			
GRI 103: Management Approach			
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103-3 Evaluation of the management approach		15, 16, 25, 26	
201-1 Direct economic value generated and distributed		15, 16, 48, 51, AR p. 34 et seqq., AR p. 78 et seqq.	
201-2 Financial implications and other risks and opportunities due to climate change		18, 19, 32, 53	7, 8
201-3 Defined benefit plan obligations		47, 51, AR p. 80, AR p. 87	
GRI 202: Market Presence			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary		19, 21, 25, 26, 48 https://dzhyp.de/remuneration	
103-2 The management approach and its components		25, 26, 48, https://dzhyp.de/remuneration	
103-3 Evaluation of the management approach		25, 26, 48, https://dzhyp.de/remuneration	
202-1 Ratios of standard entry level wage compared to local minimum wage		28, 48, https://dzhyp.de/remuneration	
202-2 Proportion of senior management hired from the local community		not applicable	
GRI 203: Indirect Economic Impacts			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary		19, 21, 25, 26, 66	
103-2 The management approach and its components		25, 26, 66	
103-3 Evaluation of the management approach		25, 26, 66	
203-1 Infrastructure investments and services provided		9, 10, 18, 19, 66, 67, 68	
203-2 Indirect economic impacts		18, 19, 66, 67, 68, none	
GRI 204: Procurement Practices			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary		19, 21, 25, 26, 30 https://dzhyp.de/suppliers	
103-2 The management approach and its components		25, 26, 30, https://dzhyp.de/suppliers	
103-3 Evaluation of the management approach		25, 26, 30, https://dzhyp.de/suppliers	
204-1 Proportion of spending on local suppliers		30, https://dzhyp.de/suppliers	
GRI 205: Anti-Corruption			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary		14, 19, 21, 25, 26, 28, 29, 30	10
103-2 The management approach and its components		14, 25, 26, 28, 29, 30	10
103-3 Evaluation of the management approach		14, 25, 26, 28, 29, 30	10
205-1 Percentage of operations assessed for risks related to corruption and risks identified		14, 28, 30 All	10
205-2 Communication and training on anti-corruption		14, 28, 29, 30, 69 https://dzhyp.de/suppliers	10
205-3 Confirmed incidents of corruption and actions taken		14, 28, 30, none	10
GRI 206: Anti-Competitive Behaviour			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary		13, 19, 21, 25, 26, 27, 28	
103-2 The management approach and its components		13, 25, 26, 27, 28	
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GRI Indicator		Page(s)/ URLs/comments	UN Global Compact
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GRI 301: Materials			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary		25, 26, 53	8
103-2 The management approach and its components		25, 26, 53	8
103-3 Evaluation of the management approach		25, 26, 53	8
301-1 Materials used by weight or volume		57, 59, 60, 73	8
301-2 Percentage of recycled input materials used		59, 60	8
GRI 302: Energy			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary		19, 21, 25, 26, 53	8
103-2 The management approach and its components		25, 26, 53	8
103-3 Evaluation of the management approach		25, 26, 53	8
302-1 Energy consumption within the organisation		57	8
302-2 Energy consumption outside of the organisation		57, 61, 62	8
302-3 Energy intensity		57	8
302-4 Reduction of energy consumption		57, 58, 64, 73	8
GRI 303: Water			
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103-1 Explanation of the material topic and its boundary		19, 21, 25, 26, 59	8
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103-3 Evaluation of the management approach		25, 26, 59	8
303-1 Total water withdrawal by source		59, 73	8
GRI 305: Emissions			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary		19, 21, 25, 26, 53, 55, 56	8
103-2 The management approach and its components		25, 26, 55, 56	8
103-3 Evaluation of the management approach		25, 26, 55, 56	8
305-1 Direct greenhouse gas (GHG) emissions (Scope 1)		55, 56, 61, 62	8
305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2)		55, 56	8
305-3 Other indirect greenhouse gas (GHG) emissions (Scope 3)		55, 56, 61, 62	8
305-4 Greenhouse gas (GHG) emissions intensity		55, 56	8
305-5 Reduction of greenhouse gas (GHG) emissions		53, 55, 56, 73	8
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GRI 103: Management Approach			
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306-1 Total water discharge by quality and destination		59	8
306-2 Waste by type and disposal method		62, 63	8
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GRI 307: Environmental Compliance			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary		19, 21, 25, 26, 53	8
103-2 The management approach and its components		25, 26, 53	8
103-3 Evaluation of the management approach		25, 26, 53	8
307-1 Fines and sanctions for non-compliance with environmental regulations		33, 53, none	8

GRI Indicator		Page(s)/ URLs/comments	UN Global Compact
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GRI 103: Management Approach			
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103-2 The management approach and its components	25, 26, 64	8	
103-3 Evaluation of the management approach	25, 26, 64	8	
308-1 Percentage of new suppliers that were screened using environmental criteria	30, 64 https://dzhyp.de/suppliers	7, 8	
308-2 Material environmental impacts in the supply chain	30, 64, https://dzhyp.de/suppliers	7, 8	
GRI 400: SOCIAL STANDARDS			
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GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	19, 21, 25, 26, 41, 42		
103-2 The management approach and its components	25, 26, 41, 42		
103-3 Evaluation of the management approach	25, 26, 41, 42		
401-1 New employee hires and employee turnover	48, 51		
401-2 Benefits provided to full-time employees	41, 47, 48 Social benefits are provided to all employees.		
401-3 Return to work and retention rates following parental leave	46, 47		
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GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	19, 21, 22, 25, 26, 41		
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402-1 Minimum notice periods regarding operational changes	22, 41		
GRI 403: Occupational Health and Safety			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	19, 21, 25, 26, 49, 50		
103-2 The management approach and its components	25, 26, 49, 50		
103-3 Evaluation of the management approach	25, 26, 49, 50		
403-1 Percentage of total workforce represented in health and safety committees	41, 49, 50		
403-2 Injuries, occupational diseases, lost days, and work-related fatalities	49, 50, 51, 71		
403-3 Workers with high incidence or risk of diseases	50, 51, 71, none		
GRI 404: Training and Education			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	19, 21, 25, 26, 43, 44		
103-2 The management approach and its components	25, 26, 43, 44		
103-3 Evaluation of the management approach	25, 26, 43, 44		
404-1 Average hours of training	43, 72 The report displays the number of training days; due to the merger, a more detailed breakdown of the key indicators will only be possible from 2019 on.		
404-2 Programmes that support the continued employability of employees	43, 44, 72		
404-3 Percentage of employees receiving regular performance and career development reviews	42, 72 All		

GRI Indicator		Page(s)/ URLs/comments	UN Global Compact
GRI 400: SOCIAL STANDARDS			
GRI 405: Diversity and Equal Opportunity			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	19, 21, 25, 26, 45	6	
103-2 The management approach and its components	25, 26, 45	6	
103-3 Evaluation of the management approach	25, 26, 45	6	
405-1 Diversity of governance bodies and employees	27, 45, 46, 51	6	
405-2 Ratio of basic salary and remuneration of women to men	45, 46, 48	6	
GRI 406: Non-Discrimination			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	13, 14, 19, 21, 25, 26, 45	1, 2, 6	
103-2 The management approach and its components	14, 25, 26, 45	1, 2, 6	
103-3 Evaluation of the management approach	25, 26, 45	1, 2, 6	
406-1 Incidents of discrimination and corrective actions taken	30, https://dzhyp.de/suppliers , none	1, 2, 6	
GRI 407: Freedom of Association and Collective Bargaining			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	14, 19, 21, 22, 25, 26, 29, 30	3	
103-2 The management approach and its components	14, 22, 25, 26, 29, 30	3	
103-3 Evaluation of the management approach	14, 22, 25, 26, 29, 30	3	
407-1 Operations and suppliers in which the right to freedom of association may be violated or at risk, and actions taken	14, 22, 29, 30 https://dzhyp.de/suppliers , none	3	
GRI 408: Child Labour			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	14, 19, 21, 25, 26, 29	1, 2, 5	
103-2 The management approach and its components	14, 25, 26, 29	1, 2, 5	
103-3 Evaluation of the management approach	14, 25, 26, 29	1, 2, 5	
408-1 Operations and suppliers at significant risk for incidents of child labour, and actions taken	14, 22, 29 https://dzhyp.de/suppliers , none	1, 2, 5	
GRI 409: Forced or Compulsory Labour			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	14, 19, 21, 25, 26, 29	1, 2, 4	
103-2 The management approach and its components	14, 25, 26, 29	1, 2, 4	
103-3 Evaluation of the management approach	14, 25, 26, 29	1, 2, 4	
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour, and actions taken	14, 22, 29 https://dzhyp.de/suppliers , none	1, 2, 4	
GRI 410: Security Practices			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	19, 21, 25, 26, 29	1	
103-2 The management approach and its components	25, 26, 29	1	
103-3 Evaluation of the management approach	25, 26, 29	1	
410-1 Percentage of security personnel trained in human rights	29	1	

GRI Indicator		Page(s)/ URLs/comments	UN Global Compact
GRI 400: SOCIAL STANDARDS			
GRI 412: Human Rights Assessment			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	19, 21, 25, 26, 29 https://dzhyp.de/codeofconduct	1, 2	
103-2 The management approach and its components	25, 26, 29	1, 2	
103-3 Evaluation of the management approach	25, 26, 29	1, 2	
412-1 Operations that have been subject to human rights review	29 https://dzhyp.de/codeofconduct , all	1, 2	
412-2 Employee training on human rights	29, 30 https://dzhyp.de/codeofconduct	1, 2	
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	14, 29, 33 https://dzhyp.de/codeofconduct		
GRI 413: Local Communities			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	19, 21, 25, 26, 66, 67, 68		
103-2 The management approach and its components	25, 26, 66, 67, 68		
103-3 Evaluation of the management approach	25, 26, 66, 67, 68		
413-1 Percentage of operations with local community engagement, impact assessments, and development programmes	66, 67, 68, 74		
413-2 Operations with actual and potential negative impacts on local communities	9, 13, 33 none		
GRI 414: Supplier Social Assessment			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	19, 21, 25, 26, 30		
103-2 The management approach and its components	25, 26, 30		
103-3 Evaluation of the management approach	25, 26, 30		
414-1 New suppliers that were screened using social criteria	30, https://dzhyp.de/suppliers		
414-2 Negative social impacts in the supply chain and actions taken	30, none		
GRI 415: Political Policy			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	19, 21, 25, 26		
103-2 The management approach and its components	25, 26		
103-3 Evaluation of the management approach	25, 26		
415-1 Total value of political contributions	25, none		
GRI 417: Marketing and Labelling			
GRI 103: Management Approach			
103-1 Explanation of the material topic and its boundary	19, 21, 25, 26, 36, 37		
103-2 The management approach and its components	25, 26, 36, 37		
103-3 Evaluation of the management approach	25, 26, 36, 37		
417-1 Principles/procedures for product and service information and labelling, and share of products and services subject to these principles/procedures	36		
417-2 Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	36, 37 none		
417-3 Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	36, 37 none		

GRI Indicator		Page(s)/ URLs/comments	UN Global Compact
GRI 400: SOCIAL STANDARDS			
GRI 418: Customer Privacy			
GRI 103: Management Approach			
103-1	Explanation of the material topic and its boundary	19, 21, 25, 26, 29, 30, 37	
103-2	The management approach and its components	25, 26, 29, 30, 37	
103-3	Evaluation of the management approach	25, 26, 29, 30, 37	
418-1	Substantiated complaints concerning breaches of customer privacy	37, none	
GRI 419: Socioeconomic Compliance			
GRI 103: Management Approach			
103-1	Explanation of the material topic and its boundary	19, 21, 25, 26, 28	
103-2	The management approach and its components	25, 26, 28	
103-3	Evaluation of the management approach	25, 26, 28	
419-1	Significant fines concerning the provision and use of products and services	13, 14, 28, 29, 33 https://dzhyp.de/codeofconduct none	

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This Sustainability Report is available in English and in German.

For more information on sustainability at DZ HYP, please visit:
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