

GREEN BOND REPORTING 2022



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LETTER FROM THE MANAGEMENT BOARD



The Management Board of DZ HYP
From left to right Sabine Barthauer, Dr Georg Reutter (Chief Executive Officer), Jörg Hermes

Dear Readers,

It has been more than 100 years since DZ HYP commenced operations. Since then, our entrepreneurial identity as a specialist institution for real estate and municipal financing in the Cooperative Financial Network has been shaped by cooperative values.

Our society is currently facing considerable environmental and social challenges. Probably the biggest of these are global warming and the related impact on climate and nature.

The real estate sector is responsible for up to 40 percent of Germany's greenhouse gas emissions. As a leading real estate and Pfandbrief bank in Germany, DZ HYP therefore has both an opportunity and an obligation to support the transformation to a more sustainable real estate industry.

For this reason, we took the advantage of the time to integrate sustainability even stronger into our day-to-day business. A key activity in this context was the issue of our first Green Mortgage Pfandbrief, enabling our investors to invest specifically in the sustainable transformation of the German real estate sector. The noticeably high demand for our Green Mortgage Pfandbriefe encourages us to continue along this path.

In addition, we are committed to transparency. In the process of new lending business, for example, the submission of energy certificates is now mandatory. In the last year, we were able to collect over 3,000 energy performance certificates and certificates of established certification companies from existing and new customers, include these into our datawarehouse, and classify them according to the methodology described in the Green Bond Framework.

In this report format, we want to inform you annually about the development of our green business activities and provide an assessment of the climate impact of our Green Pfandbriefe.

Yours sincerely,



Dr Georg Reutter
CEO



Sabine Barthauer



Jörg Hermes

The Management Board of DZ HYP
Hamburg/Münster, February 2023

SUSTAINABILITY AT DZ HYP

"What one cannot do alone, many can". This quote is probably the best known from the co-founder of the cooperative idea, Friedrich Wilhelm Raiffeisen. Even after more than 130 years, it still shapes cooperation in the Cooperative Financial Network Volksbanken Raiffeisenbanken. We are convinced that the challenges of our time cannot be solved on our own, but only together.

For this reason, as a member of the DZ BANK Group, we act in close cooperation with the other Group companies. For example, as part of a joint climate strategy, we are committed to reducing our greenhouse gas emissions by 65 percent by 2030 and to achieving climate neutrality by 2045 (Scope 1-3).

As a signatory to the UN Global Compact (UNGC), DZ BANK Group has also committed to act in accordance with the ten principles of the UNGC. This includes, among other things, the protection of international human rights. We strictly reject any form of forced or child labour. Furthermore, we recognise the right of all employees to form trade unions and employee representatives on a democratic basis within the framework of national regulations.¹

We also recognise the Sustainable Development Goals (SDGs) of the United Nations, the Paris Climate Agreement and the German Climate Action Plan 2050 adopted in November 2016.

As a competence centre and holistically positioned specialist for real estate and municipal financing in the Cooperative Financial Network, we offer our customers attractive financing solutions together with the cooperative banks Volksbanken and Raiffeisenbanken.

We try to continuously measure the climate impact of the real estate loans we grant. In the corporate client business, we have set ourselves the goal of achieving portfolio transparency by 30 June 2024. Among other things, we are working closely with our real estate valuation company VR WERT and have integrated both sustainability data and ESG risks into the preparation of the appraisals. In our business with private customers, we have likewise begun to classify our business activities. Together with the cooperative banks (Volksbanken Raiffeisenbanken), we have been collecting energy performance certificates as part of our new lending business on a mandatory basis since 30. September 2022.

In addition, DZ HYP anchored ESG criteria in its risk management during the year under review. This involved developing a calculation methodology for quantifying emissions in the real estate business, and a valuation model for relevant drivers of physical and transitory risks in the real estate portfolio. Furthermore, the topic of ESG was integrated in the risk strategies of the bank and key figures for determining and managing the risk potential were derived.

More information on our sustainability activities can be found in the sustainability report on our website.²

Group-wide climate strategy to achieve climate neutrality by 2045

Portfolio transparency in the corporate client business until 30.06.2024

Measurement of physical and transitory ESG risks

¹https://dzhyp.de/fileadmin/user_upload/Dokumente/Nachhaltigkeit/DZB_Bros_Verhaltenskodex_der_DZ_BANK_Gruppe_engl_Jan_23_2-min.pdf

²<https://dzhyp.de/en/hauptnavigation/sustainability/downloads/>

GREEN BOND FRAMEWORK

With the DZ HYP Green Bond Framework, we offer investors the opportunity to invest specifically in the sustainable transformation of the German real estate sector. This framework is based on the ICMA Green Bond Principles (GBP) and covers the following topics: use of issue proceeds, project evaluation and selection process, management of proceeds, reporting and external audit.

Targeted investment in the sustainable transformation of the German real estate sector

The aim of the framework is to set the foundation for the issuance of Green Mortgage Pfandbriefe. The proceeds generated by the issue will be used to finance energy-efficient real estate. This is intended to actively support the SDG goals Sustainable Cities and Communities (SDG 11) and Climate Action (SDG 13).



In this context, transparency is important. For this reason, energy performance certificates and sustainability certificates are requested and digitised as part of new lending business and the regular updating of appraisals. Subsequently, the properties are classified according to their energy efficiency.

The main criteria for the classification is the energy performance certificate. Due to the fact that there are no energy efficiency classes for German commercial properties, property type-specific thresholds were defined in the framework that reflect the top 15 percent of the energy efficiency of the national building stock. The following maximum final energy consumption/demand values per square metre and year are applied:

Top 15 % of the German building stock

Residential	65 kWh/m ² heat
Office	90 kWh/m ² heat and 70 kWh/m ² electricity
Retail	60 kWh/m ² heat and 75 kWh/m ² electricity
Hotel	95 kWh/m ² heat and 60 kWh/m ² electricity
Logistics Warehouse	30 kWh/m ² heat and 35 kWh/m ² electricity
Logistics Production	105 kWh/m ² heat and 65 kWh/m ² electricity

In addition, a property can qualify as an eligible asset by means of certification from a recognised certification company. DZ HYP accepts the following certificates:

DGNB	Gold and Platinum
LEED	Gold and Platinum
BREEAM	Very Good or better

Furthermore, a property can be classified as an eligible asset by means of the underlying energy efficiency standard based on the German Energy Saving Ordinance (EnEV 2016) or the Building Energy Act (GEG 2020).

The EnEV 2016 standard applied corresponds to the requirements of the nearly zero energy building (NZEB) at the time the framework was created.³



The applied standards meet the minimum standard for Green Mortgage Pfandbriefe of the Association of German Pfandbrief Banks (vdp).

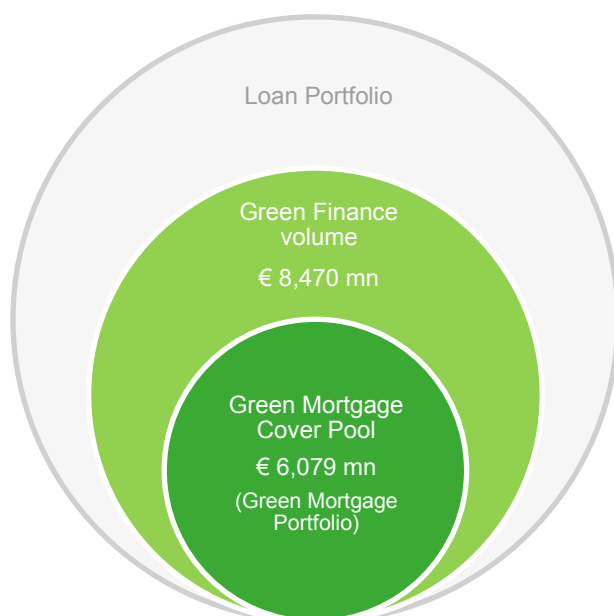
³§10 GEG (2020).

ALLOCATION REPORT

As of 31 December 2022, DZ HYP finances 12,183 green classified properties in the volume of € 8,470 million. Of this amount, € 6,079 million are part of the mortgage cover pool and can be refinanced via Green Pfandbriefe.⁴

**12,183 Green properties
in the volume of € 8,470 million**

Categorisation of the Green Mortgage Portfolio



At the reporting date of 31 December 2022, the eligible assets were matched by a €1,000 million Green Mortgage Pfandbrief. By the time this report was published, two further Green Mortgage Pfandbriefe in size of € 500 million each have been placed on the market.

**Green dual tranche issued
in January 2023**

Reference date	Volume	Number
31. December 2022	in € million	
Green Pfandbriefe outstanding	1,000	1
Green mortgage cover pool (GMP)	6,079	12,183

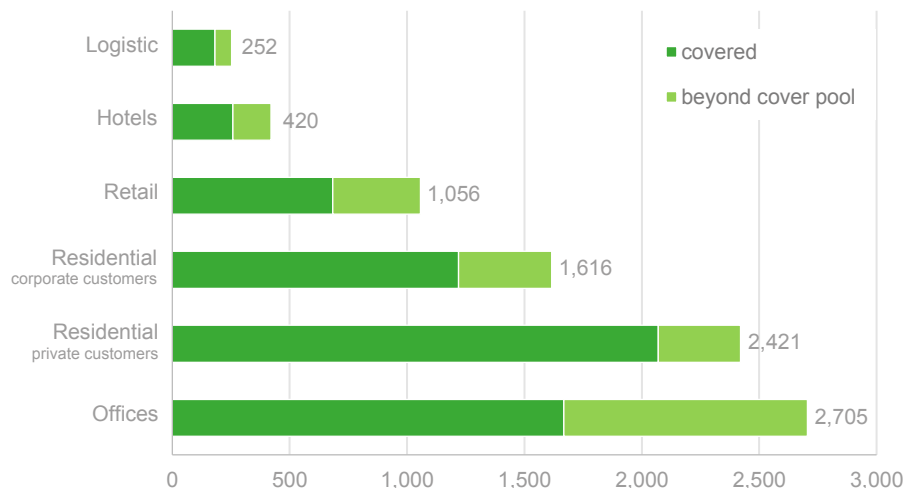
The outstanding amount of eligible assets in the mortgage cover pool exceeded the outstanding amount of Green Pfandbriefe at all times during the reporting period.

The composition of the green portfolio can be seen in the charts below.

⁴Green properties that are not part of the mortgage coverage pool are not included in this Green Bond Report.

Type of property use

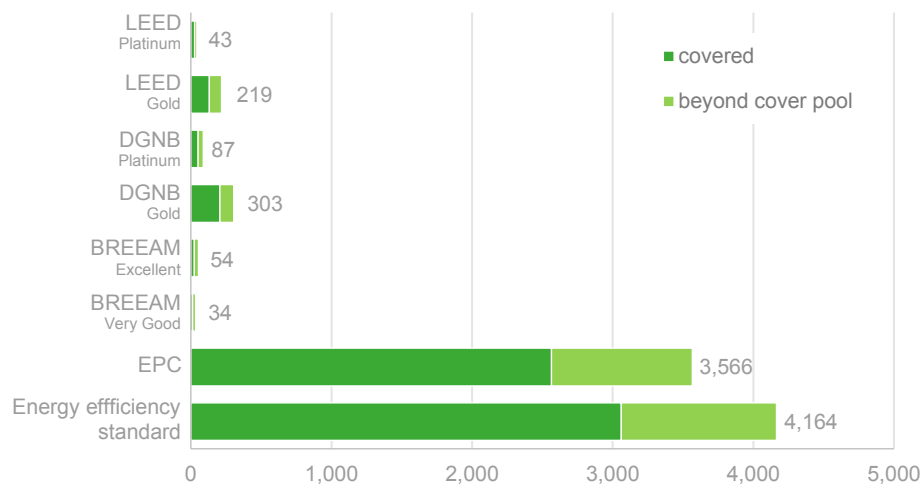
In € million



Real estate portfolio with a focus on Office and Residential

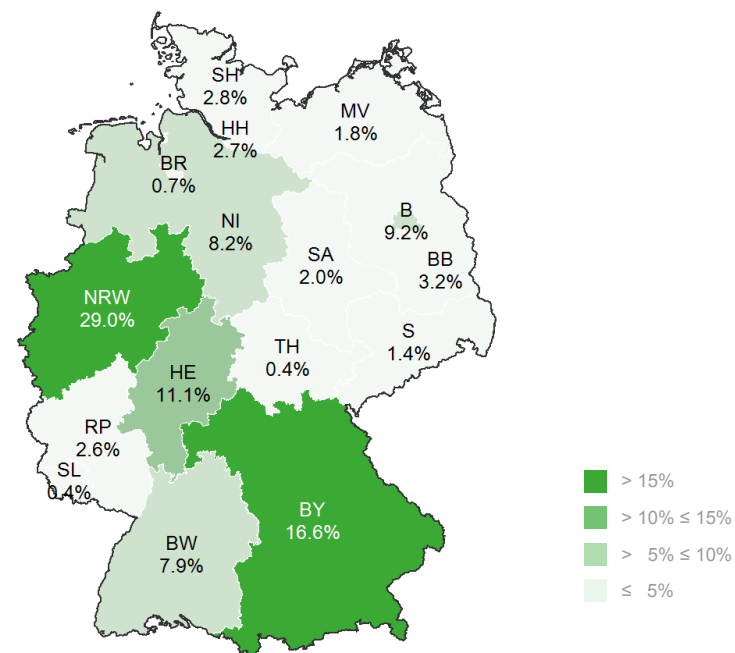
Selection criteria

In € million



A major part of the portfolio is classified on the basis of the national energy standard (EnEV 2016 / GEG 2020) and Energy Performance Certificates (EPC)

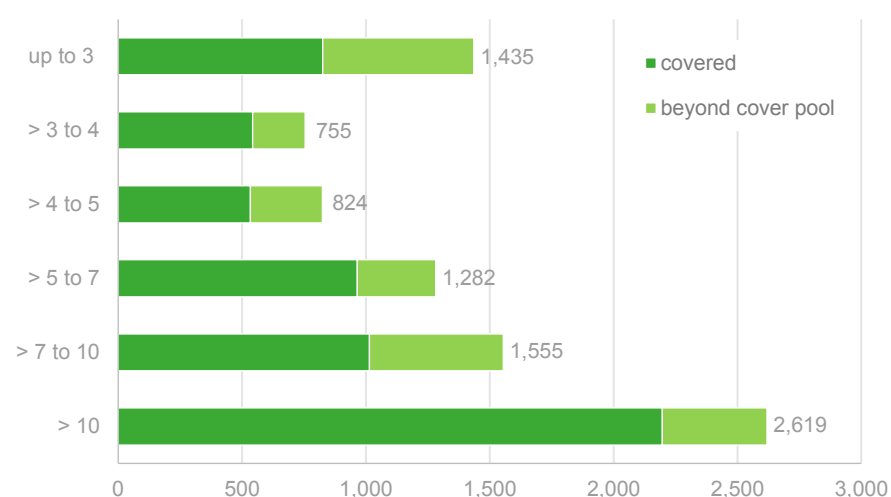
Regional distribution of green cover assets



Real estate in Germany with a focus on economically strong regions

Fixed-interest period

In years and € million



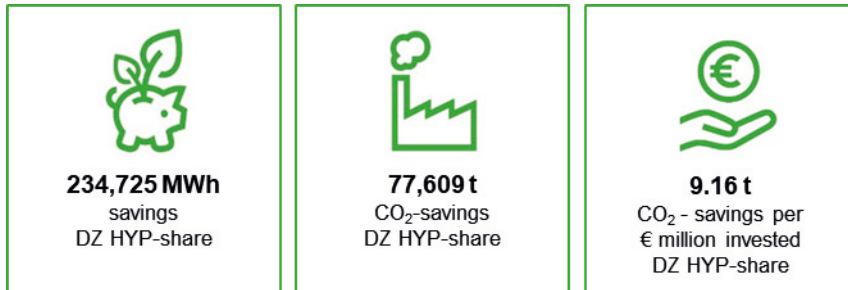
The residential real estate portfolio in particular favours long fixed-interest periods

IMPACT REPORT

**DREES &
SOMMER**

Results

Expected annual climate impact



Methodology

This chapter reports on the CO₂-savings of the green portfolio. To ensure that the methods used meet the highest quality standards, we have commissioned Drees & Sommer, a renowned consultancy firm, to carry out the calculation.

The calculation is initially based on Drees & Sommer's review of the properties assessed as green by DZ HYP, using the underlying selection criteria of the Green Bond Framework.

The buildings examined bear energy demand or consumption certificates that comply with the final energy limits described in the framework, have a green building certificate or meet the EnEV 2016/GEG 2020 energy standard.

At first, the energy efficiency of the green buildings is determined. For buildings with energy certificates, the respective primary or final energy values are used. To determine the energy efficiency of buildings classified by means of EnEV 2016/GEG 2020, the existing building stock is compared with the corresponding legal regulations and requirements for building energy in order to determine reference key figures specific to the year of construction. If buildings are classified on the basis of certificates, the respective certificate version is used to determine the energy efficiency.

Secondly, the energy demand/consumption of green buildings is converted into CO₂-emissions. For this purpose, key information such as the energy sources for heat (e.g. district heating, gas, oil or heat pump) and electricity is provided by DZ HYP for buildings with energy certificates. Drees & Sommer examines the underlying heat and electricity sources with regard to their CO₂-emissions. Among other things, site-specific CO₂-intensities of district heating networks are used for this purpose. All sources and values used come from publicly accessible and representative data for building originate from official German institutions. Not available energy sources (e.g. for buildings without an energy performance certificate) are conservatively estimated with the help of national or regional benchmarks.

In order to put the CO₂-intensity of the green buildings portfolio in relation to conventional buildings, the energy efficiency of a reference building specific to the type of building is then determined. Based on the average energy balance of the reference buildings, the reference values are converted into CO₂-intensities in the same way as the CO₂-calculation of the green buildings. This results in the CO₂-input of an average reference building for the respective asset class.

The difference between the CO₂-emissions of the reference building and the respective green building represents the CO₂-savings per year reported below.

In a final step, the savings are offset against the building-specific LTV (DZ HYP's lending volume in relation to the market value) in order to delimit DZ HYP's CO₂-savings share.

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