

SUSTAINABILITY REPORT 2019

[dzhyp.de](https://www.dzhyp.de)

DZ HYP – Part of a Strong Group

DZ HYP is itself a part of DZ BANK Group and therefore part 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 Versicherung 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 clients along the lines of four business segments: Retail Banking, Corporate Banking, 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 German cooperative banking sector. The specialist institutions within DZ BANK Group each offer highly competitive and appropriately-priced products in their respective area of expertise. This allows Germany's cooperative banks to offer their clients an end-to-end range of first-class financial services.



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About This Report

This Sustainability Report has been prepared using the reporting format based on the standards of the Global Reporting Initiative (GRI) for the first time. The chapters in this Report mirror the GRI structure insofar as possible. However, we have adapted the descriptions and order to DZ HYP to improve readability and reflect our key issues.

» For more information see About This Report, p. 55

We are making this Sustainability Report available as a PDF with links. The chapters and subchapters in the Contents as well as in the cross navigation section that can be found at the top of the pages in this Report link to the relevant section in the Report.

More information can also be found by clicking on this » symbol which takes the reader to a page in the Sustainability Report, the 2019 Annual Report, the DZ HYP website or an external website.

The page references in the tables on pages 20, 56 and 57 are also cross-linked.

LETTER FROM THE MANAGEMENT BOARD

Dear readers,

The end of last year saw the outbreak of a coronavirus that has since brought the world unimagined challenges. At the time of writing this Report, the economic repercussions of the pandemic were not yet foreseeable and this was still the case on the date of publication. As a result, reliable planning is not currently possible. We all have to change the pace and proceed cautiously. We are formulating our steps and goals for 2020 with reservation and hope that we are able to take up our ideas and projects again once the pandemic subsides.

So what kept us busy in 2019? One important milestone was conclusion of our technical migration, marking successful completion of the merger of DG HYP and WL BANK to form DZ HYP. In the area of sustainability, we at DZ HYP were particularly pleased to be awarded Prime status again by ISS ESG in its rating. This is a clear sign that that our social and environmental standards continue to allow us to score highly. Research and rating agency imug awarded us a “positive BB” sustainability rating. This is the fifth-best result in imug rating’s Stress Test Sustainability which covers the 25 largest German banks. To us this means that we are good but we can do better.



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

We are aware that the political and legal environment in the financial sector is currently undergoing a change and that sustainability as a value is becoming increasingly important. We intend to play an active role in this trend and have already started taking some action.

» Jörg Hermes Interview, pp. 32ff

In order to anchor the issue more firmly within the Bank, we set up a Sustainability Committee at the end of 2019. The Committee, which is made up of the Heads of the Bank's divisions, meets regularly. It is both a working platform and a propagator, allowing us to consult on and implement the Bank's sustainable projects across hierarchy levels and divisions.

As in previous years, we also dealt with social and environmental issues. Without motivated and content employees, we would not be able to continuously manage our operations with success. That is why employee loyalty continues to play an extremely important role for us. We are in the midst of planning a programme to foster talented individuals internally and that is designed in particular with the women in our workforce in mind. Demographic management is another major challenge. In 2019, we set out the instruments and measures we would use for this in a concept.

» Employee Matters, pp. 35ff

There are renovation works currently underway at our main sites in Hamburg and Münster which also include energy-efficient measures to modernise the building. We are planning certification for both buildings 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.

» Ecological Responsibility, pp. 46ff

We find it especially important in exceptional times like these to maintain continuity. Whatever changes we will have to face – sustainability will continue to decisively shape the future of DZ HYP. We will work together on continuing the Bank's stable development and forward-looking approach. We invite you to join us on our journey.

We hope that you find our report informative reading.

Yours sincerely,


Dr Georg Reutter
Chief Executive Officer


Jörg Hermes


Manfred Salber

The Management Board
Hamburg/Münster, July 2020

OUR COMPANY

GRI 102: General disclosures

GRI 102-1: Name of the organisation

DZ HYP AG

GRI 102-2: Activities, brands, products, and services

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 Volksbanken Raiffeisenbanken Cooperative Financial Network. Our market activities focus on corporate clients, retail banking and the public sector. Within the Corporate Clients segment, DZ HYP works closely with commercial real estate investors and the housing sector.

The Bank's central business policy role is to anchor real estate financing and public-sector 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.

DZ HYP DIVISIONS

Corporate Clients

Commercial Real Estate Investors



Clients (regardless of their legal form or status) investing **in a commercial capacity and/or for investment purposes** in properties

Housing Sector



Housing companies in the hands of cooperatives, municipalities, churches and other housing companies throughout Germany, which provide affordable housing for broad sections of the population

Retail Customers



Consumers (as defined by section 13 of the German Civil Code), with funding up to €1 million for properties used **primarily for residential purposes**

Public-Sector Clients



Domestic public-sector entities, their legally dependent operations, **special administrative unions and institutions under public law**



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

In its Commercial Real Estate Investors division, DZ HYP is active both as part of its direct business and as a partner to the cooperative banks in Germany which puts them in a position to realise larger financing solutions for their medium-sized clients, as well as to diversify 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.

As part of the Cooperative Financial Network, DZ HYP works closely with the cooperative banks in their business with retail customers. Joint customers include private developers and investors acquiring properties for their own use. DZ HYP acts as a centre of competence within the Cooperative Financial Network for coverage of the Public Sector business.

In the Retail Customers division, DZ HYP offers the cooperative 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 and 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.

We also offer property valuations performed by our wholly-owned subsidiary VR WERT. VR WERT appraises real estate for banks, organisations, investors and housing cooperatives. The range of services offered includes market and mortgage lending value appraisals, advice/consultancy on real estate matters and product audits of appraisals performed by German cooperative banks. Depending on what the client requests, mortgage lending values are calculated in accordance with the Regulation on the Determination of the Mortgage Lending Value or the uniform Valuation Directive 3.0 (Wertermittlungsrichtlinie 3.0) of the Cooperative Financial Network.

The company values properties financed by DZ HYP with a focus on commercial real estate investors, who require a particularly sophisticated and individual case analysis, as well as properties for the housing industry/private investors/retail customers.

- » Economic performance of VR WERT, p. 14
- » Annual Report 2019, pp. 28ff

GRI 102-3: Location of headquarters

DZ HYP's head offices are in Hamburg and Münster.

Rosenstrasse 2
20095 Hamburg
Germany
Telephone +49 40 3334-0

Sentmaringer Weg 1
48151 Münster
Germany
Telephone +49 251 4905-0

GRI 102-4: Location of operations

DZ HYP is represented nationwide, with two head offices in Hamburg and Münster, six real estate centres in the business hubs of Hamburg, Berlin, Düsseldorf, Frankfurt, Stuttgart and Munich, and a further six regional offices in Hanover, Kassel, Leipzig, Mannheim, Münster and Nuremberg.



GRI 102-5: Ownership and legal form

DZ HYP is a stock corporation under German law. It is part of DZ BANK Group and therefore part of the German Cooperative Financial Network.

GRI 102-6: Markets served

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.

» Business segments and services of DZ HYP, pp. 6f

GRI 102-7: Scale of the organisation

DZ HYP is part of DZ BANK Group and therefore part of the German Cooperative Financial Network, which comprises 875 individual cooperative banks.

ECONOMIC INDICATORS (in € thousand)

	2019	2018
Revenue ¹	2,030,245	2,065,519
Value distributed	393,426	423,881

¹ Aggregate figures of the items "Interest income from lending and money market transactions and fixed income securities and debt register claims," "Current income from participations", "Income from profit-pooling, profit transfer and partial profit transfer agreements," "Commission income" and "Other operating income".

» GRI 201: Economic performance, pp. 13f

GRI 102-8: Information on employees and other workers

STAFFING INDICATORS

	2019	2018
Headcount (number of employees)¹	870	873
Employees (number)		
Temporary	25	35
Permanent	845	838
Employment type (in %)²		
Full time	76.3	77.9
Part time	23.7	22.1

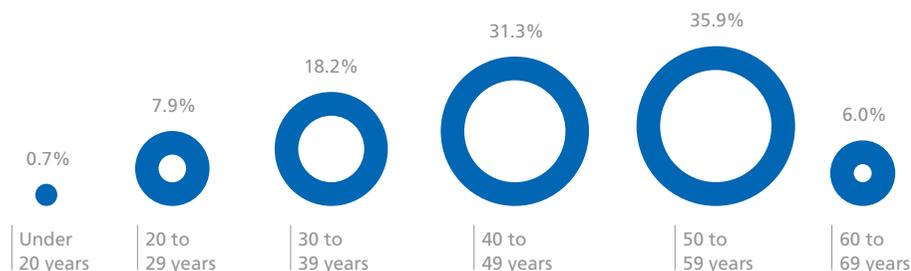
¹ Average for the year.

² Determined on the basis of average figures.

» Other staffing indicators, p. 37

» Annual Report 2019, p. 72

EMPLOYEE AGE STRUCTURE



GRI 102-9: Supply chain

DZ BANK Group companies have been bundling their sustainability activities since 2010 with the overarching aim of jointly leveraging market opportunities, avoiding risks and also contributing towards benefitting society. Based on this core value, guidelines on sustainability in purchasing were developed at group level in 2012 to define standard requirements for purchasing. They are laid down in sustainability standards for DZ BANK Group's suppliers.

When it comes to procurement, we give preference to local suppliers and service providers that are located close to one of our offices. This results in short transportation routes and helps reduce CO₂ emissions.

» Suppliers, pp.17f

GRI 102-10: Significant changes to the organization and its supply chain

Effective 1 January 2020, DZ HYP's real estate appraisal team was integrated into our subsidiary VR WERT GmbH as part of a partial transfer of operations. This allowed us to bundle expertise within DZ BANK Group and establish a central point of contact for our clients within and outside the German Cooperative Financial Network for appraisals.

Including all the appraisers in DZ HYP's real estate appraisal team and additionally planned jobs, VR WERT will grow by around 65 employees as of the end of 2020.

» VR WERT, p. 14

GRI 102-11: Precautionary principle or approach

Like all members of the German Cooperative Financial Network, DZ HYP believes it has a duty to do business responsibly and sustainably. We apply a conservative risk strategy and we treat our clients and business partners with honesty, trust, and a sense of partnership.

The ability to identify, manage and communicate risks is a key part of our business activities. We are guided by our principle of assuming risk only to the extent required to achieve the objectives of the respective business policy, and where there is an appropriate level of understanding and expertise at hand for measuring and managing those risks.

- » Risk management, pp. 22f
- » Annual Report 2019, pp. 49ff

GRI 102-12: External initiatives

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, protection of the environment and combatting corruption.

We value the diversity of our employees, and therefore decided to sign the German Diversity Charter in 2012.

When designing internship projects for students and school pupils, we adhere to the Fair Company Code.

In recognition of our family-oriented human resources policy, the non-profit Hertie Foundation awarded us the “audit berufundfamilie” certificate in 2013 which we still have to this day. The next re-audit process is due in 2020 and it will include both of the merged bank’s registered offices.

- » Employees, pp. 35ff

We have 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.

- » Social commitment, pp. 44f

GRI 102-13: Membership of associations and stakeholder groups

- Federal Association of German Credit Unions and Rural Banking Cooperatives (BVR)
- Cooperative Association Weser-Ems
- Cooperative Association, Frankfurt/Main
- 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 e.V.)
- Federal Association of German Housing and Real Estate Companies (GdW)
- German Development Assistance Association for Social Housing (DESWOS)
- European Covered Bond Council (ECBC; since January 2020)

GRI 102-14: Statement from senior decision-maker

» Letter from the Management Board, pp. 4f

GRI 102-15: Key impacts, risks and opportunities

We see ourselves as an active member of society and are aware that the decisions we make significantly influence our environment. That is why we as a bank strive to base our success on a sustainable business model. This includes taking the needs of the employees and society into account while protecting the environment and the 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. We believe that an organization thinking and acting sustainably also means being able to respond flexibly at any time to the changing political and social landscape, dynamic market developments and technological innovations.

Our governing principles are laid down in our sustainability strategy and make clear what our responsibility is – and what we mean when we talk about sustainable development.

Our understanding of cooperation with our business partners 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.

» Sustainability strategy, pp. 19ff

» Annual Report 2019, pp. 49ff

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, cooperatives have been by far the most bankruptcy-proof legal structure that Germany has to offer for many years.

www.genossenschaften.de (available in German only)

GRI 102-16: Values, principles, standards and norms of behaviour

Good corporate governance requires compliance with legal and regulatory regulations, voluntary commitments and internal guidelines (compliance), the responsible management of risks (risk management), 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.

For DZ HYP the cooperative basic values of aiding empowerment, solidarity, partnership and social commitment are the cornerstones of our activity.

As a signatory to the Global Compact of the United Nations, we are committed to implementing the ten internationally acknowledged principles stipulated by the initiative for responsible conduct.

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 the UN Global Compact (available in German only)
- » Responsible corporate governance, pp. 15f

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. 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 follow the World Green Building Council in our SDGs:



- » World Green Building Council

One of the key goals for us is 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.

Our practical understanding of integrity and ethical business is clearly stated in our Code of Conduct. All employees are bound by the Code, which applies throughout the Group.

- » Our Code of Conduct

GRI 102-18: Governance structure

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.

To fulfil its tasks, the Supervisory Board engaged a Nomination Committee, a Remuneration Oversight Committee, an Audit Committee, and a Risk Committee during the 2019 financial year. These committees met several times in 2019 and their respective chairpersons reported to the Supervisory Board on the committees' work on a regular basis.

The self-evaluation carried out by the Supervisory Board itself in the period from April to May 2019 and the evaluation of the DZ HYP Management Board led to the conclusion that the structure, size, composition and performance of the Supervisory Board and the Management Board as well as the knowledge, skills and expertise of the individual members of the Supervisory Board and of the Management Board as well as of both bodies in their entirety are in line with legal requirements and those set out in the Articles of Incorporation.

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 (Drittelbeteiligungsgesetz – DrittelbG), it comprises twelve members elected at the Annual General Meeting and six members elected by employees. As of 31 December 2019, there were 18 active members on the Supervisory Board. Two of the Board's members left during the year. In line with the regulations, two successors were elected to the Board. As of the reporting date, the percentage of women on the Supervisory Board was 22 per cent.

The Supervisory Board convened four times during the 2019 financial year.

» Annual Report 2019, Report of the Supervisory Board, pp. 114f

GRI 201: Economic performance

GRI 201-1: Direct economic value generated and distributed

ECONOMIC INDICATORS (in € thousand)

	2019	2018
Revenues¹	2,030,245	2,065,519
Value distributed	393,426	423,881
Other administrative expenses	154,711	191,938
Wages and salaries	75,177	78,372
Compulsory social security contributions and expenses for pensions and other employee benefits	15,576	18,859
Payments to providers of capital ²	66,089	71,307
Payments to government ³	81,788	63,344

¹ Aggregate figures of the items "Interest income from lending and money market transactions and fixed income securities and debt register claims," "Current income from participations", "Income from profit-pooling, profit transfer and partial profit transfer agreements," "Commission income" and "Other operating income".

² Aggregate figures of the items "Profit transferred under profit transfer agreements" and "Profit transferred under partial profit transfer agreements."

³ Primarily tax allocation to the controlling company.

DZ HYP's new business

Low interest rate levels continued into 2019, leading to an ongoing demand for real estate despite the slowdown in economic growth in Germany. Against this backdrop, DZ HYP expanded its new business activities in the reporting year. Overall, DZ HYP generated €12,885 million in new business (2018: €11,864 million).

VOLUME (in € million)

	2019	2018
Commercial Real Estate Investors	8,976	7,725
Of which Germany	8,367	7,420
Housing Sector	898	1,013
Retail Customers/Private Investors	2,294	2,232
Public-Sector Clients	717	894
Total	12,885	11,864

VR WERT

VR WERT, a wholly-owned subsidiary of DZ HYP, lifted its number of valuations in financial year 2019 to 3,291 (2018: 2,767), up 18.9 per cent. Revenue amounted to €11.8 million (2018: €10.0 million); climbing 18.0 per cent. Profit of €2.6 million was transferred to DZ HYP in 2019 (2018: €2.5 million).

» Annual Report 2019, pp. 30, 39

GRI 201-2: Financial implications and other risks and opportunities due to climate change

Every day, we face questions of sustainability in our lending business. The criteria we apply to our commercial real estate projects when making investment decisions comprise both strict risk and return considerations, and social and environmental aspects.

Investments in the private real estate portfolios – both in new buildings and renovation measures – ensure an increase in energy efficiency. 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 a joint climate strategy, the eleven companies of DZ BANK Group committed to reducing their aggregated CO₂ emissions by at least 80 per cent by the year 2050. This is how we intend to support the Federal German Government's Climate Action Plan and the UN's Paris Agreement. In fact, DZ BANK Group has already reduced its CO₂ emissions by 50.7 per cent, (2018: 47.3 per cent) based on 2009 as a reference year.

GRI 201-3: Defined benefit plan obligations and other retirement plans

EMPLOYEE EXPENSES

	2019	2018
Employees with company pensions (in %)	96.0	97.7
Provisions for pensions and similar obligations (in € thousand)	185,601	172,447
Wages and salaries (in € thousand)	75,177	78,372
Compulsory social security contributions and expenses for pensions and other employee benefits (in € thousand)	15,576	18,859
Of which company pension schemes (in € thousand)	4,556	6,800
Other social expenses (in € thousand)	11,000	10,100

» Annual Report 2019, p. 83

» Other staffing indicators, p. 37

Responsible Corporate Governance

GRI 103: Management approach (covering 103-1, 103-2, 103-3)

GRI 205: Anti-corruption

GRI 206: Anti-competitive behaviour

GRI 412: Human rights assessment

Sustainable economic management requires compliance with all applicable legal requirements and provisions, regulations, voluntary commitment as well as internal guidelines. As a member of the UN Global Compact, we follow its principles. We are also committed to the 2030 Agenda for Sustainable Development.

Our practical understanding of integrity and ethical business is clearly stated in our Code of Conduct which applies throughout the Group and is binding for all employees. It combines our internal principles with external market standards and reaffirms our commitment to sustainability.

» Our Code of Conduct

As a financial service provider, reputational protection is of particular importance to us. Countering corruption and bribery, and preventing money laundering, terrorism funding and other criminal acts are therefore amongst the core principles of our business activity.

DZ HYP's Compliance Office reports directly to the Management Board. It encompasses MaRisk (Minimum Requirements for Risk Management) compliance and capital market compliance, the prevention of money laundering and fraud with Money Laundering Prevention Officer (the Central Unit) as well as Data Protection Officers, information security and business continuity. It is tasked with implementing and further developing bank-wide guidelines, exercising a supervisory function and advising our business entities on implementation and compliance with legal requirements.

For the purposes of MaRisk compliance, the Bank has established a Compliance Board (comprising members of the Management Board and Heads of divisions) as well as a Compliance Committee (comprising representatives from the divisions). The Head of Compliance performs the duties of the MaRisk and WpHG (German Securities Trading Act) compliance officers as well as that of the money laundering prevention officer. They are supported by the Corporate and Capital Market Compliance team.

» GRI 205: Anti-corruption, p. 16

The Compliance division also houses our complaints management system that enables us to record any client complaints and manage them systematically. Our clients, cooperative partners and other third parties may submit a complaint 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.

To prevent white-collar crime and deter unauthorised influence from being exercised on our employees, DZ HYP has also instituted a whistleblowing system. Through this system, employees can relay information about non-compliant practices, serious violations or other failings to an internal ombuds office – confidentially, and without their name being disclosed.

As the number of working steps being digitalised and the amount of information provided electronically increase, the need to protect personal data and its use solely for its intended purpose grows. In our ongoing digitalisation campaigns we 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.

» GRI 418: Protection of client data, p. 31

GRI 205: Anti-corruption

GRI 205-1: Operations assessed for risks related to corruption

As the Money Laundering Prevention Officer / Central Unit, the Head of Compliance 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 Head of Compliance is responsible for compliance with money laundering rules and regulations, as well as for fulfilling the above-mentioned requirements to prevent criminal activities and is supported in this by the AML and Fraud Prevention department. A dedicated monitoring system and other auditing activities help us keep watch for suspicious business relationships and transactions throughout the Bank.

Furthermore, our money laundering 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.

GRI 205-2: Communication and training about anti-corruption policies and procedures

When they join 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. They must take refresher courses every two years, or when their duties change. A system for reporting suspicious activities is in place.

GRI 205-3: Confirmed incidents of corruption and actions taken

There were no known cases of corruption for 2019 at DZ HYP.

GRI 206: Anti-competitive behaviour

GRI 206-1: Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

There were no legal actions against DZ HYP in 2019 concerning anti-trust and monopoly practices.

GRI 412: Human rights assessment

GRI 412-1: Operations that have been subject to human rights reviews or impact assessments

As DZ HYP's 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.

GRI 412-2: Employee training on human rights policies or procedures

Our employees receive regular training on the German General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz – AGG), and the training applies to our executive staff in particular. 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.

Suppliers

GRI 103: Management approach (including 103-1, 103-2, 103-3)

GRI 308: Supplier environmental assessment

GRI 414: Supplier social assessment

DZ HYP also applies economic, environmental and social criteria when choosing its suppliers, based on Group-wide sustainability standards for suppliers established in 2012. They are based on the principles stipulated by the Global Compact of the United Nations, the Code of Conduct published by the German Association Supply Chain Management, Purchasing and Logistics (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 revenue that exceeds a fixed threshold will be reviewed by Procurement 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.

Based on the lead buyership principle, joint suppliers now only need to present their sustainability activities to one DZ BANK Group company. The results are then shared in the group.

» Sustainability requirements for DZ BANK Group suppliers

GRI 204: Procurement practices

GRI 204-1: Proportion of spending on local suppliers

In the year under review, we sourced more than 98.8 per cent of our products and services from German suppliers (based on our total business volume),

GRI 308: Supplier environmental assessment

GRI 414: Supplier social assessment

GRI 308-1: New suppliers that were screened using environmental criteria

GRI 414-1: New suppliers that were screened using social criteria

DZ HYP requires its suppliers to comply with DZ BANK Group's sustainability standards for suppliers. When it comes to environmental responsibility, we expect our contractors to ensure they are taking reasonable action to protect the environment and to comply with local and national legal requirements at the very least.

Furthermore, they should have an established environmental management system in place to develop and take measures in order to systematically reduce the impact on the environment.

In terms of social criteria, we require contractors to respect human rights, not to tolerate any child and forced labour, to guarantee fair compensation and fair working conditions, to grant employees freedom of association and the right to collective bargaining, to take relevant measures to ensure occupational health and safety in the workplace and to rule out any form of discrimination as well as refrain from engaging in corruption or bribery.

GRI 308-2: Negative environmental impacts in the supply chain and actions taken

GRI 414-2: Negative social impacts in the supply chain and actions taken

No actual or potentially negative repercussions for the environment and/or negative impacts in terms of human rights or society or in terms of working practices were identified in the year under review.

SUSTAINABILITY STRATEGY

For DZ HYP, sustainability is a complex issue that has been growing and evolving constantly over the past few years. Going forward, we will continue to watch changes in the political and social landscape, dynamic market developments and technological innovations very closely and then analyse them and integrate them into our business. At the same time, this means that we have to regularly adapt our sustainability strategy.

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.

Another 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, the

companies of DZ BANK Group renewed their climate strategy in 2018, which aims for a reduction in aggregated CO₂ emissions – as generated by Group entities – by at least 80 per cent by the year 2050, compared to 2009.

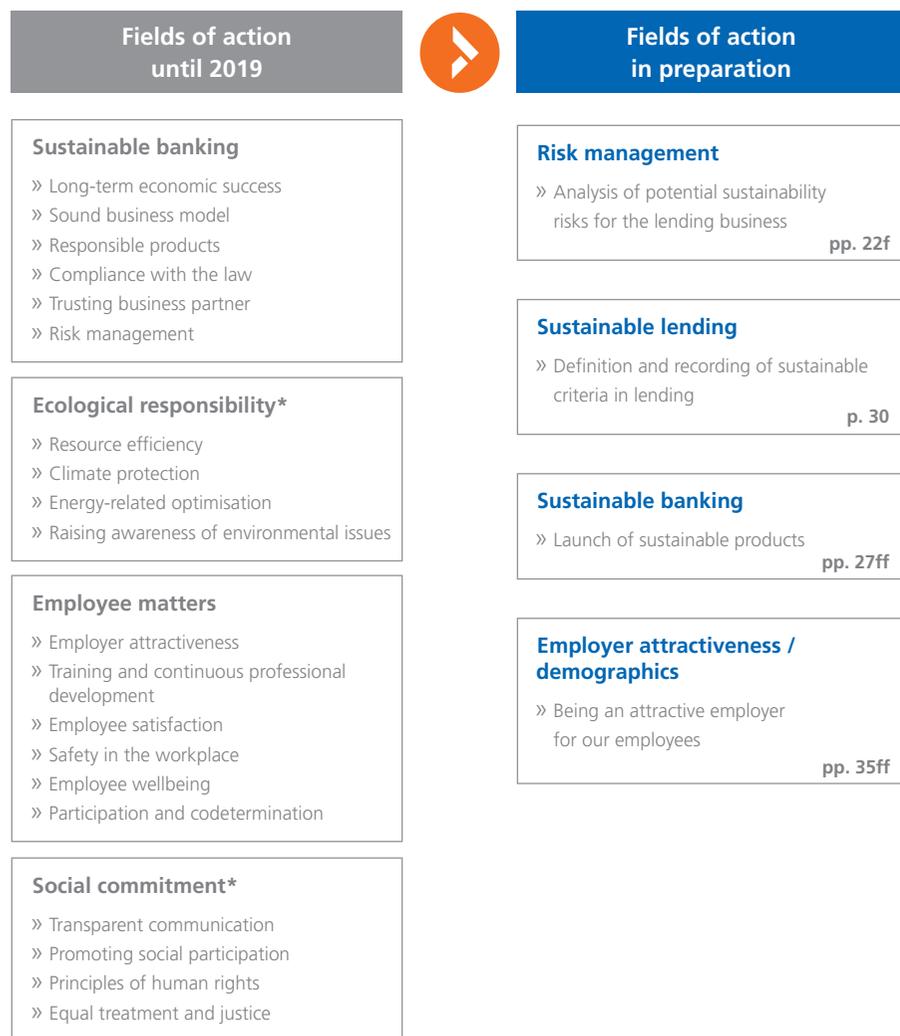
» Climate strategy, p. 46

Our sustainability strategy is driven by these principles. It serves as a guide for identifying areas of action and suitable measures for sustainability management. Our sustainability strategy comprises governing principles and makes clear what our responsibility is – and what we mean when we talk about sustainable development. 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. The principles of this strategy are based on four fields of action: sustainable banking, employees, ecological responsibility and social commitment.

DZ HYP is closely following the current national and European debate on how to create a more sustainable financial sector. In 2019 we started to analyse and revise our sustainability strategy and objectives as well as related processes throughout the Bank against this backdrop while also taking the requirements of our stakeholders into account.

» GRI 102-44: Key topics and concerns raised, p. 26

» GRI 102-46: Defining report content and topic boundaries, pp. 55f



* Not key fields of action in the new sustainability strategy

The figure to the left illustrates the evolution on this basis in our key fields of action.

We continue to develop our sustainability strategy in 2020. It is especially important to us to involve employees at as early a stage as possible. We are driven by a desire to integrate sustainability to an even greater extent into our business processes.

» Jörg Hermes Interview, pp. 32ff

While continuing to pursue the goals of our existing sustainability programme. More information on this can be found in the respective chapters.

» Employee Matters, pp. 35ff

» Ecological Responsibility, pp. 46ff

» Social Commitment, pp. 44f

In the year under review, we at DZ HYP pursued and implemented various sustainability measures. One example of this is the Bank's independent Sustainability Committee that we established in which all Heads of the Bank's divisions are represented. The body's purpose is to encourage debate on sustainability issues and to assess the opportunities and risks surrounding current developments with the aim of improving DZ HYP's sustainability performance.

» Sustainability Committee, pp. 21f

The demographic concept that we adopted in the year under review covers the fields of human resources planning and recruitment, staff loyalty and health. Our aim is to safeguard DZ HYP's ability to perform if the Bank's environment changes. We set ourselves the aim of increasing the percentage of women on the Management Board back in November 2019.

» Demographic management, pp. 35f

A comprehensive renovation and refurbishment programme is currently underway at both our head offices. The construction works in Hamburg began back in 2018 and successfully continued in the year under review. Renovation in Münster started in 2019.

We are aiming to finish the work in Hamburg in 2020 and the work in Münster in 2021 and to have them certified by the German Sustainable Building Council (DGNB). According to a preliminary assessment by DGNB, both offices fulfil the criteria for certification. In Hamburg, we are aiming for a “Silver” DGNB certificate while certification in the “Gold” category is possible in Münster. We thus continue to work towards the targets established in our Group-wide climate strategy.

We also started a series of sustainable events. They take place up to twice a year in Hamburg and Münster and are intended to bring the issue of sustainability and all of its different facets closer to our employees.

Sustainability Management

Responsibility for sustainability issues lies with the Management Board of DZ HYP. All activities related to sustainability are coordinated by the Communications, Marketing and Events team within the Communications and Marketing department. The Sustainability Manager works at both head offices, in Hamburg and Münster. The Head of the team regularly reports on internal and external developments to the Management Board. The Communications and Marketing department is also the contact for other departments in the event of sustainability-related issues. It monitors all actions, and makes suggestions regarding the advancement of the sustainability programme in conjunction with the affected divisions. Furthermore, it serves as a first point of contact for internal and external stakeholders, and is responsible for reporting.

The Sustainability Committee

At DZ HYP, sustainability is a cross-divisional responsibility and is addressed across all management levels and divisions. This principle was further strengthened in 2019 with the initiation of a Sustainability Committee comprised of all Heads of DZ HYP's divisions. 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.

The Sustainability Committee meets at least once every three months; where necessary, it may meet more often. Participants in the meetings are welcome to give feedback from their division's perspective. This ensures that how we handle sustainability is tailored to DZ HYP's situation, and that decisions made can subsequently be implemented in the divisions. At the same time, this approach ensures that the divisions are actively involved in upcoming sustainability-related tasks

Sustainability in DZ BANK Group

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) was formed in 2014, of which DZ HYP is a member. The results of this collaboration include, for example, the introduction of a Group-wide database structure, common supplier standards and the development of a policy on sustainability in lending as well as the climate strategy. 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.

Risk Management

As a member of the German Cooperative Financial Network, DZ HYP believes it has a duty to do business responsibly and sustainably. We apply a conservative risk strategy, forge long-term business relationships and treat clients with honesty, trust, and a sense of partnership.

The ability to identify, manage and communicate risks is a key part of our business activities. As a guiding principle for all of their business activities, DZ BANK Group – and therefore also 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.

DZ HYP's Management Board has defined a risk appetite statement which is in line with Group guidelines. For us, the term "risk appetite" denotes the type and scope of risks that we are willing to take – within the limits of its risk capacity – in order to implement its business model and achieve its business targets. Based on risk policy guidelines and our risk strategy, we have put a risk strategy framework and risk strategies for material risks in place.

Each of these risk strategies cover

- the material risk-bearing business activities,
- the risk management objectives (including provisions concerning risk acceptance and avoidance),
- as well as action to achieve these objectives.

These strategies are being examined yearly in terms of adjustment requirements and discussed with the Risk Committee.

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 German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – InstVergV). 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.

» Annual Report 2019, pp. 49ff

Furthermore, as a Pfandbrief issuer we 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.

In line with DZ BANK Group's reputational risk strategy, we have defined in our reputation risk strategy the cases in which lending is ruled out. This ensures that minimum requirements on ecological, social and governance criteria are being met. We also seek to keep the risk of reputational damage as low as possible.

Our internal lending guidelines have regulated handling of sensitive industries since 2005. In 2014, these rules were translated into exclusion criteria for financing which serve as a guide for the client advisors and are taken into account when processing loan requests. They currently apply to arms transactions, pornography, gambling and significant environmental offences and human rights abuse. In autumn 2017, the Management Board also decided to reject any new requests from then on for project funding for coal-fired power stations.

» Sustainable lending, p. 30

» Processes for sustainable lending

One of the services offered to the German Cooperative Financial Network is the valuation of properties performed by our wholly-owned subsidiary VR WERT. The valuation of real estate properties is essential in order to conduct pricing commensurate with risk and guarantee the portfolio quality of the loans.

» VR WERT, p. 14

Stakeholder Engagement

GRI 102-40: List of stakeholder groups

Our stakeholders include our employees, our partners in the Cooperative Financial Network, the German cooperative banks and our clients and other business partners. We also exchange with analysts and investors, associations, the media, political decision-makers, academia as well as NGOs.

GRI 102-42: Identification and selection of stakeholders

To successfully manage our Bank, it is important to be as familiar as possible with the social, economic and ecological expectations of our stakeholders. That is why we have defined stakeholder groups that are of particular relevance to our Bank. The following aspects are important to us:

- 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.

GRI 102-43: Approach to stakeholder engagement

Regular communication with our stakeholders and transparent reporting are key elements of our sustainability strategy. It enables us to better understand the

concerns and aims of the various stakeholder groups. It also serves as a source of information about how the outside world perceives the risks and opportunities associated with our business activities. For this reason, building and maintaining long-term relationships with our suppliers is also of strategic importance and forms the basis for further developing our approach 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 their perspective. The next employee survey is scheduled for 2020.

The three advisory boards for banks, public-sector clients and the housing sector serve as dialogue platforms for active regular exchange with key stakeholders. They advise the Management Board of DZ HYP on the Bank's strategic approach and are in turn provided with information by it at least twice a calendar year on important matters and the development of the Bank. The members of the Advisory Boards also act as propagators for DZ HYP, and actively promote its business relationships.

- The **Advisory Board – Banks** counts up to 30 members. At least two third of these are full-time Managing Directors of cooperative institutions. 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.
- The Management Board appoints up to 11 members to the **Advisory Board – Housing Sector**. They are Managing Directors of housing enterprises.

The German cooperative banks constitute one of our most important stakeholder groups. In addition to personal meetings and visits with our sales staff, the Advisory Board – Banks supports the exchange between DZ HYP and the German cooperative banks. We also hold regular events at which we openly debate professional and socio-political issues and involve the Managing Directors of the cooperative banks in discussions with our real estate clients. One such example is the nationwide concept we created through our IMMO PARTNER Dialogue that promotes more intensive collaboration with our partner banks in commercial real estate finance.

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.

In the age of digitalisation in particular, personal discussions remain a central building block for good business relationships with our clients and our partners in the industry. New Year's receptions, outlook events and our Investors' Open Table – a gathering for Commercial Real Estate clients hosted throughout the year – are other opportunities for talks amongst professionals.

We created an Advisory Board for our housing-sector clients – housing companies in the hands of cooperatives, municipalities, churches or other housing companies throughout Germany. They are serviced by dedicated contacts who are active in joint industry networks for the benefit of our clients.

Furthermore, we are present at many an industry event, and host a networking hour at the "VdW-Forum Wohnungswirtschaft" conference for the housing industry. Since 2016, we have also hosted an Innovative Client Dialogue to give young industry players active at an operative level the chance to meet.

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.

We want to keep our communication with our capital market partners as transparent as possible. We cultivate investor relations intensively, with both larger-scale events and one-on-one briefings. In addition to the annual and interim reports, we regularly publish other market-relevant information. We also exchange constantly with rating agencies and analysts for financial and sustainability ratings.

DZ HYP is a member of numerous associations. 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. 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.

» Memberships of DZ HYP, p. 10

GRI 102-44: Key topics and concerns raised

The issue of sustainability is becoming more and more significant on the financial markets and at political level. Germany is set to become a leading nation in the field of sustainable finance and the European Union is creating the framework for this through its Action Plan and related legislative proposals. In line with this, the sustainability rating agencies are also shifting their focus and applying stricter standards. And last but not least our partners, the German cooperative banks and even our clients expect us to act sustainably, especially when it comes to developing our products and strategy.

As a cooperative bank, we consider ourselves equipped for these challenges and intend to focus closely on sustainability-related issues that primarily affect players in the financial sector. This includes, for example, the EU's Action Plan on Financing Sustainable Growth, which recommends action for financing the climate-change related targets in the Paris Agreement and the Sustainable Development Goals (SDGs) by redirecting capital streams. In order to encourage longer-term thinking in capital market investments and creating a more stable financial market as a result, climate policy risks are being taken into account more.

In the year under review, the European Union presented the "Green Deal" which is an action plan for the transition to a modern, resource-efficient and competitive economy. All sectors of the economy have to play an active role by investing in eco-friendly technologies, for example, or increasing the energy efficiency of buildings and decarbonising the building sector. The EU's aim is to be climate-neutral by 2050. In a joint climate strategy, DZ BANK Group committed to reducing aggregated CO₂ emissions of the Group entities by at least 80 per cent by the year 2050, compared to 2009.

» Ecological Responsibility, pp. 46ff

Another key issue for us is demographic change. Since the retirement age has been increased, we will retain experienced staff longer than in the past. At the same time, we want to be an attractive employer in order to recruit top talent.

» Demographic concept, pp. 35f

We explain just how we deal with these demands in terms of reporting in detail in the About This Report section. The Sustainability Strategy chapter outlines how we integrate it into our strategy and in the interview with Jörg Hermes, who has been a member of DZ HYP's Management Board since April 2020 and whose responsibilities include sustainability, he talks about the direction that DZ HYP is set to take.

» Jörg Hermes Interview, pp. 32ff

» Sustainability Strategy, pp. 19ff

» About This Report, pp. 55ff

GRI 415: Public policy

GRI 415-1: Political contributions

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.

SUSTAINABLE BANKING

GRI 103: Management approach (covering 103-1, 103-2, 103-3)

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. As a member of the Financial Network, we believe we have a duty to do business responsibly and sustainably.

DZ HYP is active in three business segments: Corporate Clients, Retail Customers and the Public Sector. Within the Corporate Clients segment, the Bank operates in Commercial Real Estate Finance and the Housing Sector. By founding our collaboration with cooperative banks on trust and partnership, we strengthen the Cooperative Financial Network's successful and sustainable positioning on the market.

We see ourselves as having an active role in society. The business decisions that we make have a significant impact on our community. That is why we as a Bank want to achieve success while pursuing a sustainable business model that takes into account the needs of our employees, society, nature and the climate. As part of this, we abide by the general sustainability principle set out by the Brundtland Commission: sustainable development meets the needs of today's generation without jeopardising the ability of future generations to meet their own needs.

In the stakeholder survey carried out in 2019, both internal and external stakeholders gave "sustainable banking" the highest priority as a field of action. This underscores the need for sustainability to continue to be approached as a strategic cross-divisional responsibility in future, and to be systematically integrated into the core business. For DZ HYP, this means that we want to draw out the principle of sustainability, already enshrined in the cooperative model, even more clearly.

» GRI 102-44: Key topics and concerns raised, p. 26

To facilitate professional exchange and to evaluate current developments, the Sustainability Committee was established in 2019.

» Sustainability Strategy, pp. 19ff

We have recognised the fact that sustainability as an issue holds competitive advantages. That is why we are constantly evolving and will continue to confront the many sustainability-related challenges that await us, in particular in the financial sector, in the years ahead. These challenges include the EU's Action Plan on Financing Sustainable Growth, questions of climate change, and the issue of creating housing in metropolitan areas.

Selected projects



Turmcenter, Frankfurt

⤴ New energy design for an old office building – the Turmcenter, Frankfurt was the first office building in Germany to use its entire glass façade as a year-round “energy collector”. Both heating in winter and cooling in summer are largely regenerative. The project was awarded with a “Gold” sustainability certification by the Leadership in Energy and Environmental Design (LEED).

⤵ At the Zalando Campus in Berlin-Friedrichshain there are ten existing buildings and three buildings currently undergoing construction. The most recent addition is the headquarters. It, like all the other buildings on the Campus, runs exclusively on green electricity. In addition to an attractive and flexible work environment and a modern design, the new build has excellent ecological credentials, earning it a DGNB “Gold” award.



Zalando Headquarters, Berlin (wings A and B)



KONRAD, Munich-Riem

⤵ KONRAD, an office complex comprising ten different wings, is located in the direct vicinity of the Munich trade fair centre and is very well connected to public and private transit routes. For its sustainable construction, it was certified “very good” by the Building Research Establishment Environmental Assessment Methodology (BREEAM) in 2019.

© GWG "Eigene Scholle" eG



Multigenerational housing II "Eigene Scholle", Halle

« The non-profit housing association "Eigene Scholle" eG in Halle an der Saale is currently converting a historically listed schoolhouse dating back to the 1930s into a block of residential flats. All of the restoration works are to be carried out in harmony with its period of construction. There will be 19 flats between 60 to 130 m², premises for a daycare and offices for the association's administration.



Europe Plaza, Stuttgart

© Real I.S. AG

« The combination of functional, aesthetically pleasing architecture with sustainability sets this office building in central Stuttgart apart. Amongst other things, the photovoltaic system, green roof and use of rain water earned it a "Platinum" DGNB certificate.

Sustainable Lending

GRI 103: Management approach (including 103-1, 103-2, 103-3)

As a member of the DZ BANK Group, DZ HYP is committed to the fundamental cooperative concept of sustainable and responsible business practices. Our products and services must be ethically defensible, with potential risks being clearly communicated.

» Risk Management, pp. 22f

Sustainability issues are part of our day-to-day 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 properties we finance often fulfil standards such as the certificate of the German Sustainable Building Council (DGNB) or the Leadership in Energy and Environmental Design (LEED) of the US Green Building Council.

» Selected projects, pp. 28f

Investments in private properties – 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 often 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.

Recognising our performance once more in 2019, the Berlin-based European Real Estate Institute (EUREB-Institute) named us as the most powerful real estate brand in the Banking category for the fourth time. The annual award is based on a representative survey amongst experts to identify the most powerful real estate brands in twelve categories. The main reasons for our high ranking were the “regional competence”, “transparency” and “intention to reuse” performance criteria. We were again able to increase our strong brand grading of 92.8 in 2018 to 95.6.

Client Satisfaction

GRI 103: Management approach (including 103-1, 103-2, 103-3)

GRI 417: Marketing and labelling

GRI 418: Protecting client data

Client satisfaction is a major success factor for our business. This is why we regularly review our performance and engage in personal dialogues. We present our products and services extensively with informational materials, in personal discussions, regular meetings, a series of events, and on our website. We have set out our Principles for Sustainable Marketing in an internal policy.

DZ HYP guarantees that it will protect its clients’ personal data and only use personal data for specific purposes. Our conduct is based on our internal data protection policy that applies to all members of staff. Protecting our clients’ data is also central to our projects for digitalising the client interface: We rise to the call of fulfilling 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.

We established a complaints management system to collect and strategically manage any complaints our clients have.

» Responsible Corporate Governance, pp. 15f

GRI 417: Marketing and labelling

GRI 417-1: Requirements for product and service information and labelling

DZ HYP's promotional and marketing measures include advertisements, product brochures and flyers, letters to clients, events, websites and other sales and image-promoting measures. We do not tolerate misleading, discriminating or defamatory advertising, nor do we tolerate derogatory comments about competitors, their products or services.

We take care that visual advertising conforms with generally prevailing social norms and does not depict degrading images on the basis of personal characteristics such as race, ethnicity, religion and beliefs, gender, age, disability and/or sexual identity. Our products and services, and their prices, are transparent, clear and understandable.

We do not carry out advertising measures using bulk e-mails or mailshots. Advertising is generally conducted on the basis of a precise needs analysis. We do not approach clients for advertising purposes if they have declined them or not expressly consented. We only use data entered voluntarily on our website for the purposes expressly requested by the user.

GRI 417-2: Incidents of non-compliance concerning product and service information and labelling

GRI 417-3: Incidents of non-compliance concerning marketing communications

Our Principles for Sustainable Marketing are set out in an internal policy. In the year under review, no breaches were reported in relation to product/service information and labelling or marketing and communication.

GRI 418: Customer privacy

GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data

DZ HYP acts in accordance with the provisions of the Federal Data Protection Act and the EU General Data Protection Regulation. The corresponding regulations are set out in the Data Protection policy.

In 2019 we reported one data protection breach under article 33 GDPR and instituted measures to remedy the breach.

THE INTERVIEW

»AS A FINANCIAL INSTITUTION, WE WANT TO TAKE A HOLISTIC APPROACH TO SUSTAINABILITY.«

Mr Hermes, first of all, congratulations on your appointment to the Management Board. You joined the company in 2002 and were also part of the former DG HYP. This means you know the Bank pretty well. Will you use your new position to preserve what has been established, or to promote innovation?

Fortunately, there is no need to correct the successful path of DZ HYP. Instead, we have the opportunity to preserve what has been established, as well as responding appropriately to tangible signs of change. We are able to analyse the opportunities that the future of DZ HYP offers from a position of strength, and then take the necessary steps.

What does this mean, specifically?

In recent years – despite the very intense merger process – we managed to preserve or even improve our market position in all business areas. Within the Bank, we were very inward-looking. This was necessary to create an integrated system environment and harmonised management methods, but it also required a lot of energy and effort. Furthermore, some of the mega trends that are currently impacting society, politics and the economy were pushed into the background. We did not lose sight of them, but we also were not able to push them forwards with our full focus. We want to approach this now.



Jörg Hermes has been a member of the DZ HYP Management Board since 1 April 2020. As Dr Carsten Dürkop's successor, he is responsible for Finance, Compliance, IT and Organisation & Operations, Internal Audit and Human Resources. In addition, sustainability organisation is one of his responsibilities. Jörg Hermes was previously the General Executive Manager of DZ HYP, serving as the Department Head of Finance and lead strategic projects at the Bank.

That sounds like a fresh breeze for DZ HYP. What are those “mega trends” that you want to approach?

If combating the consequences of pandemics does not prevail as a new trend, for us as a real estate bank there are currently four mega trends: regulatory issues, digitalisation and the associated IT security, demographic change and, of course, sustainability. In my view, we need to align these fields, with the focus on sustainability acting as a bracket. Sustainability is an inter-generational topic that encompasses all areas of society. I realise this not least because of the debates I have at home with my children on topics such as climate change.

At DZ HYP, we now need to recognise one thing: while we also have developed, we have fallen somewhat behind in terms of sustainability due to the merger. This is also evident in the ratings. We were still awarded Prime status. However, instead of a C+ rating, the rating agency ISS-ESG only gave us a C. Yet there are some advantages in not being first everywhere. We have refrained a bit from pioneering, and might now benefit from the findings of other market participants. As a financial institution, we want to take a holistic approach to sustainability.

You mentioned your children. Is sustainability more than just a job for you?

Absolutely. It is of genuine concern to me, and talking with my friends, family and colleagues I find that this topic is very important to many people. Combining this generally idealistic value with a professional life that is oriented primarily towards economic values is an exciting task. Wouldn't it be great if DZ HYP's sustainable corporate governance was rewarded with economic benefits in the medium term, such as attractive refinancing costs? That is where we are trying to go. Moreover, I hope that by focussing more on sustainability, we can also get young people excited by what we do. We at DZ HYP want to show that commercial real estate finance offers numerous shaping opportunities in the spirit of sustainability. Here we can clearly see the connection to the topic of demography.

Convincing young people with sustainability is not a bad idea. How will you convince other stakeholders that may have a more critical view on the topic?

The good thing about the topic of sustainability is that it is generally perceived positively. Everybody would confirm that sustainability per se is a desirable objective. This gives a major opportunity to motivate people for the topic. The reservations rather stem from practical considerations in the professional environment. Striving for sustainability first of all complicates processes. We need to reconsider our approaches, and be able to collect and analyse large amounts of additional data. This is where the topic of digitalisation comes into play. The efficient and appropriate handling of this data is becoming increasingly pivotal for the competitive position. Banking supervision and politics in general will aim to reward sustainable action – or sanction the absence of it. This could, for example, be reflected in the price of Pfandbriefe or in the capital adequacy. Sustainability is therefore not contrary to economic objectives. We need to stop perceiving these to be conflicting targets.

Which tasks will you approach next?

In 2019 we already intensively analysed where we need to gain more momentum in risk management, lending and sustainable products. It is now time to take up these findings and align them with the new legal framework announced as an element of the European Commission's action plan on sustainable finance. For this purpose, we need a diverse and regular analysis, as much of it is not yet available as a coordinated legal text. This is, by the way, a good example for the link between sustainability and regulation that I mentioned earlier.

How exactly do you proceed in order to ensure this?

At the beginning of 2020 we formed a task force, consisting of representatives from different divisions such as Capital Markets, Sustainability, Supervisory Law, Risk Controlling and Central Data Warehouse, to carry out a comprehensive evaluation. On this basis we will ensure that the findings are put into action. By systematically interlinking these divisions we can holistically plan further proceedings in order to achieve our objectives. We will, for example, define and implement sustainable lending criteria. That means we can then offer sustainable products such as green Pfandbriefe.

That sounds like a lot of unresolved issues. Is DZ HYP even ready for such a major effort, so soon after the merger?

At the start of the year I believed we were ready for this effort, as I am convinced of the capabilities within our organisation. However, we must admit to ourselves that the coronavirus has hindered reliable planning. For all our targets for 2020, we must therefore express reservation. We will probably not be able to implement everything as originally planned. Nevertheless, we are confident of our ability to achieve tangible results by the end of the year. Despite all adversities, we would like to prioritise sustainability because – for us – it is a call to action. In my talks within the Bank, I sense that many employees are keen to make DZ HYP even more sustainable. We must make use of this momentum, and ensure that all employees are on board for this process.

How exactly are you going to do this?

At the end of 2019, we established a Sustainability Committee. This body, which comprises the Heads of the Bank's divisions, currently meets about every six weeks. During these meetings the task force regularly presents its findings: the colleagues involved discuss the most recent developments and take decisions. This way, on the one hand, the processes are brought into the Bank and anchored in the divisions. On the other hand, the divisions will have the opportunity to contribute their opinion to the decision-making process at an early stage, and to raise objections when the demands become too high. In addition, we use our intranet as well as our internal event series on sustainability in order to inform all of our employees about new developments, on a regular basis.

Finally, I would like to ask you for a forecast: how sustainably will we live in 2030?

Such forecasts are not part of my core expertise. However, I can tell you what I am wishing for: that we succeed in ensuring a good future for our children and grandchildren. Personally, I try to contribute to this by doing business in as sustainable a manner as possible; also by dealing responsibly with the environment and with my fellow human beings. For DZ HYP, we want to find a way to harmonise our profitability goals with our ambitious claim for sustainable action.

EMPLOYEE MATTERS

GRI 103: Management approach (including 103-1, 103-2, 103-3)

GRI 401: Employment

GRI 402: Labour/management relations

GRI 403: Occupational health and safety

GRI 404: Training and education

GRI 405: Diversity and equal opportunity

GRI 406: Non-discrimination

GRI 407: Freedom of association and collective bargaining

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.

In our Human Resources work, we are guided by the work and social standards of the International Labour Organization (ILO). As a responsible employer, we want to harmonise our employees' needs with economic framework conditions. 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.

In recognition of our family-friendly human resources policy, the non-profit Hertie Foundation awarded us the "audit berufundfamilie" certificate in 2013. DZ HYP has since regularly received the seal of quality, which has to be acquired anew every three years. The current seal is valid until 31 December 2020. The re-auditing is planned for the second half of 2020 and will cover both of DZ HYP's head offices.

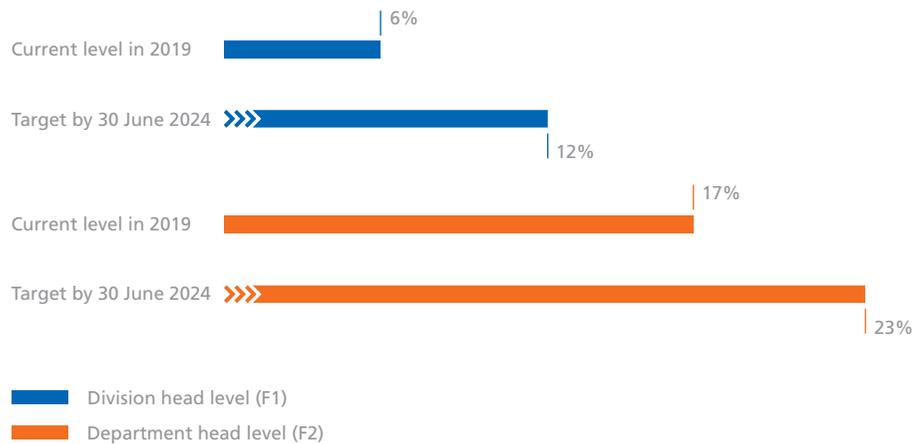


In 2018, the Münster office introduced the HR Business Partner concept and successfully progressed it in the year under review. This led Human Resources activities to be more closely aligned with value creation in the units it supports. The concept helps employees to contribute to business success and create added value for customers. The areas in question are provided with close support in tackling the individual challenges facing them.

Owing to demographic change and growing competition for specialists and executives, developing and maintaining attractiveness as an employer has moved to the forefront of strategic Human Resources activities. That is why we adopted a demography concept in 2019, aiming to ensure that DZ HYP is capable of performing should framework conditions change. This would be an issue, for example, when the baby boomer generation goes into retirement, in the event of a general shortage of skilled workers, or when there is a need for new skill sets in the wake

of digitalisation or new demands on younger generations. In the concept, we have focused on four fields: HR planning, talent acquisition, employee loyalty and health. We want to increase our training activities to deal with shortages in skilled workers. DZ HYP offers tailored vocational training and professional development programmes for school leavers, students and university graduates, including study programmes whilst in employment.

PERCENTAGE OF WOMEN AT MANAGEMENT LEVEL (in %)



In principle, we want to actively approach all the relevant target groups. To do this, we are going to bolster our employer branding with a campaign and gradually increase our presence on the market.

Employee loyalty also plays a key role. For 2020, we are planning to expand existing initiatives such as employee interviews and fostering female talent with new measures. This includes, for example, the talent-fostering programme and a regular temperature check of employee satisfaction.

To ensure that all age groups have a lasting desire to perform and remain capable, personal health and work-life balance are foundational. In this sense, we offer the opportunity to tailor work to fit with the needs experienced in different phases of life, such as various flexible working time models or periodic mobile working.

In addition to eliminating factors that are damaging to health, we have instituted preventative measures to maintain and enhance employee health. In addition, our occupational health management will in future have a stronger emphasis on mental health challenges at the workplace in the wake of a changing work environment. This is 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.

» GRI 403: Occupational health and safety, pp. 39f

Our dialogue culture is shaped by openness and mutual respect. Employees take part in decision-making processes at the Bank and can use the intranet, for example, to stay up to date with what is happening at DZ HYP.

In compliance with legal requirements, DZ HYP informs the Works Councils of fundamental changes and concludes appropriate agreements with them as stipulated in the German Works Constitution Act (Betriebsverfassungsgesetz – BetrVG).

We 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.

We value the diversity of our employees and therefore decided to sign the German Charter of Diversity (Charta der Vielfalt) in 2012. Equal opportunity and anti-discrimination are cornerstones of our corporate policy and our human resources management. These principles underpin our approach to wages and salaries. Employee remuneration is principally based on the current version of collective bargaining agreements which set out criteria for job classification and remuneration; these are not based on sex.

» GRI 102-41: Collective bargaining agreements, p. 38

Our practical understanding of integrity and an ethical corporate culture is clearly stated in our Group-wide Code of Conduct. All employees are bound by the Code, It combines our internal principles with external market standards and reaffirms our commitment to sustainability.

» Our Code of Conduct

» Responsible Corporate Governance, p. 15f

STAFFING INDICATORS 2019

	GRI standard	2019	2018
Headcount (number of employees)¹	GRI 102-7, 102-8	870	873
Temporary employees		25	35
Permanent employees		845	838
Expenses for compulsory social security contributions (in € mn)²	GRI 401-2		
Wages and salaries		76.2	81.7
Company pension schemes		9.3	6.8
Other social security contributions		11.0	10.1
Percentage of women	GRI 102-8, 405-1		
Total workforce		45.3	45.3
Executive positions		13.9	13.2
Average age		45.6	45.3
Employees with disabilities (in %)	GRI 405-1	3.6	3.3
Turnover (in %)	GRI 401-1	6.0	4.4
Rate of voluntary resignations (in %)		3.9	2.5
Average length of company service (in years)		13.4	13.7
Illness rate (in %)	GRI 403-10	4.2	4.0
Workforce by type of employment (in %)			
Non-tariff employees	GRI 102-41	49.4	45.1
Tariff employees	GRI 102-41	50.6	54.9
With the option to take special leave		100.0	100.0
With the option to work part-time		100.0	100.0
Full time	GRI 102-8	76.3	77.9
Part time	GRI 102-8	23.7	22.1
Occasional mobile working		80.0	69.6
Partial retirement		0.7	0.6
With company pensions	GRI 401-2	96.0	97.7
Represented in the works council		97.7	97.8
On parental leave	GRI 401-3	2.7	2.7

¹ Annual average.

² Reported in accordance with IFRS.

GRI 102-41: Collective bargaining agreements

403 members of staff were non-tariff employees as at 31 December 2019 (2018: 398); 436 were tariff employees (2018: 462). These figures include both fixed-term and ongoing employment contracts.

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.

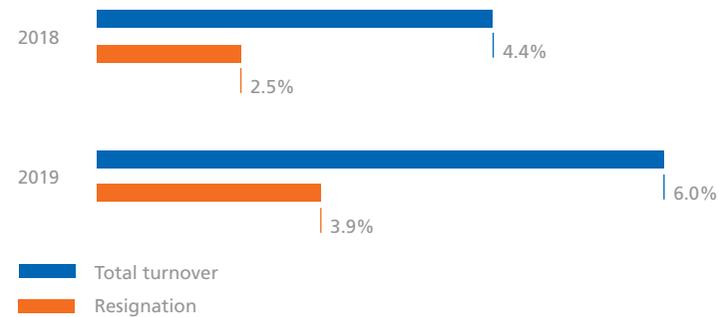
When an employee is placed in a particular salary band, the works council as well as the Remuneration Officer are involved.

- » GRI 405: Diversity and equal opportunity, pp. 42f
- » GRI 407: Freedom of association and collective bargaining, p. 43

GRI 401: Employment

GRI 401-1: New employee hires and employee turnover

EMPLOYEE TURNOVER (in %)



AVERAGE LENGTH OF COMPANY SERVICE (in years)



GRI 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees

Occupational benefits are offered to all internal employees.

In addition to performance-based pay, we offer all internal full and part-time employees and all internal employees on fixed-term contracts extensive social benefits to enhance their security 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.

» GRI 201-3: Defined benefit plan obligations and other retirement plans, p. 14

GRI 401-3: Parental leave

For staff members who have children or dependants needing care, and for employees who volunteer in their free time, we offer a wide range of measures. We want to foster a corporate culture that enables the demands of family and career planning to be brought into harmony. 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, for example flexible hours, different part-time models as well as the option of periodic mobile working. In recognition of our family-friendly human resources policy, we have held the “audit berufundfamilie” certificate from the non-profit Hertie Foundation since 2013.

In the year under review, 2.7 per cent of our staff was on parental leave, as in the year prior.

GRI 402: Labour/management relations

GRI 402-1: Minimum notice period regarding operational changes

In the event of significant operational changes, all of the notice periods under labour law and the Co-Determination Act (Mitbestimmungsgesetz) apply. In addition, we use our intranet at DZ HYP to keep employees constantly informed about what is going on in the Bank. In compliance with legal requirements, DZ HYP informs the Works Councils of fundamental changes and concludes appropriate agreements with them as stipulated in the German Works Constitution Act (Betriebsverfassungsgesetz – BetrVG).

GRI 403: Occupational health and safety

GRI 403-8: Employees covered by a management system for occupational health and safety

On 30 October 2019, a Works Council agreement on occupational re-integration management was signed at the Münster office. Occupational re-integration management has been in place in Hamburg since 2012.

Thus permanent integration teams exist at both head offices and contact affected employees during their working hours, implementing measures for re-integration or continued employment at the workplace.

The Occupational Health Management Committee (BGM) that was established several years ago at the Hamburg office was extended to the Münster office in 2019. This cross-company committee is equally represented by Works Council members and company representatives. They meet regularly to revise BGM services, and to plan specific measures. There is also a company-wide Committee for Occupational Safety (ASA) constituted by the two Occupational Health and Safety Officers from the Hamburg and Münster offices, representatives from Human Resources and Administration and company doctors. Safety Officers from every office location regularly take part in relevant training. This approach will be rolled out at regional centres as well.

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.

GRI 403-9: Work-related injuries

GRI 403-10: Work-related ill health

As in the previous years, there were no work-related fatalities in 2019. The rate of work and commuting accidents at DZ HYP was 2.4 per cent in 2019 (2018: 1.5 per cent). The illness rate was 4.2 per cent in 2019 (2018: 4.0 per cent).

The Hamburg office has been collaborating with the Corporate Occupational Medical and Safety Service (B.A.D.) since 2012. In future, the collaboration will be expanded to include the Münster office. Until 31 December 2019, the Münster office had been in collaboration with OHA Gesellschaft für Arbeitsschutz und Arbeitssicherheit mbH.

The existing benefits, such as regular office hours for company doctors, annual flu vaccines, physiotherapy at the Münster office or a yoga course at the Berlin regional centre, were complemented: in 2019, we re-introduced mobile massages at the Hamburg office and a partnership agreement with the gym operator Fitness First that offers all DZ HYP employees favourable terms. In addition, we offer eye exams (G-37 exams) and subsidise computer glasses.

For 2020, we are planning an online training course entitled “screen working” with helpful tips, such as how to set up an ergonomic workspace. Height-adjustable desks and ergonomic chairs have been standard office equipment since 2014.

The BGM's first event “Lauf in den Herbst” (“run into autumn”) took place in September at both the Münster and Hamburg offices. In Münster, the existing corporate sports club was expanded to include sailing on Lake Aasee.

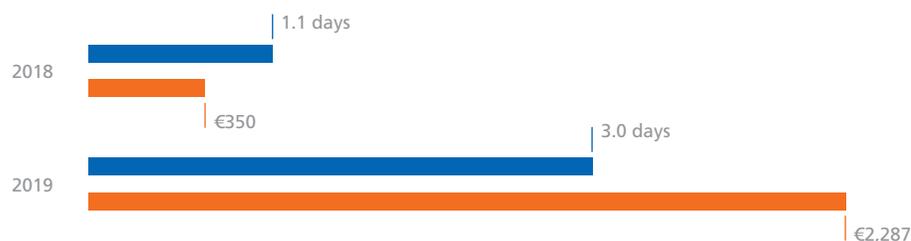
In 2019, numerous colleagues across both head offices and the regional centres once again took part in the AOK “cycling to work” initiative. This initiative is offered annually in cooperation with ADFC. DZ HYP's 41 cyclists covered a total of 17,751 kilometres. In addition to being physically active, all the people who participated in the initiative also directly contributed to protecting the climate.

» Employee indicators, p. 37

GRI 404: Training and education

GRI 404-1: Average hours of training per year and employee

TRAINING DAYS AND COSTS PER EMPLOYEE



At the Münster office, credit IT systems were migrated to SAP in November 2019. More than 350 employees received training in a variety of different modules. As part of a cross-divisional training concept, there was system training, technical training, placements, a test system and floor walkers.

In 2019, we received the “BEST PLACE TO LEARN” training certificate, which is valid until 31 May 2022. 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.

DZ HYP provides tailor-made offers to school leavers, university students, and graduates. The Münster head office has been training bank clerks since August 1989. For 2.5 years, the trainees go through all relevant departments in Münster, and since the merger also increasingly in Hamburg. For the school-based part of their vocational training, the trainees attend blocks of lessons at the GenoKolleg cooperative vocational college in Münster, together with DZ BANK trainees and others.

In addition to conventional vocational training, the Münster office has also been offering dual study programmes for Bachelor and Master of Science 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 in blocks. The trainees and dual students are selected via several school cooperation projects, participation in vocational training fairs, trainee speed-dating events, and internship trainee programmes organised by the Chamber of Commerce and Industry (IHK). A total of four trainees and two dual students are recruited every training year. In the year under review, the Bank engaged three female dual students on a permanent basis at the Münster office.

DZ HYP’s 18-month graduate trainee programme was developed and launched in 2010. In the year under review, the Bank initiated the eighth cycle and employed a trainee at Commercial Real Estate Investors – SMEs & Cooperative Financial Network (Hamburg Regional Centre). At the Münster office, a second trainee began his training in the Retail Customers and Cooperative Financial Network Business (sales support Private Investors). “Trendence und Absolventa”, the leading online jobs portal for young academics, once again awarded DZ HYP its seal of quality in 2019 for its “fair trainee programme”.

GRI 404-2: Programmes for upgrading employee skills and transition assistance programmes

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 scholarship that covers two thirds of 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 with a strong drive and performance track record wishing to evolve professionally.

The DZ HYP Real Estate Academy is an integral part of the Bank's specialist training programme. It functions in partnership with the IRE|BS Real Estate Business School, Regensburg, one of the most renowned further training establishments in the real estate sector. Since 2010, around 100 employees have participated in the continuing professional development measure. In addition to attending a series of lectures split into three modules, participants work in small teams on a practice-oriented case study which they then present to a commission of IRE|BS representatives and DZ HYP's Management Board. The Real Estate Academy offers comprehensive training and an in-depth insight into the various areas of the real estate industry. In addition to the Bank's own workforce, representatives of cooperative banks also take part in the Real Estate Academy: in 2019, they accounted for 50 per cent of participants.

In total, six DZ HYP employees and four trainees took part in the Real Estate Academy in 2019, as well as eleven employees from cooperative banks.

GRI 404-3: Percentage of employees receiving regular performance and career development reviews

To facilitate modern management, we developed a workable and state-of-the-art format for employee appraisals at the Hamburg office. 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. Having a regular dialogue also serves to identify individual areas for improvement. The roll out of the employee appraisal format is pending for the Münster office.

GRI 405: Diversity and equal opportunity

GRI 405-1: Diversity of governance bodies and employees

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,

» GRI 406: Non-discrimination, p. 43

Our corporate culture promotes integration: as such, severely disabled members of staff are an important part of our workforce. During the year under review, 3.6 per cent of our employees were classified as severely disabled (2018: 3.3 per cent). Severely disabled employees, together with their interests and concerns, have dedicated representatives.

In accordance with statutory requirements, the Supervisory Board and Management Board of DZ HYP 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 such targets. Against this background, on 29 November 2019 the Management Board of DZ HYP set target figures for the divisional (F1) and departmental (F2) management levels within the scope of its demographic concept. By 30 June 2024, the share of women will amount to 12 per cent at F1 management level, and to 23 per cent at F2 management level. As at 31 December 2019, the share was 6 per cent at F1 level and 17 per cent at F2 level.

The targets for the Supervisory Board and the Management Board had already been set in 2018, with the aim to reach them until 31 July 2020. The 2020 Sustainability Report will contain further details.

» Employee indicators, p. 37

GRI 405-2: Ratio of basic salary and remuneration of women to men

DZ HYP's remuneration structure does not discriminate on the basis of sex. Men and women with equal jobs, equal suitability and equal experience will receive equal pay.

» GRI 102-41: Collective bargaining agreements, p. 38

GRI 406: Non-discrimination

GRI 406-1: Incidents of discrimination and corrective actions taken

Our employees receive regular training on the German General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz – AGG), and the training applies to our executive staff in particular. After joining DZ HYP, new employees must complete a training course on the German General Equal Treatment Act within 14 days. Once again, no violations or complaints regarding non-compliance with the German General Equal Treatment Act were registered in 2019.

GRI 407: Freedom of association and collective bargaining

GRI 407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

Issues including equal treatment, freedom of association and collective bargaining are addressed in internal regulations, prevailing principles and the Group's Code of Conduct. In the year under review, no instances of non-compliance or threats to the freedom of association or collective bargaining were reported.

SOCIAL COMMITMENT

GRI 103: Management approach (covering 103-1, 103-2, 103-3)

GRI 203: Indirect economic impacts

The cooperative basic values of aiding empowerment, solidarity as well as sustainable and responsible conduct are cornerstones of DZ HYP's social commitment. As an active member of society, we are aware that the decisions we make significantly influence the environment in which we move, live and work. That is why we join our employees to dedicate ourselves to the community in which we live and move, and make our own contribution to the work they do together, 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. Moreover, DZ HYP has a positive impact on economic and social development at its locations – as an employer and contractor.

GRI 203: Indirect economic impacts

GRI 203-1: Infrastructure investments and services supported

GRI 203-2: Significant indirect economic impacts

The Bank promotes the Active Citizenship Association (Aktive Bürgerschaft), which advocates civic action and non-profit organisations. We also support the CLUB OF ROME's German charter, by providing the club's branch office at our premises in Hamburg at no charge. Further, DZ HYP is the host and financial backer of the annual meeting of the CLUB OF ROME schools network.

Examples of DZ HYP's professional commitment include the promotion of the "Women in Real Estate VISIONALE 2019" initiative (Frauen in der Immobilienwirtschaft VISIONALE 2019), and of the alumni network of the real estate industry, IMMOEBS, as a premium partner. Within the scope of the "Schools and Business Partnership" project launched by a chamber of commerce and industry, DZ HYP cooperates with two schools in Münster, providing hands-on vocational orientation through internships and visits, thus promoting an understanding of the economy amongst young students. Likewise, DZ HYP offers students internships designed to support vocational orientation, as part of the "Don't leave school without the prospect of a job" project run by the State of North-Rhine Westphalia.

As part of the "digital classroom" theme week, which was launched at the beginning of October 2019 by radio broadcaster Antenne Münster, DZ HYP donated 120 notebooks, distributed across five school packages. Under the motto "beef with the computer?", secondary school classes in Münster could compete for them. The used yet modern and well-functioning laptops were checked thoroughly by professionals before the initiative and they underwent a data protection technical quality assurance review. The notebooks were then donated to the winning classes.

As part of its commitment to social responsibility, during the year under review the Bank subsidised the Hamburg Donor's Parliament (Hamburger Spendenparlament), which supports initiatives to help the homeless and people living in poverty and isolation. We held a sixth Social Day in the summer of 2019, a day for our staff to

spend their working time doing social work at the Hamburg-based charity Hanseatic Help e.V., sorting clothing donations and preparing them to be passed on. In addition to other customer-related donations, the Bank once again doubled its employees' annual Christmas collection. This year, the donation was made to Neuer Kupferhof, a short-term home for disabled children and teenagers, the Yoga for Alle e.V. charity for its yoga for seniors projects as well as to the soup kitchen of the Protestant St. Georg-Borgfeld church that feeds homeless people.

As in previous years, DZ HYP once again decided to largely refrain from sending out Christmas cards in 2019, instead using the amount saved to provide financial support to two social projects proposed by its employees: firstly the Fields Private Institute gGmbH (Münster) with its "Out of school – learning from the future" initiative, and secondly the rehabilitation charity Aktive Suchthilfe e.V. (Hamburg). "Out of school" aims to foster extra-curricular places of learning at all-day schools, as an addition to school learning. The focus is on the United Nation's sustainable development goals.

Aktive Suchthilfe e.V. was one of the first non-profit organisations to provide external help to addicts behind bars.

In 2019, the DZ HYP Partner Awards were once again presented at the Münster office to banks that have worked especially closely with us in the Retail Customers segment. The awards are attached to a donation that goes to anyone of the recipient's choosing. As in prior years, a variety of different groups received donations, including Langenfelder Kinderherzhilfe gem.V., Kaltenkirchener Turnerschaft e.V. and die Nicolaidis YoungWings Stiftung received donations.

The DZ HYP division responsible for donations and sponsoring is Communication, Marketing and Events (CME). CME presents the Management Board with a budget once a year. The budget for donations and sponsoring activities was €477,810 in 2019 (2018: €558,906). Of this amount, €85,000 (2018: €61,000) was dedicated to donations for scientific, cultural and social causes.

ECOLOGICAL RESPONSIBILITY

GRI 103: Management approach (covering 103-1, 103-2, 103-3)

GRI 301: Materials

GRI 302: Energy

GRI 303: Water and effluents

GRI 305: Emissions

GRI 306: Waste

GRI 307: Environmental compliance

Conserving an intact and stable environment influences our business activities as well. 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. 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 another 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 and developed further. 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 "environmental 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 the renew their joint climate strategy and committed to reducing their aggregated CO₂ emissions by 2050 by at least 80 per cent. Indeed, DZ BANK Group – which employs around 30,000 people – has already reduced its CO₂ emissions by 50.7 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.

REDUCTION OF CARBON EMISSIONS OF DZ HYP COMPARED TO THE 2009 BASE YEAR (in %)



Since the German Federal Government has meanwhile modified its climate protection targets – it is now aiming to achieve greenhouse gas neutrality by 2050 – we will adjust our sustainability targets accordingly.

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 is 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.

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.

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, our employees can find tips for environmental protection in practice 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 order to promote the issue of alternative means of mobility at DZ HYP, we organised professional safety checks for bicycles at the Hamburg and Münster offices in 2019. In addition, our Münster employees can lease company bikes and e-bikes on favourable terms.

GRI 301: Materials

GRI 301-1: Materials used by weight or volume

GRI 301-2: Recycled input materials used

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 Stewardship Council (FSC) for several years now. Since the mid-2018 merger, Blue Angel certified recycled paper has been used throughout the Bank. In 2019, 80.9 per cent of the paper consumed at DZ HYP carried that label (2018: 76.0 per cent). For marketing materials and publications, we use almost exclusively FSC-certified paper. 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 18.9 per cent lower in 2019 than in 2018: 36,582 kg versus 45,418 kg. Behind this are our efforts to save paper by digitalising processes, as well as a reduction in written correspondence after the merger was concluded.

PAPER CONSUMPTION

	2019 ¹	2018 ¹
Printer and copier paper consumption		
Total paper consumption ² (in kg)	15,361	24,764
Specific paper consumption (in kg/FTE)	26	38
Share of FSC-certified paper (in %)	13	16
Share of recycled paper (in %)	81	76
Share of totally chlorine-free (TCF) paper (in %)	6	8
Printed material		
Total paper consumption (in kg)	13,455	14,064
Specific paper consumption (in kg/FTE)	23	21
Share of FSC-certified paper (in %)	100	99
Hygienic paper consumption³		
Total paper consumption (in kg)	7,766	6,590
Specific paper consumption (in kg/FTE)	13	10

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

² 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.

³ 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



GRI 302: Energy

GRI 302-1: Energy consumption within the organisation

GRI 302-2 Energy consumption outside of the organisation

GRI 302-3 Energy intensity

GRI 302-4: Reduction of energy 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 in Hamburg and Münster was 3,129,136 kWh, down from 3,581,630 kWh in 2018, a strong 12.5 per cent year-on-year decline. On a per-FTE basis, electricity consumption was 5,244 kWh (2018: 5,457 kWh). Due to ongoing renovation works, the figures are only indicative to a limited extent because, for example, electricity consumption for the construction works and extended sites could not be broken out.

We have taken a number of measures to reduce our electricity consumption. Apart from raising awareness with our employees, for example in order to avoid standby power usage, 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.

Aggregate heat consumption (natural gas plus district heating) rose slightly compared to 2018 to 3,279,776 kWh (2018: 3,235,955 kWh). The fact that consumption remained high, as in the year prior, was due to construction measures at the Hamburg Head Office and the extended and project sites due to the merger. Because the building in Hamburg has been partially uninsulated for the duration of the renovation works, the heat consumption figures are not entirely comparable.

ELECTRICITY AND HEAT CONSUMPTION

	2019 ¹	2018 ¹
Electricity consumption		
Total electricity consumption (in kWh)	3,129,136	3,581,630
Of which sustainable hydroelectricity (in kWh)	3,129,136	3,581,630
Specific electricity consumption (in kWh/FTE)	5,244	5,457
Heat consumption		
Heat consumption (natural gas) (in kWh)	2,871,912	2,792,451
Heat consumption (district heating) (in kWh)	407,864	443,504
Total heat consumption (in kWh)	3,279,776	3,235,955
Specific heat consumption (in kWh/FTE)	5,496	4,930

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

Mobility

To cut down on business-related travel as much as possible, we are raising employee awareness and increasingly making use of video and teleconferences. In the year under review, business-related travel rose slightly to 6,000,688 km (2018: 5,995,282 km). In particular, we saw an increase in business-related travel between our two head offices in Hamburg and Münster. At 8.4 per cent, the portion of business-related travel accounted for by air travel remained low (2018: 6.7 per cent); the share of environmentally friendly rail travel was increased slightly to 39.3 per cent (2018: 38.5 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.

WORK-RELATED TRAVEL

	2019 ¹	2018 ¹
Total work-related travel (in km)	6,000,688	5,995,282
Specific work-related travel (in km/FTE)	7,660	6,661
Share of travel by train² (in %)	39	39
Share of air travel (in %)	8	7
Less than 500 km (in %)	82	90
More than 500 km (in %)	18	10

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

² 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.

Since 2016, our employees in Hamburg have been able to use a BMW i3 electric car for business-related travel. 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, 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.

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, 229 employees at our Hamburg offices took advantage of these financial incentives (2018: 251), 37 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 2019, our employees in Münster had leased 133 bikes or e-bikes (2018: 101).

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 (as set out above). Moreover, there are 24 charging stations for e-bikes in the underground garage. In addition, our employees can use free parking places at the bicycle station at the railway station.

» CO₂ emissions from our company cars, pp. 52f

GRI 303: Water and effluents

GRI 303-3: Water withdrawal

GRI 303-5: 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 9,779 cubic metres, down from 10,376 cubic metres in 2018. Specific water consumption per employee remained at 16 cubic metres, as in 2018. The renovation works in Hamburg and Münster mean that the consumption figures are indicative only to limited extent. While the construction works caused an increase in consumption, a decrease has been seen in Münster because a portion of the building is out of use.

WATER CONSUMPTION

	2019 ¹	2018 ¹
Total water consumption (in m³)	9,779	10,376
Specific water consumption (in m³/FTE)	16	16

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

² Water withdrawn from the public drinking water system.

GRI 303-4: Water recirculation

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.

GRI 305: Emissions

GRI 305-1: Direct GHG emissions (scope 1)

GRI 305-2: Energy indirect GHG emissions (scope 2)

GRI 305-3 Other indirect GHG emissions (scope 3)

GRI 305-4: GHG emissions intensity

GRI 305-5: Reduction of GHG emissions

Our calculations of greenhouse gas emissions (CO₂ 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:

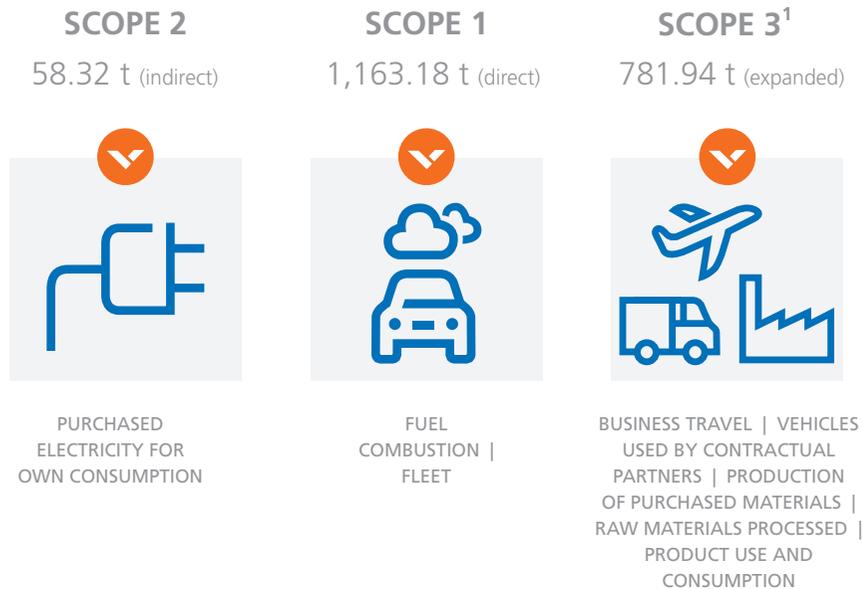
- **Scope 1:** Direct emissions from within the system under review (e.g. vehicle fleet).
- **Scope 2:** Indirect emissions from externally generated energy (in particular, electricity and heating). Since 2015, the GHG Protocol asks for data to be reported in two ways: one based on a so-called location-based 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:** 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 CO₂ emissions. We continuously monitor our indicators, and this helps us in identifying potential for saving energy and finding appropriate measures for better energy efficiency.

CO₂ FOOTPRINT

CO₂ SF₈ CH₄ **2,003.44 t** N₂O HFCs PFCs



¹ Resource consumption for paper, water, waste and work-related travel is accounted for in Scope 3.

CO₂ EMISSIONS

	2019 ¹	2018 ¹
Total CO₂ emissions		
Electricity (in kg)	20,652	23,639
Heat (in kg)	812,530	800,087
Water (in kg)	6,484	6,880
Paper (in kg)	39,885	49,481
Waste (in kg)	1,827	1,967
Travel ² (in kg)	1,880	1,561
Total CO₂ emissions (in kg)	2,003,442	1,906,130
Specific CO₂ emissions		
Electricity (in kg/FTE)	35	36
Heat (in kg/FTE)	1,362	1,220
Water (in kg/FTE)	11	10
Paper (in kg/FTE)	67	75
Waste (in kg/FTE)	3	3
Travel (in kg/FTE)	1,880	1,561
Specific CO₂ emissions (in kg/FTE)	3,357	2,906

¹ 75 per cent coverage per full-time employee (FTE); part-time positions are added up to a 100 per cent basis. 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.

² 100 per cent coverage per full-time employee (FTE) Including private vehicle usage.

We set great store by a fuel-efficient and low-emission vehicle fleet. At the Hamburg and Münster offices, the company car regulation, which was updated in 2019, serves as a guideline for this that also regulates CO₂ emissions. 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 (cars with automatic transmissions may exceed the maximum value by 20 grams of CO₂ per kilometre each). In addition, the use of electric and plug-in hybrid vehicles is currently being piloted at DZ HYP.

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. The Münster office transitioned to tank cards in 2019 that also make it possible to gauge consumption more precisely. Compared to the previous year, our travel-related CO₂ emissions increased 9.6 per cent to 1,122,064 kg (2018: 1,024,076 kg CO₂).

» Mobility at DZ HYP, p. 50

GRI 306: Waste

GRI 306-2: Waste by type and disposal method

GRI 306-4: Transport of hazardous waste

We try to prevent waste wherever we can. Where this principle cannot be applied and we generate waste, it is reused or recycled. All of the waste that is generated at our buildings is disposed of by an external contractor that recycles a large proportion of it.

However, total waste quantities were used to calculate the CO₂ emissions from waste generated by DZ HYP, so that these values are indeed comparable. CO₂ emissions were reduced to 1,827 kg CO₂ (2018: 1,967 kg).

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 are 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, electronics waste, 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. The share accounted for by electronics waste has declined considerably because we are no longer disposing of it and are instead handing it over to a service provider, T-Systems. Under strict adherence to GDPR requirements, T-Systems passes along old devices that are still intact to a sales partner or disposes of defective devices via a certified service provider.

In Münster, DZ HYP has donated excess hardware that has been professionally serviced to schools.

» Used computers for schools, p. 44

Construction site waste is sorted and disposed of according to regulations by a specialist company. The increase in construction site waste in 2019 can be attributed to the beginning of demolition measures in the tower in Münster.

The sustained high quantities of confidential paper waste can be attributed to the fact that, as in 2018, 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.

WASTE – NON-HAZARDOUS WASTE

	2019 ¹	2018 ¹
Total paper (excluding confidential paper) (in kg)	66,174	57,723
Total confidential paper (in kg)	32,089	64,289
Total biological waste² (in kg)	12,361	7,895
Total mixed packaging (in kg)	130,263	121,821
Construction waste from modernisation (in kg)³	90,440	46,550
Total commercial waste (in kg)	43,591	43,165
Total non-hazardous waste (in kg)	374,918	341,443
Specific paper (excluding confidential paper) (in kg/FTE)	111	88
Specific confidential paper (in kg/FTE)	54	98
Specific biological waste (in kg)	21	12
Specific mixed packaging (in kg/FTE)	218	186
Specific building site waste from modernisation (in kg/FTE)	152	71
Specific commercial waste (in kg/FTE)	73	66
Total specific non-hazardous waste in (kg/FTE)	628	520

WASTE – HAZARDOUS WASTE

	2019 ¹	2018 ¹
Total toner waste (in kg)	61	143
Total electronics waste (in kg)	800	2,841
Total lighting waste (in kg)	244	249
Total hazardous waste (in kg)	1,105	3,233
Specific toner waste (in kg/FTE)	0.1	0.2
Specific electronics waste (in kg/FTE)	1.3	4
Specific lighting waste (in kg/FTE)	0.4	0.4
Specific hazardous waste (in kg/FTE)	1.9	5

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

² At the Hamburg office, biological waste could not be broken out due to the low volume. At the Münster office, the canteen is operated by a third-party service provider. Kitchen waste from the canteen cannot be listed separately and are therefore included in the figures.

³ At the Hamburg office, the only construction site waste listed is the waste that is generated independently of the renovation project at the offices, such as repairing water damage.

GRI 307: Environmental compliance

GRI 307-1: Non-compliance with environmental laws and regulations

In period under review, DZ HYP was not subject to any significant fines or monetary sanctions for non-compliance with environmental laws and regulations.

ABOUT THIS REPORT

Reporting Practice

GRI 102-45: Entities included in the consolidated financial statements

DZ HYP is itself a part of DZ BANK Group and therefore of the Volksbanken Raiffeisenbanken Cooperative Financial Network, which comprises 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 operates as a commercial bank, and exercises the holding entity function for the DZ BANK Group.

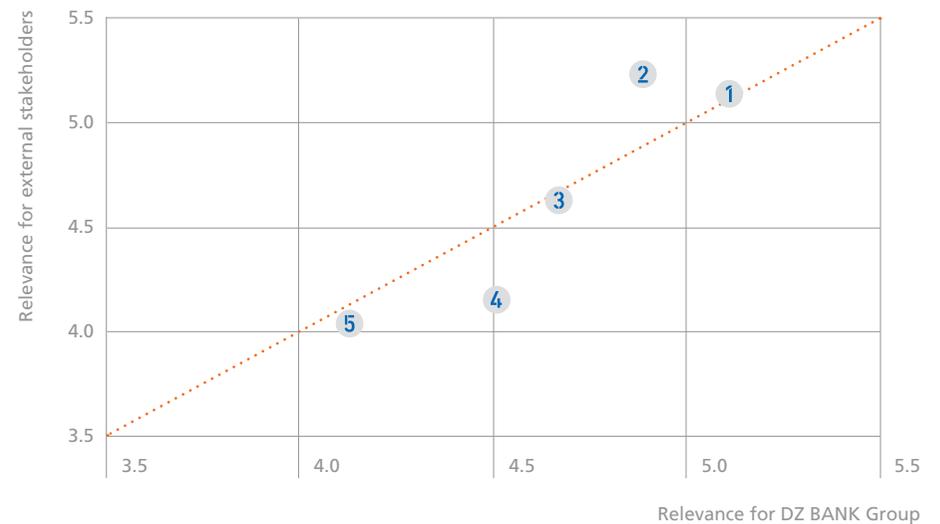
DZ BANK Group comprises Bausparkasse Schwäbisch Hall building society, DZ HYP, DZ PRIVATBANK, R+V Insurance, TeamBank, Union Investment Group, VR Smart Finanz as well as various other specialist financial services providers. Subsidiaries are non-material.

» Annual Report 2019, p. 28

GRI 102-46: Defining report content and topic boundaries

Being aware of stakeholders' social, economic and ecological interests and expectations is the cornerstone of successfully managing sustainability at our company. A Group-wide online survey of internal and external stakeholders conducted at DZ Bank Group in 2019 provided relevant insights. The results of the survey were compared with internal company perspectives in internal workshops. The result was a materiality matrix that shows the priority attributed to different fields of actions by stakeholders. It forms the foundation of DZ Bank Group's sustainability activities.

MATERIALITY MATRIX



- 1 Corporate governance
- 2 Products & services
- 3 Employee responsibility
- 4 Ecological responsibility
- 5 Social commitment

The results on DZ BANK Group-level were then evaluated by each entity and then compared to the external stakeholders' responses.

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 Volksbanken Raiffeisenbanken Cooperative Financial Network. Because of this focused direction, the selection of our stakeholders is narrower, and as a result DZ HYP's key fields of action are weighted differently than those of DZ BANK Group.

» GRI 102-40: List of stakeholder groups, p. 24

As an initial step, we gathered together a list of topics that are relevant for us by looking at the DZ BANK Group Materiality Matrix and using desk studies, conversations with our stakeholders and analyses of competitors and the legal framework. From there, we identified strategic fields of action that we then valued according to internal and external stakeholder groups.

The four key fields of action that DZ HYP's sustainability reporting will be based around in future are:

- risk management
- sustainable banking
- sustainable lending
- employer attractiveness / demographics

Our sustainability activities will also be reviewed and realigned based on these insights. Using this as a backdrop, we are currently enhancing our sustainability strategy and initiating new projects in our core business.

» Sustainability Strategy, pp. 19ff

GRI 102-47: List of material topics

DZ HYP FIELDS OF ACTION

	GRI information / topic-specific standards	Page
Risk management	GRI 102-11: Organisational profile / precautionary principle	10
	GRI 102-15: Strategy / key impacts, risks and opportunities	11
Sustainable banking	Because the current GRI standards' coverage of "sustainable banking" is inadequate, we are publishing a management approach on the topic that is orientated around GRI 103.	
Sustainable lending	GRI 417: Marketing and labelling	31
	GRI 418: Customer privacy	31
Employer attractiveness / demographics	GRI 401: Employment	38f
	GRI 402: Labour/management relations	39
	GRI 403: Occupational health and safety	39f
	GRI 404: Training and education	41f
	GRI 405: Diversity and equal opportunity	42f
	GRI 406: Non-discrimination	43
	GRI 407: Freedom of association and collective bargaining	43

To fulfil transparency requirements for relevant ratings, we have expanded our reporting to include the following topic-specific GRI standards:

OTHER REPORT TOPICS

GRI standard	Chapter	Page
GRI 201: Economic performance	Our Company	13f
GRI 203: Indirect economic impacts	Social Commitment	44f
GRI 204: Procurement practices	Suppliers	18
GRI 205: Anti-corruption	Our Company	16
GRI 206: Anti-Competitive behaviour	Our Company	16
GRI 301: Materials	Ecological Responsibility	47f
GRI 302: Energy	Ecological Responsibility	48ff
GRI 303: Water and effluents	Ecological Responsibility	51
GRI 305: Emissions	Ecological Responsibility	51ff
GRI 306: Waste	Ecological Responsibility	53
GRI 307: Environmental compliance	Ecological Responsibility	54
GRI 308: Supplier environmental assessment	Suppliers	18
GRI 412: Human rights assessment	Our Company	17
GRI 414: Supplier social assessment	Suppliers	18
GRI 415: Public policy	Sustainability Strategy	26

GRI 102-48: Restatements of information

GRI 102-49: Changes in reporting

For the first time, we have prepared this report using the reporting format based on the standards of the Global Reporting Initiative (GRI). We did so in the interests of providing our stakeholders with transparent information about key fields of action, measures, goals and indicators. The chapters in this report mirror the GRI structure insofar as possible. However, we have adapted the names and order to suit our company, to improve readability and to reflect our key issues.

» GRI Content Index, pp. 59ff

Because the figures for 2017 relate to WL BANK and DG HYP, they can only be compared to a limited extent to DZ HYP's figures following the merger for the years 2018 and 2019; as such, we are only presenting two years in tables and graphics in this report as an exception. In the Sustainability Report 2020, data for a three-year period will again be reported.

GRI 102-50: Reporting period

Issues of particular relevance, however, were included in the 2019 Sustainability Report up to the editorial deadline on 30 April 2020. The indicators generally relate to the 2019 business year (1 January to 31 December 2019).

GRI 102-51: Date of most recent previous report

The Sustainability Report 2018 was published on 01 July 2019.

GRI 102-52: Reporting cycle

DZ HYP publishes a Sustainability Report annually; this year is the first time that information is reported in a sustainability balance sheet format. The next sustainability report will be published in 2021.

GRI 102-53: Contact point for questions regarding the report

DZ HYP

Communications, Marketing and Events

E-mail: [nachhaltigkeit\(at\)dzhyp.de](mailto:nachhaltigkeit(at)dzhyp.de)

Responsibility for the contents

Julia Jordan

Sustainability Report Management

Lukas Kölln

GRI 102-54: Claims of reporting in accordance with the GRI Standards

This Sustainability Report was prepared following the guidelines of the “Core” option of the GRI standards. The GRI standards listed, with the exception of GRI standard 303: Water and effluents and GRI 403: Occupational health and safety, were published in 2016. The two GRI standards named were published in 2018.

Because the current GRI standards only partially cover our company's business activities, and in the interest of fulfilling the transparency requirements for relevant ratings, we added topics, for example, in the “Sustainable Banking” chapter that currently influence our business because of socio-political developments or rating queries.

GRI 102-55: GRI content index

A GRI content index has been included.

» GRI Content Index, pp. 59ff

GRI 102-56: External assurance

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.

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 102-47: List of material topics, pp. 56f

GRI reference		Page(s)/ URLs/comments	UN Global Compact
GRI 101:	FOUNDATION		
GRI 102:	GENERAL DISCLOSURES		
	Organisational profile		
102-1	Name of the organisation	Title, report page	
102-2	Activities, brands, products, and services	6, 7	
102-3	Location of headquarters	7	
102-4	Location of operations	8	
102-5	Ownership and legal form	8	
102-6	Markets served	8	
102-7	Scale of the organisation	8	
102-8	Information on employees and other workers	9 The working time model is currently not broken down according to sex. Employment contracts are not currently broken down according to sex.	
102-9	Supply chain	9	
102-10	Significant changes to the organization and its supply chain	9	
102-11	Precautionary principle or approach	10	7
102-12	External initiatives	10, https://dzhyp.de/UNGC	1 to 10
102-13	Memberships of associations	10	

GRI reference		Page(s)/ URLs/comments	UN Global Compact
GRI 101:	FOUNDATION		
GRI 102:	GENERAL DISCLOSURES		
	Strategy and analysis		
102-14	Statement from senior decision-maker	4, 5, 11	
102-15	Key impacts, risks and opportunities	11	
	Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	12, https://dzhyp.de/codeofconduct , https://dzhyp.de/UNGC	1 to 10
	Governance		
102-18	Management structure	12, 13	
	Stakeholder engagement		
102-40	List of stakeholder groups	24	
102-41	Collective bargaining agreements	38	8
102-42	Identifying and selecting stakeholders	24	
102-43	Approach to stakeholder engagement	24, 25	
102-44	Key topics and concerns raised	26	
	Reporting practice		
102-45	Entities included in the consolidated financial statements	55	
102-46	Defining report content and topic boundaries	55, 56	
102-47	List of material topics	56, 57	
102-48	Restatements of information	57	
102-49	Changes in reporting	57	
102-50	Reporting period	57	
102-51	Date of most recent previous report	57	
102-52	Reporting cycle	58	
102-53	Contact point for questions regarding the report	58	
102-54	Claims of reporting in accordance with the GRI Standards	58	
102-55	GRI content index	58	
102-56	External assurance	58	

Topic-specific standards

GRI Standard		Page(s)/ URLs/comments	UN Global Compact
GRI 200:	ECONOMY CATEGORY		
GRI 201:	ECONOMIC PERFORMANCE		
GRI 103:	Management approach		
103-1	Explanation of the material topic and its boundary	Annual Report	
103-2	The management approach and its components	Annual Report	
103-3	Evaluation of the management approach	Annual Report	
201-1	Direct economic value generated and distributed	13, 14	
201-2	Financial implications and other risks and opportunities due to climate change	14	7, 8
201-3	Defined benefit plan obligations and other retirement plans	14	
GRI 203:	INDIRECT ECONOMIC IMPACTS		
GRI 103:	Management approach		
103-1	Explanation of the material topic and its boundary	44	
103-2	The management approach and its components	44	
103-3	Evaluation of the management approach	44	
203-1	Infrastructure investments and services supported	44, 45	
203-2	Indirect economic impacts	44, 45	
GRI 204:	PROCUREMENT PRACTICES		
GRI 103:	Management approach		
103-1	Explanation of the material topic and its boundary	17, 18	
103-2	The management approach and its components	17, 18	
103-3	Evaluation of the management approach	17, 18	
204-1	Proportion of spending on local suppliers	18	

Topic-specific standards

GRI Standard		Page(s)/ URLs/comments	UN Global Compact
GRI 200:	ECONOMIC STANDARDS		
GRI 205:	ANTI-CORRUPTION		
GRI 103:	Management approach		
103-1	Explanation of the material topic and its boundary	15, 16	10
103-2	The management approach and its components	15, 16	10
103-3	Evaluation of the management approach	15, 16	10
205-1	Operations assessed for risks related to corruption	16	10
205-2	Communication and training about anti-corruption policies and procedures	16	10
205-3	Confirmed incidents of corruption and actions taken	16	10
GRI 206:	ANTI-COMPETITIVE BEHAVIOUR		
GRI 103:	Management approach		
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103-2	The management approach and its components	15, 16	
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206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	16	
GRI 300:	ENVIRONMENTAL STANDARDS		
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103-1	Explanation of the material topic and its boundary	46, 47	8
103-2	The management approach and its components	46, 47	8
103-3	Evaluation of the management approach	46, 47	8
301-1	Materials used by weight or volume	47, 48	8
301-2	Recycled input materials used	47, 48	8

Topic-specific standards

GRI Standard		Page(s)/ URLs/comments	UN Global Compact
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GRI 302:	ENERGY		
GRI 103:	Management approach		
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103-2	The management approach and its components	46, 47	8
103-3	Evaluation of the management approach	46, 47	8
302-1	Energy consumption within the organisation	48, 49, 50	8
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302-3	Energy intensity	48, 49, 50	8
302-4	Reduction of energy consumption	48, 49, 50	8
GRI 303:	WATER AND EFFLUENTS		
GRI 103:	Management approach		
103-1	Explanation of the material topic and its boundary	46, 47	8
103-2	The management approach and its components	46, 47	8
103-3	Evaluation of the management approach	46, 47	8
303-3	Water withdrawal	51	8
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303-5	Water consumption	51	8
GRI 305:	EMISSIONS		
GRI 103:	Management approach		
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103-2	The management approach and its components	46, 47	8
103-3	Evaluation of the management approach	46, 47	8
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305-3	Other indirect (scope 3) GHG emissions	51, 52, 53	8
305-4	GHG emissions intensity	51, 52, 53	8
305-5	Reduction of GHG emissions	51, 52, 53	8

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GRI 306:	WASTE		
GRI 103:	Management approach		
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103-2	The management approach and its components	46, 47	8
103-3	Evaluation of the management approach	46, 47	8
306-2	Waste by type and disposal method	53, 54	8
306-4	Transport of hazardous waste	53, 54	8
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GRI 103:	Management approach		
103-1	Explanation of the material topic and its boundary	46, 47	8
103-2	The management approach and its components	46, 47	8
103-3	Evaluation of the management approach	46, 47	8
307-1	Non-compliance with environmental laws and regulations	54	8
GRI 308:	SUPPLIER ENVIRONMENTAL ASSESSMENT		
GRI 103:	Management approach		
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103-2	The management approach and its components	17, 18	8
103-3	Evaluation of the management approach	17, 18	8
308-1	New suppliers that were assessed using environmental criteria	18	7, 8
308-2	Negative environmental impacts in the supply chain and actions taken	18	7, 8

Topic-specific standards

GRI Standard		Page(s)/ URLs/comments	UN Global Compact
GRI 400:	SOCIAL STANDARDS		
GRI 401:	EMPLOYMENT		
GRI 103:	Management approach		
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103-2	The management approach and its components	35, 36, 37	
103-3	Evaluation of the management approach	35, 36, 37	
401-1	New employee hires and employee turnover	38	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	39	
401-3	Parental leave	39	
			No sex-specific figure is (currently) collected.
GRI 402:	LABOUR/MANAGEMENT RELATIONS		
GRI 103:	Management approach		
103-1	Explanation of the material topic and its boundary	35, 36, 37	
103-2	The management approach and its components	35, 36, 37	
103-3	Evaluation of the management approach	35, 36, 37	
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GRI 403:	OCCUPATIONAL HEALTH AND SAFETY		
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103-1	Explanation of the material topic and its boundary	35, 36, 37	
103-2	The management approach and its components	35, 36, 37	
103-3	Evaluation of the management approach	35, 36, 37	
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GRI 404:	TRAINING AND EDUCATION		
GRI 103:	Management approach		
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103-2	The management approach and its components	35, 36, 37	
103-3	Evaluation of the management approach	35, 36, 37	
404-1	Average hours of training per year and employee	41	
404-2	Programmes for upgrading employee skills and transition assistance programmes	42	
404-3	Percentage of employees receiving regular performance and career development reviews	42 No sex-specific figure by employee category is (currently) collected.	
GRI 405:	DIVERSITY AND EQUAL OPPORTUNITY		
GRI 103:	Management approach		
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103-2	The management approach and its components	35, 36, 37	6
103-3	Evaluation of the management approach	35, 36, 37	6
405-1	Diversity of governance bodies and employees	42, 43	6
405-2	Ratio of basic salary and remuneration of women to men	43	6
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103-2	The management approach and its components	35, 36, 37	1, 2, 6
103-3	Evaluation of the management approach	35, 36, 37	1, 2, 6
406-1	Incidents of discrimination and corrective actions taken	43	1, 2, 6

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GRI Standard		Page(s)/ URLs/comments	UN Global Compact
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GRI 407:	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
GRI 103:	Management approach		
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103-2	The management approach and its components	35, 36, 37	3
103-3	Evaluation of the management approach	35, 36, 37	3
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	43	3
GRI 412:	HUMAN RIGHTS ASSESSMENT		
GRI 103:	Management approach		
103-1	Explanation of the material topic and its boundary	15, 16, https://dzhyp.de/codeofconduct	1, 2
103-2	The management approach and its components	15, 16	1, 2
103-3	Evaluation of the management approach	15, 16	1, 2
412-1	Operations that have been subject to human rights reviews or impact assessments	17, https://dzhyp.de/codeofconduct	1, 2
412-2	Employee training on human rights policies or procedures	17, https://dzhyp.de/codeofconduct	1, 2
GRI 414:	SUPPLIER SOCIAL ASSESSMENT		
GRI 103:	Management approach		
103-1	Explanation of the material topic and its boundary	17, 18	
103-2	The management approach and its components	17, 18	
103-3	Evaluation of the management approach	17, 18	
414-1	New suppliers that were screened using social criteria	18	
414-2	Negative social impacts in the supply chain and actions taken	18	

Topic-specific standards

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GRI 415:	PUBLIC POLICY		
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103-2	The management approach and its components	30, 31	
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417-2	Incidents of non-compliance concerning product and service information and labelling	31	
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GRI 103:	Management approach		
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103-2	The management approach and its components	30, 31	
103-3	Evaluation of the management approach	30, 31	
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E-mail: [nachhaltigkeit\(at\)dzhyp.de](mailto:nachhaltigkeit(at)dzhyp.de)

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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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