

SUSTAINABILITY REPORT 2023

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

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About This Report

This Sustainability Report is structured in accordance with the standards of the Global Reporting Initiative (GRI) as updated in 2021. The relevant GRI standards are indicated opposite the text throughout this Report and shown in the GRI content index.

- » About This Report, p. 66
- » GRI Content Index, p. 68

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

More information can also be found by clicking on the » symbol, which takes the reader to a page in the Sustainability Report, the Annual Report 2023, the DZ HYP website or an external website.

LETTER FROM THE MANAGEMENT BOARD

Dear readers,

2023 was a year of change, global uncertainty and social disruption in many different areas. Geopolitical risks seem to be higher now than they have been in decades. Extreme weather and natural disasters are clear signs of continuing climate change. These are turbulent times for the global economy – and for the German economy in particular. The challenges associated with the current situation call for calm and moderation when dealing with economic and sustainability issues. This applies in particular to DZ HYP, as one of Germany's leading real estate and Pfandbrief banks and one that wants to play an active role in transforming the real estate sector.

We aim to improve transparency in our credit portfolio and to drive sustainable lending in all business segments. The focus of our lending decisions in all areas is on ESG risks, especially physical and transition risks associated with climate change. We have introduced a scorecard to measure these risks and have devised a methodology for quantifying emissions in the real estate business.

In the year under review, we were able to assess the bulk of the Corporate Clients portfolio in accordance with DZ HYP's classification scheme for energy-efficient properties. For the current year, we have set ourselves the goal of achieving portfolio transparency by collecting data in the credit busi-



DZ HYP's Management Board
From left to right Stefan Schrader, Sabine Barthauer (CEO), Jörg Hermes

ness. With both corporate clients and retail customers now required to submit energy performance certificates in new business, we have established a solid foundation to achieve this goal.

We were also able to take further steps towards a sustainable future together with our public-sector clients using the DZ HYP sustainability ranking for municipalities that we developed ourselves. It includes a more in-depth ESG analysis that can assess how far municipalities have come on their sustainability journey. The results from this analysis have been factored into our lending and decision process since 2023.

On the refinancing front, we have further established ourselves as an issuer of Green Pfandbriefe, having successfully placed these instruments in the year under review, both as benchmark bonds and private placements. The total volume of outstanding Green Pfandbriefe amounted to € 3.0 billion as at year-end 2023.

In the year under review, we arranged internal training courses on our new internal guidelines and processes regarding the requirements and criteria of the EU Taxonomy. These are designed specifically for those colleagues who are responsible for lending and for investment decisions.

At the end of the reporting year, we also launched a new HR development programme called "ZukunftsFit!", which deals with the challenges associated with the changing work environment and allows employees to hone personal skills that we feel will be particularly relevant in the future. The programme includes training courses on mindfulness and emotional intelligence, keynote speeches, communications seminars and the introduction of our new Masterplan learning platform.

Even though our market environment will remain tough, we are looking forward to sharpening DZ HYP's sustainability profile and to playing an active role in shaping not only the future of our Bank but also the sustainable transformation of our society.

We hope that you will find our Sustainability Report an inspiring read.

Yours sincerely,
The Management Board



Sabine Barthauer
CEO



Jörg Hermes



Stefan Schrader

Hamburg/Munster, August 2024

OUR COMPANY

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. The Bank is active in three business segments: Corporate Clients, Retail Customers and the Public Sector. In its business activities, DZ HYP targets clients directly and acts as a partner to Germany's cooperative banks.

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 effective range of products and services, working hand in hand with them to cultivate the regional markets. 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 that come from developing the market throughout Germany.

Within the segment Corporate Clients, DZ HYP is active both as part of its direct business and as a partner to the cooperative banks in Germany, working closely with commercial real estate investors and the housing sector. DZ HYP focuses on financing properties in the German market, as well as providing support for its German clients' investment projects in selected international markets. Its own commercial real estate finance activities are focused on the core segments of office, residential and retail properties. DZ HYP is also involved in the specialist segments of hotels, logistics properties and real estate

GRI 2-1
GRI 2-6

GRI 2-6

GRI 2-6

DZ HYP'S BUSINESS SEGMENTS

GRI 2-6



Corporate Clients

Our target group:

Clients investing in real estate **in a commercial capacity and/or for investment purposes**, irrespective of their legal form

Our offer:

- » Individual financings for investors, commercial and residential real estate developers, as well as the housing sector
- » Joint regional market coverage with the cooperative banks, via the IMMO META / META REVERSE / IMMO META REVERSE* product family
- » Core segments: office, housing, retail
Special segments: hotels, logistics properties, real estate for social purposes



Retail Customers

Our target group:

Consumers (as defined in section 13 of the German Civil Code (BGB)) with financings up to €1 million **for properties of mainly residential use**

Our offer:

- » Standardised private home loan financing, based on a framework agreement within the cooperative "VR-Baufi" product family
- » Efficient processes, with automated lending decision-making for cooperative banks (traffic light system) up to €1 million; 24-hour service level for applications with 'amber' status



Public Sector

Our target group:

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

Our offer:

- » Short-term municipal and public-sector loans

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

for social purposes, within the scope of its credit risk strategy. Target clients are private and institutional investors, as well as commercial and residential real estate developers. When selecting exposures, priorities lie in the quality of the client relationship, the third-party usability of the financed property, and collateralisation through first-ranking liens.

The focus of our housing sector activities is on customised financing solutions for residential or mixed-use properties. We provide loans to cooperative, municipal, Church-based and other housing-sector companies in Germany for new construction, modernisation and renovation projects, sometimes in combination with subsidised development loans granted by *Kreditanstalt für Wiederaufbau* (KfW), Germany's government-owned development bank. DZ HYP focuses on long-standing client relationships with companies that create sustainable and affordable housing. As a premium sponsoring member of the umbrella industry organisation, the Federal Association of German Housing and Real Estate Companies (GdW), the Bank works to bring about intensive dialogue between the housing sector and real estate financing providers.

Retail business is largely originated through intermediation by cooperative banks. DZ HYP's offering includes initial as well as roll-over financings for new construction, purchase and modernisation/refurbishment of real estate. Thanks to DZ HYP's broad range of home loan products – with fixed-interest terms of up to 30 years – cooperative banks can offer their clients solutions that fit their exact needs. The business is based on standardised credit processes and involves fast lending decisions. The full distribution potential of the Cooperative Financial Network is made available to reach retail customers by integrating the products into the distribution systems of individual cooperative banks and by using largely automated processes.

As a centre of competence for public-sector clients within the Cooperative Financial Network, DZ HYP supports cooperative banks across Germany in developing their business with counties, towns/cities and local authorities, their

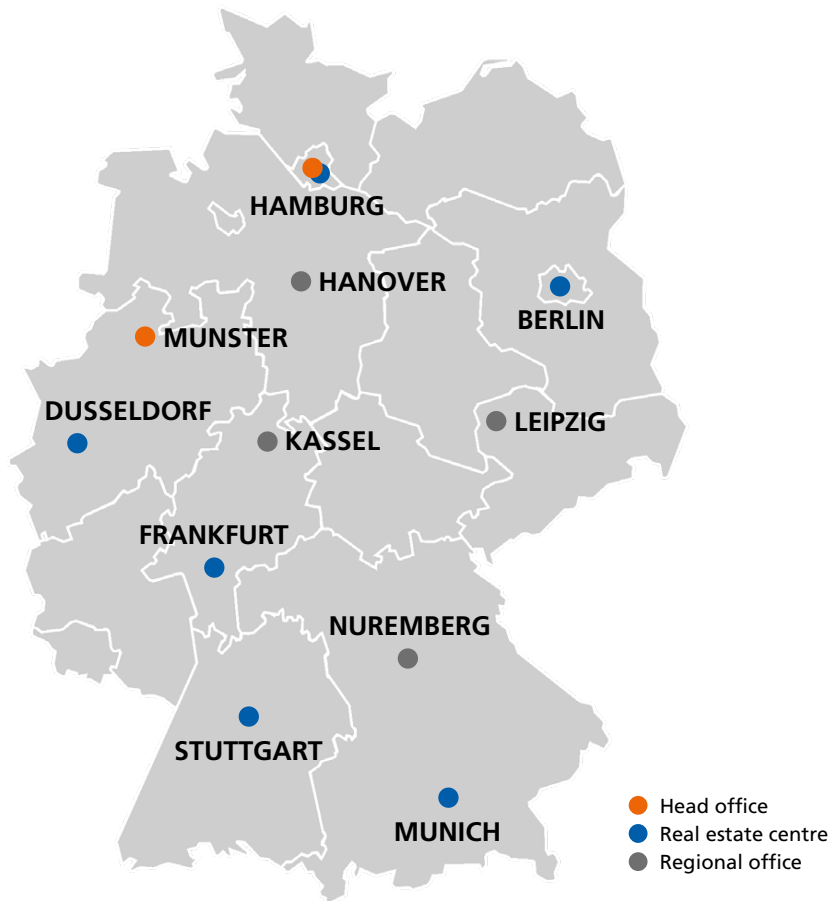
legally dependent operations, municipal special public-law administrative unions and public-sector institutions. The core element of DZ HYP's direct business, and of the business conducted jointly with the German cooperative banks, is granting loans to local authorities and short-term public-sector loans.

As an addition to its product range, DZ HYP provides Germany's cooperative banks with a web-based and uniform rating application called "agree21VR-Rating-IMMO". This application allows cooperative banks to determine the client-specific probabilities of default for their commercial real estate clients. DZ HYP offers this application in collaboration with Atruvia AG and parclIT GmbH. Banks can use it to implement a modern risk management process that takes account of all the relevant factors. It is aimed at cooperative banks that are active in commercial real estate financing and at those with a significant proportion of commercial real estate accounts in their loan portfolio. agree21VR-Rating-IMMO provides an important foundation for joint business within the Cooperative Financial Network.

We also offer property valuations performed by our wholly-owned subsidiary VR WERT Gesellschaft für Immobilienbewertungen mbH. 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. VR WERT values properties financed by DZ HYP with a focus on the business with corporate clients, who require a particularly sophisticated and individual case analysis, as well as privately owned properties.

» Annual Report 2023 p. 6 et seqq.

Office locations



GRI 2-1

With a total of 863 employees, DZ HYP has two head offices in Hamburg and Munster, six real estate centres in the business hubs of Hamburg, Berlin, Dusseldorf, Frankfurt, Stuttgart and Munich, and four regional offices in Hanover, Kassel, Leipzig and Nuremberg. This decentralised structure allows DZ HYP to remain close to regional cooperative banks and their customers.

GRI 2-1
GRI 2-7

» Employee Matters, p. 43

The DZ BANK Group

DZ HYP itself is a part of the DZ BANK Group and therefore of the Volksbanken Raiffeisenbanken Cooperative Financial Network, which comprises 737 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.

finanzgruppe.de			

The 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. The DZ BANK Group entities and their strong brands are the cornerstones of a comprehensive range of financial services offered through the Cooperative Financial Network. The DZ BANK Group has organised its strategy and range of services for the cooperative banks and their customers along the lines of four business segments: Retail Banking, Corporate Banking, Capital Markets and Transaction Banking.

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

The Cooperative Basic Value of Aiding Empowerment

When Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch founded the first financial cooperatives – in Germany, more than 160 years ago – little did they know that they were writing the first pages of a tremendous success story. Today, financial cooperatives are well established in different markets and as strong as ever. Thinking ahead not only in the financial sector, they also cater to the needs of the people by helping shape the future in areas ranging from energy supply and car sharing to municipal disaster management cooperations. There are more than 6,000 financial cooperatives today in Germany, with around 21 million members. Worldwide, more than 800 million people in over 100 countries have joined a cooperative. They are members, owners and business partners 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. without 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.

The idea and practice of organising shared interest in cooperatives was inscribed on the list of the Intangible Cultural Heritage of Humanity in 2016.

www.genossenschaften.de (available in German only)

Changes during the reporting period

Following the retirement of DZ HYP's long-standing Chief Executive Officer, Dr Georg Reutter, on 31 July 2023, Sabine Barthauer took over the position on 1 August 2023, also assuming responsibility for all front-office units. The Supervisory Board appointed Stefan Schrader as her successor to the Management Board. He joined the Bank on 1 November 2023, assuming responsibility as Head of Back Office and Chief Risk Officer.

A shareholder representative left the Supervisory Board effective as of the end of the ordinary Annual General Meeting 2023. The Annual General Meeting elected a successor.

» Corporate Governance, p. 10

Economic Performance

Please refer to our Annual Report 2023 for all information on the Bank's performance in the past financial year.

» Annual Report 2023

ECONOMIC INDICATORS (in € thousand)

	2023	2022	2021
Revenue ^{1,2}	1,935,841	1,735,620	1,830,109
Value distributed	441,608	411,608	437,114
Other administrative expenses	138,110	152,933	151,164
Wages and salaries	83,724	80,229	74,957
Compulsory social security contributions and expenses for pensions and other employee benefits	19,705	36,236	18,635
Payments to providers of capital ³	55,841	49,649	66,902
Payments to government ⁴	144,228	92,561	125,456

GRI 2-6
GRI 2-10
GRI 2-11

¹ Aggregate figure 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 or partial profit transfer agreements", "Commission income" and "Other operating income".

² Deviation from Sustainability Report 2020 due to shifts in the interest rate and commission components.

³ Aggregate figure of the items "Profits transferred under profit transfer agreements" and "Profits transferred under partial profit transfer agreements".

⁴ Primarily tax allocation to the controlling company.

DZ HYP's new business

DZ HYP originated new real estate finance business – with both corporate clients and retail customers – totalling € 8,191 million in the 2023 financial year (2022: € 9,688 million). Including financing for public-sector clients, the Bank originated new business of € 8,627 million (2022: € 10,439 million).

VOLUME (in € million)

	2023	2022	2021
Corporate Clients	7,439	8,064	8,736
Retail Customers	753	1,624	2,730
Public Sector	435	751	582
Total	8,627	10,439	12,048

GRI 201
GRI 201-1

The DZ BANK Group has formulated a tax strategy to complement its overall corporate strategy. This tax strategy makes it clear that compliance with tax obligations is paramount for ensuring social acceptance – and that social

GRI 207
GRI 207-1
GRI 207-2
GRI 207-3
GRI 207-4

acceptance is the basis for corporate success. All entities of the DZ BANK Group are bound by that strategy and the guiding principles established therein. The Group-wide tax strategy is reviewed on a regular basis, at least once a year, updated as necessary and then approved by the Group Risk and Finance Committee. A legal entity registered and headquartered in Germany, DZ HYP and its global income are subject to unlimited tax liability. We expressly commit ourselves to due compliance with tax obligations and national tax law (international as applicable), and do not approve of tax evasion or legal, yet inappropriate approaches to minimising tax obligations. DZ HYP is responsible and compliant with the law in its tax planning. We do not engage in aggressive tactics to avoid tax. DZ HYP does not issue or distribute products aimed chiefly at enabling aggressive tax planning, and we do not actively contribute to structures aimed at aggressively minimising or avoiding tax.

DZ HYP communicates actively, transparently and constructively with tax authorities on an ad hoc basis.

Given that DZ HYP is part of the DZ BANK Group, country-by-country reporting is delivered at Group level.

Financial implications and other risks and opportunities due to climate change

We look at financial implications and other risks arising as a result of climate change in the overall context of sustainability and ESG factors. Risks in this realm are events or conditions relating to environmental and climate (“E”),

social (“S”) or governance (“G”) issues that, should they occur, could have an actual or potential negative impact on the Bank’s net assets, financial position and financial performance, its liquidity position or its reputation.

An annual risk inventory identifies relevant, potentially material climate-related, environmental, social and governance risk drivers. DZ HYP is exposed to the credit risk, operational risk and reputational risk types.

There are two categories of climate-related and environmental risks: while physical risks refer to the physical impact of climate change and include more frequent extreme weather events or permanent changes in climatic conditions, transition risks occur in connection with the transition to a climate-neutral economy and are driven by legislative changes or changes in consumer behaviour. The Bank has developed a scorecard to measure physical and transition risks.

However, there is also an opportunity here for DZ HYP – as one of Germany’s leading real estate and Pfandbrief banks – in the form of offering support and helping shape the transformation into a sustainable real estate sector. This is why we took steps to integrate sustainability even further into our day-to-day business during the year under review.

GRI 201-2

The criteria we apply to our commercial real estate projects when making investment decisions include risk and return considerations and also social and environmental aspects.

Investments in private real estate portfolios – both in new buildings and modernisation measures – also serve to increase energy efficiency. Sustainable investments such as these will usually be combined with special loans granted by KfW, Germany's government-owned development bank, as part of one of its support programmes.

The DZ BANK Group's credit standard for managing ESG risks defines exclusion criteria per sector, with every potential loan being checked against those criteria before it can be granted. The aim is to prevent transactions that fail to comply with minimum ESG requirements.

We also refrain from entering into business with clients if significant human rights violations or environmental breaches cannot be ruled out in the course of their business activities.

The climate and environment position paper published by the DZ BANK Group discusses the issues and activities in these areas that are relevant throughout the Group and highlights the Group's positioning.

- » Risk Management, p. 25
- » Sustainable Banking, p. 33
- » Exclusion criteria
- » Climate and environment position paper

Corporate Governance

At DZ HYP, we apply a model of dual leadership. A Management Board of three people leads the Company according to existing statutory provisions, ensuring compliance within DZ HYP. For its part, the Management Board is advised and monitored by the Supervisory Board and its committees. The Bank's internal regulations comprise the Articles of Incorporation and the Rules of Procedure of corporate bodies.

GRI 2-9

The Management Board has the sole management authority concerning DZ HYP's risk governance and is responsible for managing and monitoring risks affecting the entire Bank at portfolio level, as well as for allocating risk capital. It decides upon individual loan exposures in line with its lending authority. DZ HYP is also integrated into the committee structures of the DZ BANK Group and the Cooperative Financial Network, where DZ HYP's Management Board members or employees are represented.

The Supervisory Board by its very nature concerns itself with matters such as business and risk strategies or the Bank's performance and risk management. During the year under review, the Supervisory Board of DZ HYP and its committees monitored the Management Board's management of the Bank in accordance with statutory regulations and those set out in the Bank's Articles of Incorporation, and also took decisions on those transactions required to be presented to the Supervisory Board for approval.

GRI 2-12

As set forth in the Articles of Incorporation, DZ HYP's Supervisory Board 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 by the Annual General Meeting and six members elected by employees (employee representatives). Most of the shareholder representatives on DZ HYP’s Supervisory Board are management board members of cooperative banks. A list of Supervisory Board members, as well as information about their remuneration, is included in DZ HYP’s Annual Report.

GRI 2-9
GRI 2-20

To fulfil its tasks, the Supervisory Board appointed a Nomination Committee, a Remuneration Oversight Committee, an Audit Committee and a Risk Committee, which continued their work during the year under review, meeting on several occasions. In addition, their respective chairpersons informed the Supervisory Board about the committees’ work on a regular basis. The Supervisory Board convened four times during the 2023 financial year.

The self-evaluation carried out by the Supervisory Board in the period from April to May 2023 and 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.

- » Advisory Boards, p. 27
- » Annual Report 2023, Report of the Supervisory Board, p. 97
- » Sustainability Strategy, p. 17

Every year, DZ HYP publishes a comprehensive Remuneration Report containing a detailed disclosure of its remuneration policy.

GRI 2-19
GRI 2-20

- » Remuneration Policy Disclosure Report (available in German only)

Memberships of associations and stakeholder groups

- » National Association of German Cooperative Banks (BVR)
- » Cooperative Association Weser-Ems
- » Genoverband
- » 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 Financial Institutions (VfU)
- » German Investor Relations Association (DIRK)
- » Federal Association of German Housing and Real Estate Companies (GdW)
- » German Development Assistance Association for Social Housing (DESWOS)
- » European Covered Bond Council (ECBC)
- » Hamburg@work
- » Women in Leadership, an Initiative of the German Real Estate Sector (F!F)

We believe that integrity and transparency are key to any sustainable business

RESPONSIBLE CORPORATE GOVERNANCE

activity. This includes complying with all applicable laws, regulations and provisions, entering into voluntary commitments and creating internal policies. We are expressly committed to protecting and living by fundamental values such as democracy, tolerance, human rights and equal opportunities.

We build trusting relationships with all our employees, business partners and clients, and treat everyone with respect, which includes avoiding anything that could harm our internal or external stakeholders. Needless to say, we are also alert to potential reputational risks. The core principles of our business include combating corruption and bribery, preventing money laundering, terrorist financing and criminal acts, and complying with financial sanctions and embargoes. We have also been a participant of the UN Global Compact since 2013 and are committed to its Ten Principles.

» Sustainability Strategy, p. 17

Compliance

DZ BANK Group companies implement various instruments that aim to minimise the potentially adverse sustainability impacts resulting from our business activities and also to limit potential risks. We refuse to finance any products or activities that are categorised as illegal in accordance with the laws or provi-

sions of the target country or per international conventions or agreements. Our practical understanding of integrity and ethical business is clearly set out in the Code of Conduct that we prepared together with the DZ Bank Group companies. All DZ HYP employees are bound by the Code, which combines our internal principles with external market standards and reaffirms our commitment to sustainability. The Code of Conduct is available in English and in German.

Adopted in February 2023, the DZ BANK Group's Human Rights Guideline specifies the contents of the Code of Conduct relating to human rights.

- » Our Code of Conduct
- » The DZ BANK Group's Human Rights Guideline
- » Human Rights, p. 14

DZ HYP's Compliance Office, which bundles significant second line of defence functions, reports directly to the Management Board. It combines MaRisk compliance and capital markets compliance as well as the Central Unit encompassing anti-money laundering and fraud prevention (Anti-Money Laundering Officer). First and foremost, the Compliance Office is tasked with identifying, managing and reducing compliance risks, exercising a supervisory function and advising our business entities on implementing and complying with regulatory requirements.

Complaints management

Compliance also houses a complaints management system that enables us to systematically record and manage any client or business partner complaints. Complaints may be lodged by telephone, e-mail or personally. All complaints received are reviewed promptly by the responsible departments. As a rule, we seek to resolve misunderstandings and difficulties at an early stage and in direct talks – and to find individual solutions.

» <https://dzhyp.de/de/ueber-uns/wir-ueber-uns/beschwerdeverfahren>
(available in German only)

Whistleblowing system

DZ HYP introduced the EQS Integrity Line application with a view to preventing white-collar crime and deterring unauthorised influence from being exercised on its employees. In doing so, we are complying with the provisions of the German Whistleblowing Act (*Hinweisgeberschutzgesetz – “HinschG”*) that entered into force in 2023.

EQS Integrity Line is a secure whistleblowing software that users can access anonymously, its encrypted reporting channels ensuring that whistleblowers are afforded full protection. The application can be accessed via the intranet (Applications / Whistleblowing System) or via the DZ HYP website. 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. No such reports were made during the year under review.

GRI 2-16

Anti-corruption

We have zero tolerance of corruption and do not participate in any business that we suspect of being connected with such activities. We follow clearly defined criteria when selecting individuals who act in our name or on our behalf and also expect our business partners to take anti-corruption measures.

Our policies on accepting and granting gifts or invitations provide a solid and reliable framework for our employees, ensuring that legal standards and common market practice are adhered to.

There were no known cases of corruption at DZ HYP in 2023.

GRI 205
GRI 205-1
GRI 205-2

GRI 2-16

Money laundering

The Anti-Money Laundering Officer (Central Unit) ensures appropriate risk management and internal safeguards to prevent money laundering, terrorist financing and criminal acts that could endanger the Bank’s assets. The Anti-Money Laundering Officer is responsible for compliance with money laundering rules and regulations, as well as for fulfilling the obligations to prevent criminal acts and for monitoring compliance with applicable financial sanctions and embargoes. A dedicated monitoring system and other control procedures throughout the Bank help us keep watch for suspicious business relationships and transactions.

Our anti-money laundering and fraud prevention department works to identify, assess and manage risks in close cooperation with the organisational unit responsible for managing operational risks. With uniform instruments for identifying 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 205-3

Anti-competitive behaviour

We follow statutory provisions and market practice. This means that we do not collude with other business partners and abide by the rules of fair competition.

By carrying out the necessary controls, we ensure that our organisational and technical measures are effective in preventing market manipulation and insider trading. Our employees receive regular training in this area.

DZ HYP issues financial instruments that are admitted to trading on the domestic market and is therefore subject to the specific disclosure requirements stipulated in Article 17 of the Market Abuse Regulation (MAR). No reports were made in 2023.

In addition, no legal action was taken against DZ HYP in 2023 concerning anti-competitive behaviour, anti-trust or monopoly practices.

Data protection

The increasing digitalisation of workflows and the amount of information being provided electronically go hand in hand with the growing need to protect personal data and make sure that data is used solely for its intended purpose. In our ongoing digitalisation campaigns, we are advancing our security measures to remain on top of technological developments, while also adhering to the EU's General Data Protection Regulation. The corresponding regulations are set out in policies and work instructions that are applicable to every single employee. Protecting our clients' data is also central to our projects for digitalising the client interface: we want to fulfil our clients' demands for processes of enhanced quality, better efficiency and speed, while at the same time complying with the highest standards of data protection and security.

GRI 206

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

In 2023, there were five data breaches requiring notification under Article 33 of the GDPR.

GRI 418-1

Training

When they join the Bank, all employees receive training on legal provisions, internal arrangements as well as the methods applied in money laundering, terrorist financing and criminal acts. This does not apply to canteen workers, temporary staff, working students or interns employed for no more than three months. Refresher courses must be taken every two years, or when duties change. A system for reporting suspicious activities is in place. 97 per cent of employees have completed their training.

GRI 206-1

GRI 418

Human Rights

Adopted in 2023, the DZ BANK Group's Human Rights Guideline specifies our position on this topic. We acknowledge international human rights, in particular the Universal Declaration of Human Rights (UDHR), which was adopted by the United Nations General Assembly, and the European Convention on Human Rights (ECHR). The Guideline is updated and amended on a regular basis.

Our Group-wide exclusion criteria for specific business practices and areas are also central to our sustainability management activities. These criteria are designed to ensure that ESG-related minimum requirements are complied with.

The exclusion criteria are reviewed and adapted regularly based on new insights and requirements from the realms of science and politics and in keeping with changing social norms. One such exclusion criterion is a breach of human rights, including child or forced labour.

» Exclusion criteria of the DZ BANK Group

As DZ HYP's business activities are focused on Germany, human rights abuses such as child and forced labour play a very minor role. Further issues such as equal treatment, freedom of association and collective bargaining, anti-discrimination or data protection are addressed in internal regulations, basic principles and the DZ BANK 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.

As DZ HYP employs security personnel through a service provider rather than directly, we cannot provide information on the extent to which personnel have received formal training on human rights policies and specific human rights procedures.

Suppliers

Environmental and social factors are key components of our purchasing strategy. All DZ BANK Group suppliers that are relevant from a sustainability perspective* are required to fulfil comprehensive criteria as set out in our sustainability agreement. This covers issues such as human rights, combating corruption, equal opportunities and environmental action.

GRI 408
GRI 408-1
GRI 409
GRI 409-1

GRI 408
GRI 409

GRI 407

GRI 2-30
GRI 407

GRI 410
GRI 410-1

GRI 204

The DZ BANK Group established joint guidelines on sustainability in purchasing as early as 2012, defining sustainability requirements for its suppliers. The guidelines are updated on a regular basis and are mandatory for all DZ BANK Group entities. DZ HYP has integrated the requirements into the entire current sustainability documentation for purchasing processes. The guidelines' provisions are also included in a supplementary work instruction for the Bank's purchasing departments.

GRI 308-1
GRI 308-2

DZ HYP monitors voting procedures regarding the European Corporate Sustainability Due Diligence Directive (CSDDD) so that it is in a position to respond right away to any new requirements.

All DZ HYP suppliers with an aggregate revenue that exceeds a specified threshold are bound by the sustainability requirements that apply for DZ BANK Group suppliers.

» Sustainability requirements for the DZ BANK Group's suppliers

A working group made up of sustainability officers in the purchasing departments of Group companies optimises sustainability-related purchasing targets and processes on an ongoing basis.

To keep its carbon emissions as low as possible, DZ HYP focuses on short transportation routes and follows a dedicated supplier selection process that gives preference to local suppliers. At around 95 per cent, the vast majority of DZ HYP's approximately 2,400 suppliers are based in Germany.

GRI 204-1

To increase transparency with regard to supplier sustainability, DZ HYP stepped up efforts to integrate its internal guidelines on sustainability in purchasing

* The sustainability standards must be signed if aggregate revenue exceeds a specified threshold and/or sector or country risks exist.

into its processes and applications in 2022 and went on to complete the data pool in the relevant systems in 2023. The next step will be to define KPIs with a view to measuring progress in our supplier management, and to take action wherever needed.

In 2022, DZ HYP introduced EcoVadis, a sustainability software that allows our suppliers to be assessed based on in-depth sustainability analyses focusing on environmental matters, labour and human rights, ethics and sustainable procurement. The software allows us to detect risks in the supply chain at an early stage and to react quickly in the event of infringements.

In 2023, DZ HYP conducted its first country- and industry-specific risk analysis via the EcoVadis IQ module. Following a test run, we adjusted the internal processes and collected additional data based on which we carried out a second risk analysis covering approximately 332 DZ HYP service providers. As the test did not yield any critical results, it was not necessary to subject any of the service providers to a more in-depth EcoVadis rating.

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. DZ BANK Group entities also expect their suppliers to comply with environmental law standards, to minimise their environmental impact and to have an environmental management system in place (e.g. ISO 14001-compliant or in line with the standards of the respective industry).

GRI 308
GRI 308-1
GRI 308-2

As regards social criteria, we require contractors to respect human rights, not to tolerate any child or 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, to rule out any form of discrimination and to refrain from engaging in corruption or bribery.

GRI 414
GRI 414-1
GRI 414-2

GRI 408
GRI 409

If necessary, we talk to our suppliers about launching relevant measures to optimise their sustainability performance. Should they fail to comply with our provisions, we will develop a specific plan of action together with the supplier in question, including an escalation scheme that – in extreme cases – may lead to termination of the business relationship.

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.

GRI 308-2
GRI 414-2

SUSTAINABILITY STRATEGY

For DZ HYP, sustainability is a complex issue that has been growing and evolving constantly over recent years. We are closely following the current discussions in Germany and across Europe about the best way to create a more sustainable financial sector. We are also continually monitoring the changes in politics and society as well as the dynamic market developments and innovations in technology.

Strategy and Objectives

DZ HYP firmly believes that the ecological and social challenges that society is facing call for even greater efforts to move towards a sustainable economy. Our understanding of “sustainability” largely follows the Brundtland Report, which was published in 1987 by the World Commission on Environment and Development (WCED). The report makes the case for meeting the needs of today’s generations and offering them fair opportunities for development – but without compromising the chances of future generations or threatening our natural livelihood.

As a member of the DZ BANK Group, DZ HYP is committed to the fundamental cooperative concept of responsible business. The cooperative concept is

aligned with the general understanding of sustainability, i.e. the relevance of economic, environmental and social needs. We believe that, for businesses to be successful in the long term, they need to operate in a fair, responsible society that is viable for the future.

In 2008, DZ BANK AG became a participant in the UN Global Compact, thereby committing itself to the ten internationally acknowledged principles stipulated by the initiative for responsible conduct. In 2013, DZ HYP followed suit in taking up these principles, which focus on human rights, labour norms, protecting the environment and combating corruption.

» [DZ BANK AG’s Communication on Progress for the UN Global Compact](#)

Our business activities make an indirect positive contribution to the UN Sustainable Development Goals (SDGs). We adhere closely to these SDGs because we want to make sure that our sustainability goals play their part in achieving sustainable development. We follow the World Green Building Council in our SDGs:



» [World Green Building Council](#)

As much of DZ HYP's work involves financing energy-efficient properties, enabling cooperations, churches and social housing providers to create affordable housing, and helping even small municipalities to invest in public infrastructure for the benefit of all citizens, "reduced inequalities" (SDG 10), "sustainable cities and communities" (SDG 11) and "climate action" (SDG 13) are of particular importance to our Bank.

Sustainability is a cornerstone of DZ HYP's business. Our governing principles are laid down in a dedicated sustainability strategy, which itself is embedded in DZ HYP's overall strategic framework and defines what our responsibility is – and what we mean when we talk about sustainable development. This sustainability strategy was finalised with the relevant departments and serves as a guide for identifying areas of action and suitable measures for sustainability management. It is reviewed on an annual basis by analysing, evaluating and integrating the political and social environment, market dynamics and technological innovations. Ambition levels are also critically reviewed.

We want our Bank to be successful with a sustainable business model that respects our employees, our society and our environment while also safeguarding the resources available to us. Special attention is paid to establishing sustainability as a permanent part of our core business.

As a leading real estate financier and Pfandbrief bank in Germany, DZ HYP is active in a business segment that produces nearly 40 per cent of global energy-related carbon emissions, according to a study by the UN Environment Pro-

gramme. This means that there is huge potential for the real estate sector to play a major part in combating climate change. It is against this background that DZ HYP wants to support the transition towards a low-carbon economy by assuming a key role in developing a sustainable financial system.

» Sustainable Lending, p. 38

Our Green Mortgage Pfandbriefe allows investors to participate actively in the sustainable transformation of the German real estate sector that will reduce its carbon footprint.

» Risk Management, p. 25

» Sustainable Funding, p. 41

» Annual Report 2023, Report on Opportunities, Risks and Expected Developments, p. 35

The Paris Climate Agreement and the Federal Government of Germany's sustainability strategy helped to shape the climate strategy to which all entities of the DZ BANK Group committed in 2018. This joint strategy was reviewed in October 2021 following the publication of the German government's newest climate targets.

One of the targets that the DZ BANK Group entities have set for themselves is for their operations to be climate-neutral by 2045. Together with ongoing energy-efficiency measures (e.g. efficient building technology, resource and

waste management) and raising employee awareness about sustainability issues in operations, these efforts will focus on reducing the carbon emissions caused by the DZ BANK Group's business travel and company car fleet. A dedicated centre of competence is in charge of coordinating measures to implement this climate strategy.

» Ecological Responsibility, p. 55

Key Fields of Action

The diagram to the left lists our key fields of action. We pursue and develop the targets of our sustainability activities at department level as part of "departmental sponsorships". More information about this and about the measures taken in the context of sustainability management can be found in subsequent chapters.

- » Ecological Responsibility, p. 55
- » Sustainable Banking, p. 33
- » Employee Matters, p. 43
- » Social Commitment, p. 53

Key fields of action

Ecological responsibility

- » Resource efficiency
- » Climate protection
- » Energy-related optimisation
- » Raising awareness of environmental issues

Sustainable banking

- » Long-term economic success
- » Sound business model
- » Responsible products
- » Compliance with the law
- » Trusting business partner
- » Risk management

Employee matters

- » Employer attractiveness
- » Training and education
- » Employee satisfaction
- » Safety in the workplace
- » Employee health
- » Participation and codetermination

Social commitment

- » Transparent communication
- » Promoting social participation
- » Principles of human rights
- » Equal treatment and justice



Topics in progress

Risk Management

- » Analysis of potential sustainability risks for the lending business

Sustainable lending

- » Definition and recording of sustainable criteria in lending

Sustainable banking

- » Launch of sustainable products

Employer attractiveness / demographics

- » Being an attractive employer for present and future employees

The materiality analysis conducted by the DZ BANK Group in 2021 forms the basis for each Group entity to examine the individual areas for themselves. DZ HYP also assessed the results and aligned them with the answers provided by our stakeholders. Because of DZ HYP's focus as a real estate and Pfandbrief bank and centre of competence for public-sector clients in the Cooperative Financial Network, the selection of our stakeholders is more limited. The key fields of action are therefore weighted differently than those of the DZ BANK Group.

- » Stakeholders, p. 27
- » The DZ BANK Group's materiality analysis

To identify the key fields of action for DZ HYP, we first drew on desk research, analyses of the competitive and regulatory landscape, and talks with internal and external stakeholders. We then assessed these insights and compared them with the materiality analysis conducted by the DZ BANK Group with a view to pinpointing the areas that are of material importance for us.

The Sustainability department at DZ HYP regularly reviews the key fields of action in light of recent developments and adjusts them if required.

GRI 3-1

List of material topics

GRI 3-2

DZ HYP FIELDS OF ACTION

	GRI information / topic-specific standards	Page
Risk management	Organisational profile / precautionary principle	25
	Strategy / key impacts, risks and opportunities	9 et seq.
Sustainable banking	Because the current GRI standards' coverage of "sustainable banking" is inadequate, we are publishing a management approach on the topic.	33
Sustainable lending	GRI 417: Marketing and labelling	31
	GRI 418: Customer privacy	14
Employer attractiveness/ demographics	GRI 401: Employment	44
	GRI 402: Labour/management relations	47
	GRI 403: Occupational health and safety	51
	GRI 404: Training and Education	48
	GRI 405: Diversity and equal opportunity	45
	GRI 406: Non-discrimination	48
	GRI 407: Freedom of association and collective bargaining	15

Sustainability Governance and Management

Due to its importance, the overarching responsibility for sustainability lies with DZ HYP's Management Board. All sustainability activities are coordinated by the IT department. The central point of contact for both internal and external stakeholders is DZ HYP's Sustainability department, which is responsible for both head offices. It also drives the Bank's sustainable transformation process and manages all activities relating to sustainability. In addition, the department is responsible for integrating sustainability activities into the Bank's operations, and – together with the Division Head – informs the Management Board about internal and external developments at regular intervals. The Sustainability department is also the point of contact for other departments in the event of issues arising that are related to sustainability. It monitors all actions and, in consultation with the relevant divisions, suggests ways to optimise the sustainability programme.

While responsibility for sustainability at DZ HYP lies with the Management Board, it is also addressed across all management levels. This principle was

strengthened with the establishment of a Sustainability Committee in 2019. This Committee, which is composed of the Management Board and Division Heads, creates the optimum framework for the Bank to pursue a sustainable approach. The aim is to improve DZ HYP's sustainability performance, and this includes the strategic development of sustainability projects and targets, interaction between departments, and the evaluation of risks and opportunities which emanate from current developments in the context of sustainability. The Sustainability Committee meets several times a year. Participants in the meetings provide feedback from their department'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 departments. At the same time, this approach ensures that the departments are actively involved in upcoming tasks.

The Sustainable Products Committee provides inspiration for new products and monitors them. This committee includes relevant decision-makers from the lending business front and back offices, Treasury, the Back Office Treasury & Public Sector, the Sustainability department (Head) and Legal. The Committee's tasks include not only monitoring the green mortgage portfolio but also determining suitability criteria for adequate assets in line with relevant standards, while taking current regulatory requirements into account. The Commit-

tee also provides impetus for the development of further sustainable products (on both the asset and the liabilities sides) and examines the banking market for trends and developments.

The Sustainability Coordination Committee ensures that sustainability issues are aligned and managed across departments, and identifies activities in the

different fields of action. It meets once a month and is composed of sustainability experts from the various departments.

» Corporate Governance, p. 10



In addition to establishing dedicated sustainability committees, we have expanded our processes and policies to include sustainability issues. Many of our reports and regulatory key financial indicators now include sustainability metrics as well. We are well aware of the increasing risks stemming from climate change, social challenges and other changing parameters and have set up suitable monitoring mechanisms and adjusted our risk management accordingly.

The Bank has also been working with external advisors and experts to ensure that its investments are in line with the EU Taxonomy and sustainable finance best practices.

As well as publishing internal policies and setting up new processes during the year under review, DZ HYP developed new training formats that will help banking staff in particular to learn about the EU Taxonomy requirements and criteria that are relevant to lending and investment decisions. The Bank also holds information events on sustainability-related topics that are open to all employees. Two online events were hosted during the year under review. As well as this, Compliance introduced extensive training measures on anti-money laundering.

Pay at DZ HYP is determined by different collective bargaining agreements. Members of the Management Board receive an annual remuneration, together with a limited variable bonus for target achievement as applicable.

- » Remuneration Policy Disclosure Report (available in German only)
- » Remuneration and other compensation, p. 46

Sustainability in the DZ BANK Group

With a view to integrating the topic to an even greater extent in business processes across the entire Group, DZ HYP has been playing an active role in the

DZ BANK Group's sustainability initiative since 2012. The objective is to pool all activities related to sustainability, to take advantage of market opportunities, to avoid risks and to ensure a lively exchange of experience and information. The permanent Group Corporate Responsibility Committee (GCRC) formed to this end in 2014 was replaced by the Group Sustainability Committee (GSC) in 2022.

The GSC is a central committee whose task it is to help manage the implementation of sustainability-related social, business policy and regulatory requirements at the DZ BANK Group. The GSC, whose members include management board representatives from the individual Group entities and the division heads responsible for sustainability, also acts as a platform where members can exchange their professional views and speed up the integration of sustainability factors into core business.

The Sustainability Coordination Committee is responsible for integrating the identified topics into the Bank's operations. Via a lively exchange of experience and information, the DZ BANK Group representatives work to identify and process relevant topics, taking into account supervisory requirements and those stipulated by the Cooperative Financial Network as well as the sustainability programmes of individual Group entities. They then proceed to prepare and finalise required decisions. DZ HYP is represented here by the Sustainability Officer and the IT Division Head responsible for sustainability.

In addition, representatives of all DZ BANK Group companies work together under coordinated framework conditions to pool sustainability activities, to take advantage of market opportunities and to avoid risks. One of the many results of this cooperation is the Group-wide climate strategy.

- » Climate strategy

Ratings

We have been commissioning different rating agencies to assess our sustainability performance for many years.

Morningstar Sustainalytics, an international rating agency, awarded DZ HYP a 14.2 ESG risk rating in February 2023, reflecting a low risk of material financial impacts from ESG factors. The result must not be interpreted as investment advice or expert opinion within the meaning of applicable legislation.

Moody's Analytics updated its rating for DZ HYP in August 2023, awarding the Bank a score of 45 out of 100 points. This puts DZ HYP right in line with the sector average and is an improvement of eleven points compared with the previous rating from 2021.

Sustainability rating agency ISS ESG once again awarded DZ HYP "Prime Status" in the "Mortgage & Public Sector Finance" peer group, granting it a "C" rating. This places DZ HYP above the industry average with respect to its sustainability performance.

EcoVadis issued a first-time rating for DZ HYP in 2023. With 79 out of 100 points, the Bank not only ranks among the top 19 per cent of its sector

but is also among the top one per cent of all the companies rated, earning DZ HYP a "Platinum Medal" from EcoVadis.

EcoVadis ratings are also used in our sustainable supplier management and are even mandatory for some service providers.

DZ HYP's rating from Sustainable Fitch was not updated during the year under review and this will not take place before 2024. This means that Sustainable Fitch's rating issued in the previous year is still valid.

CATEGORY	Result
"Entity" – assessment of corporate activities from an ESG perspective	3
"Instrument" – contextual assessment	2
"Frameworks" – review of sustainable financing frameworks	2



Risk Management

The precautionary principle in corporate governance

As a member of the German Cooperative Financial Network, DZ HYP believes it has a duty to conduct business responsibly and sustainably.

We apply a conservative risk strategy, forging long-term business relationships and working with clients in a spirit of partnership and mutual trust.

Identifying, assessing, managing, monitoring and communicating risks is a key part of our business activities. As a guiding principle for all of its business activities, the DZ BANK Group – and DZ HYP – assumes risk only to the extent required to achieve the objectives of its business policy, and where there is an appropriate level of understanding and expertise at hand for managing and controlling those risks.

DZ HYP's Management Board has issued 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 our risk capacity – in order to implement our business model and achieve our business targets. Based on risk policy guidelines and our business strategy, we have put in place a risk strategy framework and risk strategies for material risks.

Each of these risk strategies covers

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

These strategies are being examined annually to determine necessary adjustments and then approved by the Management Board and discussed with the Supervisory Board's Risk Committee.

The regulatory organisational requirements and allocation of risk management responsibilities are set out specifically in the German Banking Act (*Kreditwesengesetz* – "KWG"), the Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement* – "MaRisk") and the German Regulation on Remuneration in Financial Institutions (*Institutsvergütungsverordnung* – "InstVergV"). DZ HYP complies with these requirements and responsibilities, adapting its relevant processes to the specific needs of its business model and taking into account the specific requirements of Group waivers. To implement its risk appetite, the Bank has introduced a comprehensive risk governance system incorporating transparent, clear responsibilities and an appropriate communications framework. It takes account of regulatory requirements, DZ HYP's risk preferences, and the requirements resulting from its integration into the DZ BANK Group. It also ensures that the risk management and risk control processes are effective.

» [Annual Report 2023, Risk Report, p. 36](#)

Furthermore, as a Pfandbrief issuer we have a risk management system in place that is appropriate for Pfandbrief business, identifying, assessing, managing and monitoring all risks associated with it. The high quality of the Pfandbrief also rests in the strict requirements with regard to the cover assets pool: pursuant to the German Pfandbrief Act (*Pfandbriefgesetz* – "PfandBG"), only mortgage loans, and only up to the first 60 per cent of the mortgage lending value, are eligible as cover pool assets for Mortgage Pfandbriefe. This makes the Pfandbrief a long-term funding vehicle that meets investors' security and transparency criteria – even in difficult financial market phases. This claim is underscored by the fact that no Pfandbrief has ever defaulted since their introduction 250 years ago.

ESG risk management

Climate change is the most pressing of the many challenges our global economy is facing today. In response, the DZ BANK Group has classified climate and environmental risks as material risk factors. It has also implemented appropriate structures for identifying related risks, assessing financial implications using sustainability tools (which are currently being implemented and tested) and adopting risk mitigation or avoidance measures early on.

Intensive monitoring and in-depth analyses of sectors whose high emission levels make them particularly relevant from a climate change or environmental point of view (e.g. automotive, oil/gas and steel/cement) are being conducted at DZ BANK AG and are scheduled to be rolled out gradually across the entire DZ BANK Group. The financed emissions intensity of corporate clients is measured using a proprietary carbon accounting tool and benchmarked against references. These efforts are aimed at identifying specific risk and business potential and ultimately creating transparency.

» Sustainability Strategy, p. 17

The DZ BANK Group's governance bodies – including the Group Risk and Finance Committee and the Group Sustainability Committee – ensure that all Group entities exchange their views, ideas and expertise in risk management processes with each other, particularly when it comes to actively including climate and environmental risks in their work.

As regulators have pushed for better integration of ESG into risk management, we have implemented the following aspects in the past years, which we continue to align with new knowledge and new requirements:

- » The Bank has integrated climate-related and environmental risks in its governance and framework,
- » established methods for calculating financed emissions (carbon accounting) and for assessing financed emissions in our real estate portfolio using reference pathways established in the market (climate alignment),
- » developed a scorecard for the physical and transition risks associated with climate change, and
- » derived reliable risk indicators for DZ HYP's reporting.

DZ HYP has also defined decarbonisation targets for its Retail Customers and Corporate Clients real estate portfolios, based on the above-mentioned climate alignment.

» Sustainable Banking, p. 33

In line with the DZ BANK Group's credit risk strategy, DZ HYP has defined the cases in which it rules out lending in its own credit risk strategy. This ensures that minimum requirements on environmental, social and corporate governance criteria are met.

» Exclusion criteria

Our wholly-owned subsidiary VR WERT performs a risk-adequate valuation of the properties we finance.

» VR WERT, p. 7

Stakeholders

We have to be in tune with the expectations of our stakeholders in order to successfully manage DZ HYP. We define stakeholders as persons or institutions with social, environmental, economic, legal or ethical expectations towards us. They must either be affected by our decisions – or influence our decisions.

Our stakeholders include DZ HYP employees and applicants, the German cooperative banks as our partners in the Cooperative Financial Network, along with commercial real estate investors, housing companies, retail customers, capital markets investors, banking supervisors (BaFin) and other business partners of the Bank. We regularly engage with rating agencies, analysts and investors, associations, the general public, media, political decision-makers, academia as well as NGOs. Suppliers and service providers are of high economic relevance as well.

We use our annual Sustainability Report, first published in 2012, to transparently inform stakeholders about important fields of action, measures, targets and key financial indicators. The process associated with the Corporate Sustainability Reporting Directive (CSRD) launched by the EU Commission will redefine not only the scope of sustainability reporting but also its nature. To comply with the new provisions, DZ HYP began to identify gaps between current reporting and new requirements as early as 2022. The aim is to gradually close these gaps until the Bank publishes its first CSRD-compliant report in 2025.

Stakeholder communications

GRI 2-29

Regular communication with stakeholders and transparent reporting are key elements of our sustainability strategy. It enables us to better understand the needs and concerns 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 stakeholders is also of strategic importance and essential for enhancing our approach.

A key aspect of communicating with our stakeholders is keeping them informed about our sustainability activities. Internal communications also focus on transferring knowledge and are aimed at getting employees actively interested in sustainability. Different communication formats, feedback options, information events and campaign days complete our offers for employees.

- » Transfer of knowledge and professional discourse, p. 49
- » Employee Matters, p. 43

DZ HYP has set up Advisory Boards for banks, public-sector clients and the housing sector, which serve as dialogue platforms for active regular interaction with key stakeholders. They advise DZ HYP's Management Board on the Bank's strategic approach, and are in turn provided with information by the Management Board twice a calendar year on important matters and the development of the Bank. Members of the Advisory Boards also act as propagators for DZ HYP, actively promoting the Bank's business relationships.

- » The **Advisory Board – Banks** consists of up to 30 members. At least 75 per cent of these are full-time board members of cooperative banks.
- » The Management Board appoints up to eleven members to the **Advisory Board – Housing Sector**. These members are managing directors and management board members of housing enterprises from all over Germany.
- » The Management Board appoints up to twelve members to the **Advisory Board – Public Sector**. These members are representatives of municipalities, government agencies or municipal umbrella organisations.

The German cooperative banks are amongst our most important stakeholders. In addition to personal meetings and visits by our Management Board and market units staff, the Advisory Board – Banks facilitates the exchange between DZ HYP and the German cooperative banks. We also use events for our corporate clients to create regular opportunities for an exchange of views where we involve the management boards of our partner banks in discussions with our real estate clients. We also invite selected cooperative banks to exclusive client events to step up collaborative efforts.

In the age of digitalisation in particular, personal discussions remain a central building block for solid business relationships. Our New Year's receptions at selected Real Estate Centres are a suitable and popular event format. We also invite corporate clients to investor meetings and hold exclusive table talks with top corporate clients.

Events are key to DZ HYP's success in building and strengthening client relationships. In addition to face-to-face formats, the TV studio that we established at our Hamburg office in 2020 has proven very valuable, allowing numerous participants to join us live for "DZ HYP ImmoTalk", "DZ HYP Studio-Talk" and other online events. Hosted by Anja Kohl, a German TV presenter known for her work in financial journalism, our "Interest rate, economic and currency forecast" proved particularly popular as Dr Michael Holstein, Chief Economist at DZ BANK AG, shared his outlook on the markets and fielded questions from the audience.

DZ HYP's event formats for real estate clients

CORPORATE CLIENTS		RETAIL CUSTOMERS
Investors' Open Tables at real estate centre locations	Involvement of partner banks in industry events	Lunch at the conference BWT banking in Berlin
Table talks with top clients at all locations	New Year's receptions in Hamburg, Dusseldorf, Frankfurt, Stuttgart, Munich	Cooperative bank groups visiting our head offices
Alster Race	Forecasting events (twice a year, virtual events)	
Consortial meetings	Exclusive concert nights as part of our Elbphilharmonie sponsoring	
ImmoTalks / StudioTalks (virtual events)	Sponsoring and support for industry events	
Marina Night at MIPIM		
Investor Night at EXPO REAL		
Talks with housing-sector clients		

We aim to make communication with our capital market partners as transparent as possible. In addition to the annual and half-yearly financial reports, we regularly publish other information pertaining to our markets.

We also cultivate investor relations intensively, through both one-on-one meetings and events.

We are in constant dialogue with rating agencies and analysts for financial and sustainability ratings.

» Ratings, p. 24

We also interact with our stakeholders by participating in or exhibiting at trade fairs and conferences. We attended the GENOKON trade fair hosted by building finance platform GENOPACE and a “Partner Day” organised by broker Dr Klein in 2023, where we further cultivated our relationship with the cooperative banks and held a workshop to inform the market about new developments.

DZ HYP is a fixture at the annual “German Treasurer Day”, which discusses pressing matters for municipalities. Held in Berlin, the 2023 event focused on current developments and challenges in municipal finance and on fresh strategies for financial and investment matters, digital transformation and sustainability. Another hot topic for discussion was whether the German scheme of equalisation payments is still fit for purpose.

In autumn 2023, we attended four housing sector events: workshops organised by the Association of Housing Companies in Northern Germany (VNW) and Bavaria (VdW Bayern) plus conferences for the housing sector by the same associations for Germany’s Southwest (VdW Südwest) and the Rhineland and Westphalia regions (VdW Rheinland Westfalen). DZ HYP hosted its traditional networking hour after the events, where many attendees took the opportunity to discuss individual agenda items with one another.

In addition, the annual DZ HYP Partner Award pays tribute to banks that work closely together with us in the segments Corporate Clients and Retail Customers segments. This award includes prize money, which the recipient bank can donate to a local charitable cause of its choice.

DZ HYP demonstrates its market expertise by regularly publishing real estate market surveys, often with a regional focus. The Bank’s reports analyse developments in the retail, office and residential property segments of the commercial real estate market. They are well established in the industry and are very popular amongst readers. In addition to our “Regional Real Estate Markets” and “Real Estate Market Germany” studies, which were published in March and October of the reporting year respectively and analyse developments in the seven major cities, we publish two regular reports on developments in individual German federal states. Our IMMO KOMPAKT publication for the cooperative banks aims to improve transparency with regard to our business activities, to highlight business opportunities using best-practice examples, and to inform readers about the current state of the real estate markets.

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 entire real estate sector. We continued our involvement in the cross-sector ECORE initiative in 2023; this is where we focus on preparing and establishing standards to help determine the sustainability performance of real estate portfolios.

» Memberships of DZ HYP, p. 11

We also use our website and social media to inform stakeholder groups about sustainability issues on an event-driven basis.

Current issues and concerns

Sustainability is an important topic both on the financial markets and in politics. Germany is set to become a leading sustainable finance centre, and the European Union has created the framework with its Action Plan and related legislative proposals. In line with this, sustainability rating agencies are also shifting their focus and applying stricter standards. As well as this, our partners – the cooperative banks – and our clients expect us to act sustainably, especially when it comes to developing our products and strategy.

As a member of the Cooperative Financial Network, the combination of environmental, economic and social responsibility has always been an integral part of DZ HYP's corporate culture. With this in mind, we consider ourselves well equipped for these challenges and 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. Climate policy risks are increasingly taken into account in order to encourage longer-term thinking in capital market investments and, in turn, to create a more stable financial market. This is also being driven forward in regulatory terms by the European Central Bank's (ECB) guide on climate-related and environmental risks and by the European Banking Authority's (EBA) guidelines on loan origination and monitoring.

In 2019, the European Union presented the Green Deal, an action plan for the transition to a modern and competitive economy that is efficient in its use of resources. 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, while Germany is striving to reach this goal by 2045. In a joint climate strategy, the DZ BANK Group committed to reducing aggre-

gated carbon emissions from the Group entities' operations by at least 65 per cent by 2030 (compared with 2009) and to be climate-neutral by 2045. This climate neutrality target is the Group's minimum target.

DZ HYP optimised its decarbonisation pathways for its portfolios during the year under review. To this end, it benchmarked its own pathways against the transparent, science-based and Paris-aligned decarbonisation pathways published by the Carbon Risk Real Estate Monitor (CRREM).

In our Corporate Client portfolio, we want to reduce emissions by seven per cent between 2023 and 2026 and by 36 per cent by 2030. In the Private Customer portfolio, we are aiming for an eleven per cent reduction by 2026 and a 41 per cent reduction by 2030. As our decarbonisation pathways are still based on an incomplete data picture, it is possible that they will be adjusted as portfolio transparency increases. There are also uncertainties as regards the future regulatory environment.

The EU Taxonomy Regulation, which entered into force on 12 July 2020, defines criteria enabling market participants to determine the sustainability of an investment. It also helps market participants identify environmentally, socially and economically sustainable activities. The aim is to create transparency for investors and clients, and to simplify investments and channel investment flows towards sustainable economic activities. In order to determine a Green Asset Ratio, DZ HYP was required to assess its entire credit portfolio with regard to the first two environmental criteria "climate change mitigation" and "climate change adaptation" with the first application of the EU Taxonomy Regulation as of 1 January 2022. The classification was conducted based on the sectors in which the Bank's clients operate, and taking the intended use of loans granted into account, along with energy performance certificates and physical risks resulting from climate-related events to which the portfolio of collateral is exposed.

DZ HYP has implemented all disclosure obligations as per the EU Taxonomy Regulation for the 2023 reporting year. As reporting already takes place at Group level, no additional reporting at single-entity level is required as per the Non-Financial Reporting Directive (NFRD). Comprehensive additional activities are scheduled for 2024 to integrate further climate objectives and to establish the necessary database for forward-looking reporting in line with the CSRD.

The EU published its CSRD in December 2022; the new regulations entered into force at the beginning of January 2023. On 31 July 2023, the European Commission published the first set of the European Reporting Standards (ESRS), covering two cross-cutting standards (applicable to all sustainability matters) and ten specific standards for environmental, social and governance matters. DZ HYP will comply with the CSRD requirements from the 2024 financial year onwards. The Bank has begun to compare and contrast the ESRS with the Sustainability Report 2022 in order to identify and gradually close any gaps.

In its HR work, DZ HYP aims to rejuvenate the workforce, increase the percentage of women in management positions and boost employee loyalty. Raising DZ HYP's attractiveness beyond the traditional areas of employment – for example in IT – is also a priority.

Client Information and Marketing Measures

We strive to connect with clients and partners in many different ways and to provide an overview of DZ HYP's products and services. We do this via print and online publications, in personal discussions, during our event series, on our website and through the social network LinkedIn. When purchasing advertising materials, we ensure that they have been produced sustainably. To balance economic and ecological interests, we optimised our website during the year under review through the lens of sustainability. The site was evaluated in accordance with BITV 2.0 / EN 301 459, applying the BIK BITV Test ("BIK" standing for "barrierefrei informieren und kommunizieren", i.e. providing accessible information and communication) and in line with the "Ecograder" and "Lighthouse" sustainability criteria. For example, this resulted in document and image file sizes being reduced. We have set out our Principles for Sustainable Marketing in an internal policy. The DZ HYP brand promise complements our sustainability-related targets, activities and measures.

DZ HYP's marketing activities include advertisements, product brochures and flyers, letters to clients, events, website and social media content, and other measures to promote the Bank's image. We do not tolerate misleading, discriminating or defamatory advertising, nor do we tolerate derogatory comments about competitors, their products or services.

GRI 417-1

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 ethnicity, religion and beliefs, gender, age, disability and/or sexual identity. Our products and services, and their prices, are transparent, clear and understandable.

GRI 417-2

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 previously declined participation or have not expressly consented. We only use data entered voluntarily on our website for the purposes expressly requested by the user.

In the year under review, no breaches were reported in relation to product/service information and labelling or marketing communications.

Political party donations and lobbying

We do not support political parties; we engage only in expert and industry-specific associations. DZ HYP rules out donations to political parties and affiliated institutions, so as to not expose ourselves to any possible accusation of exercising political influence or earning preferential treatment. The Bank has created guidelines governing the topic.

GRI 415-1

Pursuant to the German Lobbying Register Act (*Lobbyregistergesetz* – “LobbyRG”), which came into force on 1 January 2022, all natural persons and legal entities that approach members of the German parliament or the Federal Government of Germany in order to influence political processes, or that instruct others to pursue such activity, are required to enter their details in the German parliament’s lobbying register as soon as their activity exceeds a materiality threshold defined in the Act, and provided that none of the exceptions stipulated in the Act apply. The LobbyRG also requires the disclosure of annual financial expenses related to the representation of interests, financial support and subsidies received by the public sector, and third-party donations, in the lobbying register. The DZ BANK Group disclosed the required information in the lobbying register within the timeframe stipulated by the LobbyRG, and guarantees consistent updates of the relevant details. By virtue of this registration, DZ HYP has also accepted a code of conduct requiring registered parties to comply with the principles of openness, transparency, honesty, and integrity as stipulated by the LobbyRG.

SUSTAINABLE BANKING

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

» Risk Management, p. 25

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.

We offer cooperative banks a collaboration that is founded on trust and partnership, and help them strengthen their successful and long-term positioning on the market. Sustainability issues are part of our day-to-day business. Investing in real estate – both in new buildings and modernisation measures – can be positive from both an environmental and social perspective. For example, this might include improving energy efficiency, safety and family-friendliness, or ensuring accessibility for people with disabilities.

We see ourselves as having an active role in society. The business decisions we make have a significant impact on our community and should take into account the needs of our employees, society, the environment and the global climate. Sustainable banking is a top priority for both internal and external stakeholders. This makes it all the more important for us to approach sustainability as a strategic cross-divisional responsibility and to systematically integrate it into our core business.

» Current issues and concerns, p. 30

The Sustainability Committee, the Sustainability Coordination Committee and the Sustainable Products Committee inspire new and improved products. In addition, this committee structure determines the property evaluation process, including the methodology and selection of properties for sustainable funding.

» Sustainability Strategy, p. 17

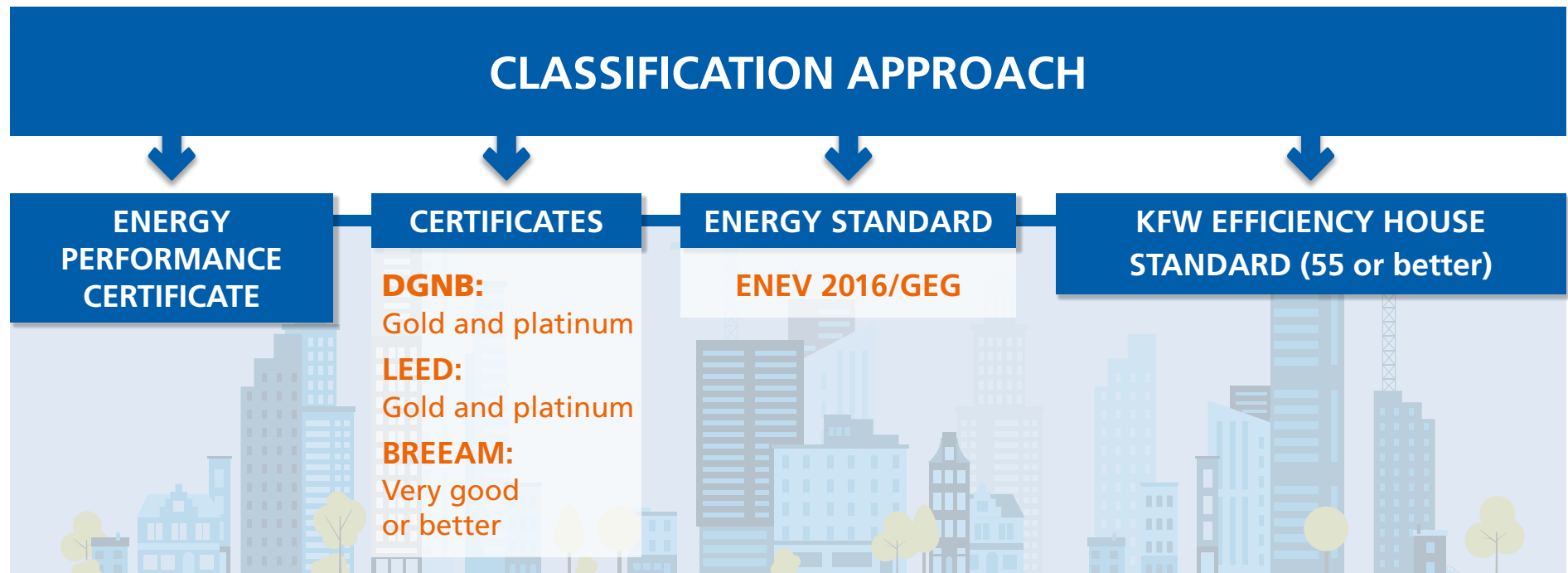
We are constantly evolving and will continue to confront the many sustainability challenges that await us, in particular in the financial sector, in the years ahead. These challenges include the EU's Action Plan on Financing Sustainable Growth, questions relating to climate change, and creating housing in metropolitan areas. As such, our aim is to offer further sustainable products on the assets and liabilities side to meet the needs of today's and tomorrow's society.

Our performance has once again been recognised by the Berlin-based European Real Estate Brand Institute, which identifies the strongest real estate brands in twelve categories every year, based on a representative survey amongst experts. In the year under review, DZ HYP was singled out as the strongest brand of the decade.

Classification approach

We aim to improve transparency in the credit portfolio and to promote sustainable lending in all business segments. Since 2022, we have been concentrating on classifying our credit business, with a particular focus on the environmental components of our financed properties. We define environmental/green properties using a classification approach that is aligned with the Minimum Standards for Green Mortgage Pfandbriefe released by the Association of German

Pfandbrief Banks (vdp) and the ICMA Green Bond Principles (GBP). We are planning to align this more and more with the EU Taxonomy. A procedure has been established to classify properties, which it does by assessing and evaluating them based on factors such as energy performance certificates and sustainability certificates.



The corporate clients portfolio accounts for the largest lending volume and therefore holds the most prominent sustainability potential. We aim to increase the transparency of our existing portfolio and our lending process for new business. As such, we have been collating sustainability data in new business since July 2021 and are classifying the sustainability aspects of our financings. We are now also part of the ECORE initiative and developed an industry standard together with various banking representatives and asset managers (as representatives of the client side) in 2022; this standard also takes into account the requirements of the EU Taxonomy – above all, the “do no significant harm” criteria. We will be using the standard to record additional information on properties and business partners, complying with regulatory requirements mandated by the EU Taxonomy, the EBA guidelines on loan origination and monitoring (EBA GLOM) and the ECB guide on climate-related and environmental risks.

Business partners that are subject to the Non-Financial Reporting Directive (NFRD) are reviewed to verify that they comply with the required minimum safeguards. Pursuant to Article 18 of the EU Taxonomy, these minimum safeguards aim to guarantee that an economic activity is only considered sustainable (taxonomy-aligned) if it is aligned with international human rights standards as well as with other relevant areas such as bribery, corruption, taxation and fair competition. We are aiming to extend the review to non-NFRD compliant companies in the years to come.

We have also been able to factor sustainability risks into our lending decisions since the beginning of the year under review.

» Risk Management, p. 25

We have also been recording sustainability data for our existing portfolio via our annual exposure monitoring since mid-2022, and have retroactively classified the business. By systematically recording evidence of sustainability, we were able to assess most of the portfolio along DZ HYP's classification scheme for energy-efficient properties in 2023. Our aim is to attain full sustainability-related portfolio transparency by 30 June 2024.

In our segment Retail Customers, we and the cooperative banks already laid the necessary groundwork in 2022 for property owners to submit energy performance certificates or to pass on relevant data from the energy performance certificates. We also established a standard procedure in all distribution channels. This applies in particular to measures for which the German Buildings Energy Act (*Gebäudeenergiegesetz* – “GEG”) requires the property owner to prepare such a certificate. In other words, we were also able to increase the energy efficiency transparency of our retail customer real estate portfolio in the year under review.

To increase the portfolio transparency, the Bank records sustainability data (energy performance certificates and other energy efficiency certificates as well as legitimate reasons for not having energy performance certificates) in the core banking system. It then uses this data to perform an automatic sustainability classification based on the decision-making criteria described in the DZ HYP Green Bond Framework that are aligned with the vdp's Minimum Standards for Green Mortgage Pfandbriefe and the ICMA Green Bond Principles.

» DZ HYP Green Bond Framework

Projects

We are constantly evolving and will continue to confront the many sustainability challenges that await us, in particular in the financial sector, in the years ahead. We invite you to peruse the following section, where we present two properties in which modern architecture and sustainability co-exist in perfect harmony.



« Pandion Vista Campus A and Campus B

Pandion is constructing a new campus in Berlin Friedrichshain. This consists of three buildings which – while individually designed – also form a unit from both a functional and a design perspective. The OFFICEHOME Pollux and OFFICEHOME Zinc buildings are already under construction. Their primary features are cutting-edge, sustainable office space combined with high-quality, modern interior design concepts.

OFFICEHOME Pollux: the office development, which covers 28,700 square metres of usable space on six storeys, is at the heart of the building complex. There is also a parking garage with 90 underground car parking spaces (nine of which have e-charging stations) and 280 bicycle parking spaces. Completion is scheduled for 2025.

OFFICEHOME Zinc: this building offers 9,650 square metres of office and commercial space plus a parking garage with 45 underground car parking spaces (five of which have e-charging stations) and 50 bicycle parking spaces. It is scheduled to be the first of the three buildings to be completed (by year-end 2024).

The campus will have a prime location in the heart of the German capital, between the Eastern side of the Mediaspree development, a lake and an interchange station in the Rudolfskiez neighbourhood of the city's Friedrichshain district. The architecture of the campus buildings is both unique and sustainable and is designed in line with the criteria of the KfW efficiency house 55 standard. All buildings will have photovoltaic panels on their roofs. The campus project aims to attain at least DGNB (German Sustainable Building Council) "Gold" certification.

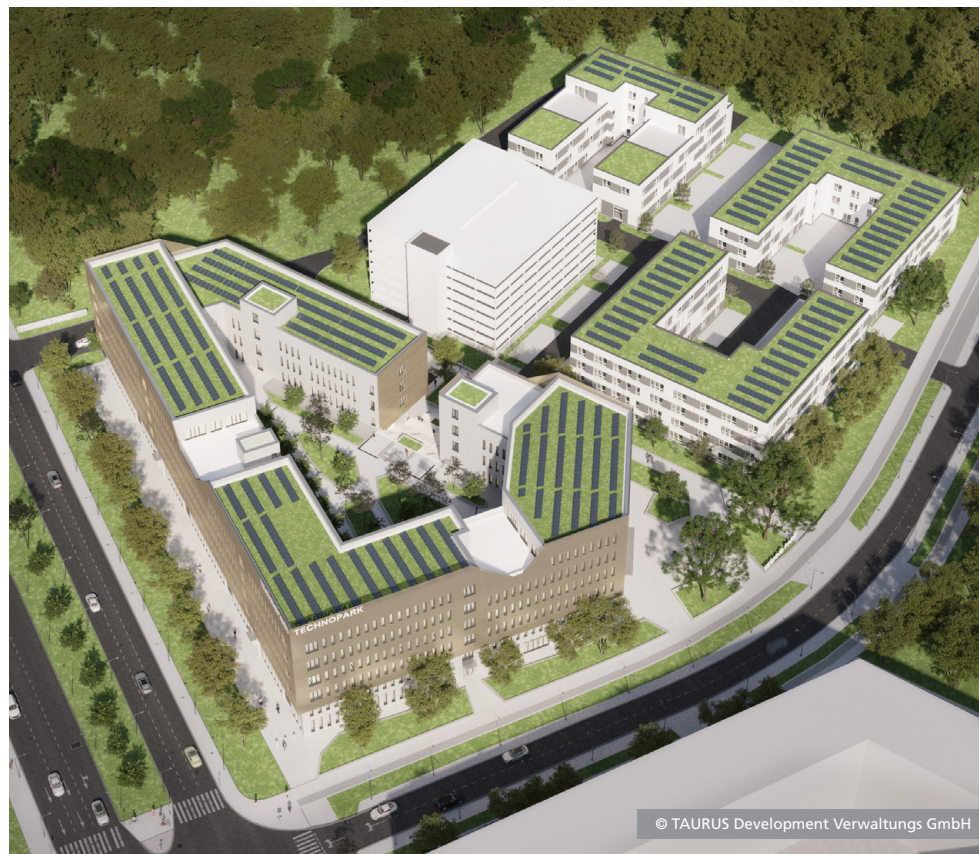
“Marienvalley” Technopark in Hanover»

Wissenschaftspark Marienwerder, a science park in a prime location in Hanover, is being expanded. The “Marienvalley” Technopark, for which construction work began in 2020, is a modern multi-tenant office complex with four buildings and campus flair. It houses modern and flexible office units that have been specially designed for innovative companies working in science and research. Total usable space amounts to approximately 40,000 square metres. The project focuses on individual tenant requirements such as special laboratories and production rooms.

The six-storey complex consists of buildings A to D plus a multi-storey car park with 580 parking spaces for cars and 410 for bicycles.

With around 13,000 square metres between them, buildings A, B and C – completed between 2021 and 2022 – contain office space and adjacent labs and production rooms. Six-storey building D, scheduled to be completed by the first quarter of 2025, includes 28,000 square metres of office and light industrial space as well as commercial space for restaurants, a gym, etc.

Thanks to its modular design and choice of building materials – reinforced concrete combined with wood – the project is very sustainable, as it reduces energy consumption and avoids high emissions. With a powerful drainage system, the property is well prepared for extreme weather events. The project will be subject to a DGNB audit and is aiming for a DGNB “Platinum” certificate.



Sustainable Lending

We have been regularly collecting sustainability verification in our new business with corporate clients, in the form of energy performance and other energy efficiency certificates for the properties, since July 2021. Based on this, we primarily evaluate the energy efficiency characteristics of the properties. The sustainability certificates accepted by DZ HYP include the certificate of the German Sustainable Building Council (DGNB), along with the following evaluation systems: the Leadership in Energy and Environmental Design (LEED) of the U.S. Green Building Council and the BRE Group's Building Research Establishment Environmental Assessment Method (BREEAM). Since August 2022 we have been taking it one step further: VR WERT Gesellschaft für Gutachten-bewertungen mbH is now including ESG aspects when evaluating properties for new financings.

ESG risk analyses carried out to inform lending decisions are focusing on climate-related and environmental risks resulting from climate change. These include physical risks, such as more frequent extreme weather events or permanent changes in climatic conditions, and transition risks that occur in connection with the transition to a climate-neutral economy – these are driven, for example, by legislative changes or changes in consumer behaviour. Physical environmental risks and energy-efficiency characteristics of buildings are also part of the VR WERT building assessments. Lending decisions are also influenced by how sustainable the property or financing project is with regard to environmental, climate-related or social aspects.

Lending is based on information and insights available on the borrower, property and financing project. To factor in the DZ BANK Group's ESG risks, the Group lending standard defines industry-specific exclusion criteria. DZ HYP then reviews each exposure against these exclusion criteria prior to granting a loan. The aim is to prevent transactions which fail to comply with minimum sustainability requirements, or transactions which increase the DZ BANK Group's risk of reputational damage. For example, the Bank does not enter into business relationships if significant human rights violations or environmental breaches cannot be ruled out in the course of the partner's business activities. The DZ BANK Group's list of exclusions includes arms trade and production, prostitution and controversial gambling.

Sustainability risk measurement and management, along with associated processes and procedures, are validated on a regular basis and managed in line with regulatory requirements.

» Exclusion criteria of the DZ BANK Group

Municipalities are instrumental when it comes to implementing sustainable action at global, national and federal state level. DZ HYP's municipal clients can only achieve their environmental and social objectives if they are also thriving economically and financially and are benefitting from strong governance. To factor in sustainability aspects more effectively, the Bank introduced the DZ HYP sustainability ranking (which includes a more in-depth ESG analysis) in 2023. It then integrated this ranking into DZ HYP's municipal lending and decision-making process, using a number of key performance indicators (KPIs) to carry out an intricate and multidimensional sustainability assessment for all German municipalities based on the United Nations Sustainable Development Goals (SDGs).

Sustainability is also relevant for DZ HYP's securities portfolio with its strong bias towards public-sector borrowers. As with its other portfolios, DZ HYP has integrated its own ESG assessment method into the credit quality analyses and lending decision process.

DZ HYP's measured lending policy aims to protect its clients from over-indebtedness by only granting loans up to the amount of the sustainable mortgage lending value of the property serving as collateral. The Bank also checks the clients' financial status and sustainable debt-servicing capacity in line with the provisions stipulated in the EU Mortgage Credit Directive (MCD).

In the Retail Customer segment, it is mostly the intermediating banks that assess the creditworthiness in accordance with provisions set out by DZ HYP. When entering into the agreement, customers can apply to be granted the right to adapt repayments three times during the fixed-interest period. This is an ideal solution for customers who want to be flexible and adjust their monthly instalments to fit their individual income and liquidity situation. In addition, borrowers can make individual arrangements with DZ HYP should they face financial difficulties.

2023 also saw DZ HYP develop the Eco product feature in the segment Retail Customers, offering an attractive interest rate discount for privately-used real estate with a maximum energy consumption of 50 kWh/m² per year. The Bank introduced this product to encourage customers to build sustainable properties or carry out energy-related renovations to render existing buildings more sustainable. The new product will be marketed for the first time within the VR-Baufi product family in 2024.

INTERVIEW

We spoke to Kristin Jayasuriya, Back Office Treasury & Public Sector Officer, about the DZ HYP sustainability ranking for municipalities.



Ms Jayasuriya, what exactly is the DZ HYP sustainability ranking?

The DZ HYP sustainability ranking for German municipalities is an extension of the municipal ranking that we have been using since 2009. The ranking used to be focused on the credit quality of municipalities, while sustainability aspects such as demographic trends, the labour market situation or social expenditure only played a minor role. Since 2022, we have been examining sustainability factors in greater depth.

We had already conducted extensive research on the United Nations 2030 Agenda for Sustainable Development and 17 SDGs. Other sources we consulted included the EU Taxonomy, the ICMA Green and Social Bond Principles, and the ECB Guide on Climate-Related and Environmental Risks. We then discussed the various options for incorporating sustainability aspects into municipal lending. Unlike mortgage loans, loans to local authorities are not linked to specific projects, which means that the valuation criteria are geared towards the business partner, i.e. the municipality. The question we asked ourselves was: how can we assess the sustainability performance of municipalities? We then derived a total of 163 indicators for all three sustainability dimensions (environmental, social, governance) in line with the UN's 17 SDGs and 169 targets. These indicators provide us with an excellent framework for assessing the sustainability performance of all German municipalities.

What data is the DZ HYP sustainability ranking based on?

We mainly use publicly available data and statistics published by various public bodies. The German Federal Statistical Office, for example, records extensive municipal data. This was familiar ground for us as we had already been sourcing information from here for our uniform, systematic municipal (credit quality) assessment. The approximately 11,500 municipalities in Germany are all subjected to the same DZ HYP analysis. Our sustainability ranking follows our standardised (data) analysis approach, allowing us to systematically consider ESG dimensions and creating a ranking that is comparable, transparent, quantifiable and as objective as possible. We collect and verify this data and update it at least once a year.

That sounds like you're working with a huge amount of data. How long did it take you to develop the DZ HYP sustainability ranking?

It took us about a year and a half from the original idea of enhancing the municipal ranking with sustainability aspects right up to the final implementation. This was because our department team worked on the project on its own, without any external assistance, while carrying out its normal day-to-day business. During this period, we came together numerous times to discuss and vote on the indicators – and we prepared the data, basing our work on our internal expertise and analyses of scientific reports.

How is the collected data analysed?

We have several levels. First of all, there is the overall ranking result. Second, the relationship between indicators and ESG aspects: by allocating indicators to one or more ESG pillars, we can evaluate the indicators based on the individual ESG dimensions. Third, the relationship between indicators and SDGs: indicators are allocated to the 17 SDGs, and municipalities assessed based on

their contribution to individual SDGs. The indicators are weighted differently within the evaluation system. Because our database comprises statistical data, we are able to compare results. For example, we can see how a municipality ranks compared with all other German municipalities. Another option is following a specific benchmarking approach, for example comparing municipalities of the same administrative level within a German federal state.

Our analyses are based on various sources. For example, the National Sustainable Development Strategy has set targets for certain indicators that we use for orientation. The last step involves calculating the ranking result on a scale ranging from 0 to 100.

To what extent does the ranking influence lending to municipalities?

Municipal portfolio and real estate portfolio have to be viewed from different angles as public-sector clients and public-sector financing are very different from financing for retail customers or commercial real estate investors. Our department is responsible for creating internal ratings, internal limits and internal rankings. The sustainability ranking affects the internal limit, i.e. the maximum loan amount a municipality can obtain from DZ HYP.

DZ HYP is the centre of competence for public-sector clients within the DZ BANK Group and creates internal public-sector entity ratings for the Group companies so that our front office colleagues can prepare loan offers. We also use the ranking for portfolio analyses, and it helps us comply with regulatory requirements such as the MaRisk requirements stipulated by the German Federal Financial Supervisory Authority (BaFin) or the European Banking Authority (EBA).

Which DZ HYP departments use the municipal ranking?

All Bank departments can ask us for the results of the sustainability ranking or call them up in the system. Future use cases could also include site analyses or sustainable products.

Speaking of the future, what updates or enhancements do you have planned?

Even though the volume of ESG data is constantly increasing, a large part of it is not yet fully or systematically recorded at all public-sector entity levels. Because of this, we validate and calibrate our sustainability ranking's input parameters at regular intervals. For example, we are currently looking at the possibility of extending the sustainability ranking by a "dynamic factor" that would show how a municipality's sustainability performance evolves over a certain period of time. By creating a data history, we will not only be able to see the sustainability status quo but also how the municipality has improved (or otherwise) over the past years. We are working on this at the moment but there is plenty of scope for more ideas.

Thank you very much for the interview.

Sustainable Funding

On the back of developments in our credit business, we are driving integration of environmental criteria into our capital markets products, and are therefore able to offer our investors the opportunity to invest in a sustainable development.

By issuing green Pfandbrief instruments we are also establishing sustainable funding as an important pillar of our business model. Readers interested in relevant information on the structure of specific products may refer to the Green Bond Framework. In this context, DZ HYP established a Green Bond Framework aligned with the ICMA Green Bond Principles and the vdp's Minimum Standards for Green Mortgage Pfandbriefe released in January 2022. The Bank is planning to refine and enhance this framework in line with the provisions stipulated in the EU Taxonomy.

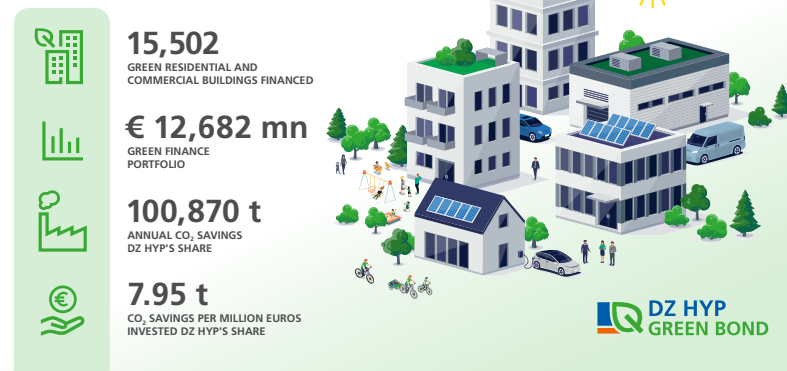
Shortly after its Green Bond Framework was adopted, DZ HYP issued the first Green Mortgage Pfandbrief in February 2022. During the 2023 financial year, the Bank issued further green Pfandbrief instruments amounting to € 2,026 million, the bulk of which were benchmark instruments placed on the primary market (€ 1.5 billion). The bonds had a volume of € 500 million each and were issued with terms of three, four and a half, and ten years. DZ HYP also increased the volume of a green benchmark issue by € 250 million and issued another € 276 million in the form of green private placements. Total Green Mortgage Pfandbriefe outstanding as at year-end 2023 amounted to € 3,026 million.

The proceeds are designated for financing sustainable real estate in Germany, with the main criterion being a property's energy efficiency, as evidenced via energy performance and energy efficiency certificates, or the energy standard.

We know that trust and transparency are essential when it comes to sustainable investing, which is why we establish as much transparency as possible regarding use of funds and issuance proceeds. Our annual Green Bond Report provides information on fund allocation and climate impact achieved with our outstanding green Pfandbrief instruments. To ensure that the methods used comply with the highest quality standards, we have mandated renowned consulting firm Drees & Sommer to calculate the climate impact and review adherence to our suitability criteria.

The Green Bond Report is prepared once a year as at 31 December and is published in the first quarter of the subsequent year. DZ HYP financed 15,502 properties classified as green, with a lending volume of € 12,682 million as at 31 December 2023, of which € 9,079 million is eligible for inclusion in the Mortgage Pfandbrief cover assets pool and can be funded via green Pfandbrief instruments. The Green Bond Report does not factor in green properties which are not part of the Mortgage Pfandbrief cover assets pool.

» GREEN BOND REPORTING 2023 AT A GLANCE



Please refer to the following website link for the Green Bond Report and other important documents around the topic of DZ HYP's green Pfandbrief issues.

» <https://dzhyp.de/en/investor-relations/informations-for-investors/green-bonds/>

EMPLOYEE MATTERS

Motivated and skilled employees are our most vital resource because the Bank's economic success depends largely on their ability, dedication and hard work. Ethical and legal reasons aside, we believe that it is vital to have a working environment in which everyone communicates openly and is treated with respect, fairness and appreciation. It is also because such an environment enables us to lay the groundwork for long-term commercial success.

Our practical understanding of integrity and an ethical corporate culture is clearly set out in our Group-wide Code of Conduct, which is binding for all employees, and in the supplementary Human Rights Guideline. They combine our internal principles with external market standards and reaffirm our commitment to sustainability.

- » Our Code of Conduct
- » The DZ BANK Group's Human Rights Guideline
- » Responsible Corporate Governance, p. 12

As we value the diversity of our employees, we decided to sign the German Diversity Charter in 2012. Equal opportunity and anti-discrimination are cornerstones of our corporate policy and human resources management.

- » Diversity and non-discrimination, p. 48

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 the prevalent economic conditions. We offer our staff performance-based remuneration, flexible working hours without a set schedule, and a family-friendly corporate culture. This is complemented by an extensive continuing professional development programme, social benefits and comprehensive occupational health management.

Central issues such as equal treatment, freedom of association and collective bargaining are dealt with in internal regulations, prevailing principles and the Group's Code of Conduct.

- » Our Code of Conduct
- » The DZ BANK Group's Human Rights Guideline

The world of work is changing, and the pressure on recruitment is increasing. Two key influencing factors are demographic developments and the advancing digital transformation, which requires increasingly specialised experts. Companies need a strong employer brand coupled with an appealing value proposition if they want to attract new talent.

In 2023, DZ HYP further raised its profile as an attractive employer across a number of different formats. LinkedIn is the Bank's most important digital communication platform for employer branding. In March 2023, DZ HYP

launched a second LinkedIn channel that deals primarily with employer topics. Since May 2023, the Bank has also been actively targeting up-and-coming talent on Instagram and was able to increase its followers in the year under review. The numbers as at 31 December 2023 are as follows: 455 followers for the LinkedIn “DZ HY Karriere” channel, 4,651 followers for the LinkedIn “DZ HYP” channel, and 351 for the “dzhyp_karriere” account on Instagram. In 2023, the DZ BANK Group launched an advertising campaign on the TikTok social media platform with a view to reaching Generation Z and attracting young talent. We will continue using this channel for recruitment purposes.

The Bank also produced new episodes for its internal podcast introduced in 2022, where employees talk about current projects in their departments.

For the second time in a row, kununu rated DZ HYP a “Top Company” despite having redefined requirements to raise the bar even further. While about 20 per cent of all companies on kununu managed to qualify in the past, the stricter criteria whittled this figure down to a mere five per cent, which still included DZ HYP.

The Handelsblatt business newspaper awarded us the Fair Company seal, following a review conducted by the IBE, a scientific institute researching employment and employability with a particular focus on the expectations that Gen Y and Z employees have regarding the workplace.

In addition, business magazine FOCUS-MONEY commissioned a study on the public perception of employers in the financial realm. More than 61,600 people were surveyed, and DZ HYP was found to be “highly recommendable” for trainees.

We have established an HR Business Partner concept at both of our head offices in Hamburg and Munster, aligning HR activities more closely with value creation in the units. The concept helps employees to contribute to business success and create added value for clients. The areas in question are provided with ongoing assistance in tackling the individual challenges facing them.

DZ HYP regularly conducts anonymous online employee surveys. One example is the “Pulse Check”, which is designed to capture the mood in the Bank and gauge workplace satisfaction. The most recent survey was conducted in 2023.

Employment

554 members of staff were non-tariff employees as at 31 December 2023 (2022: 521), while 312 were tariff employees (2022: 330). These figures include both fixed-term and permanent employment contracts. In the year under review, 4.9 per cent of our employees were on parental leave.

STAFFING INDICATORS 2023

	GRI standard	2023	2022	2021
Headcount (number of employees)¹		863	855	819
Temporary employees		12	19	20
Permanent employees		851	836	799
Average age		46.0	46.0	46.9
Employees with disabilities (in %)	GRI 405-1	3.7	3.4	4.2
Average length of company service (in years)		13.5	13.2	13.8
Illness rate (in %)	GRI 403-10	3.9	4.9	3.3
Workforce by type of employment (in %)				
With the option to take special leave		100.0	100.0	100.0
With the option to work part-time		100.0	100.0	100.0
Full-time		77.9	76.4	74.9
Part time		22.1	23.6	25.1
Mobile working		100.0	95.6	88.8
Partial retirement		2.8	3.5	3.5
Represented in the Works Council		97.9	98.0	97.5
On parental leave	GRI 401-3	4.9	5.3	6.1

¹ Annual average.

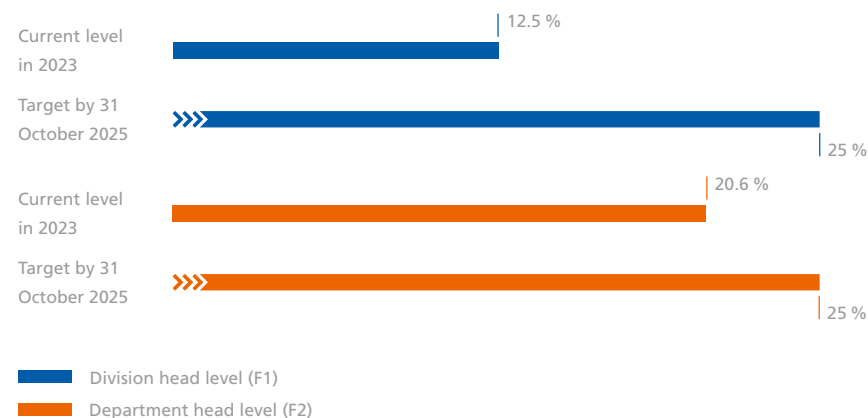
Proportion of women

The Management Board redefined target levels for the proportion of women on the first two management levels below the Management Board in November 2020. The target of 25 per cent for both levels remains in force and must be reached by October 2025. To this end, the Bank stepped up planning for personnel development and awareness initiatives in the year under review. As at 31 December 2023, women accounted for 12.5 per cent of the first management level below the Management Board and 20.6 per cent of the second.

SHARE OF WOMEN (IN %)

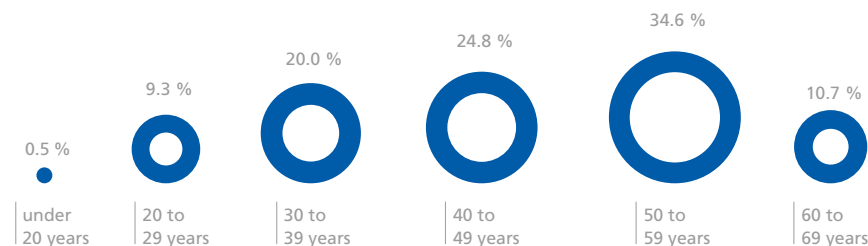
	GRI standard	2023	2022	2021
	GRI 405-1			
Total workforce		43.4	43.7	44.4
Executive positions		18.6	18.1	17.0

PERCENTAGE OF WOMEN AT MANAGEMENT LEVEL (in %)



GRI 2-7

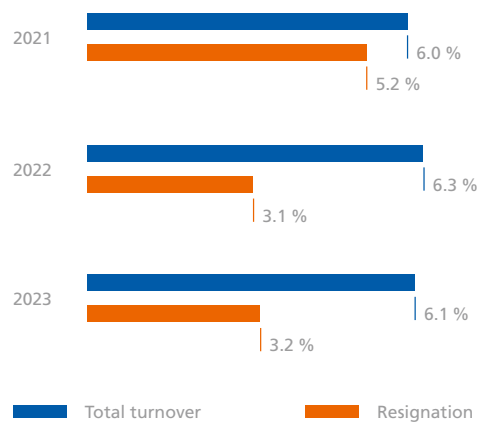
EMPLOYEE AGE STRUCTURE



For years, staff turnover at DZ HYP has remained at a steady six to seven per cent. It was 6.1 per cent in the year under review.

GRI 401-1

EMPLOYEE TURNOVER (IN %)



Remuneration and other compensation

DZ HYP's remuneration structure does not discriminate on the basis of gender. Men and women with equal jobs, equal suitability and equal experience will receive equal pay. Our employees' remuneration is governed by

GRI 405-2

- » the collective bargaining agreement for the German private banking sector, and
- » the basic collective agreement and the collective agreement for
 - cooperative banks and
 - the cooperative central institution,

GRI 2-30

as amended.

These collective bargaining agreements define criteria for job classification and the corresponding remuneration that are not based upon gender, institutionalising equal pay for men and women in the collective remuneration scheme. For non-tariff employees, salary and salary development are set forth in an employer/works council agreement, based on the employees' activities and their qualifications.

The key stakeholders involved in determining remuneration policies are the Bank's owners, the Central Works Council and the Works Council members in Hamburg and Munster. The owners are represented on the Supervisory Board. This ensures that they are informed on an annual basis about the remuneration systems for employees. The Supervisory Board also resolves on senior management remuneration. In accordance with the co-determination rights stipulated in German works constitution law, the Central Works Council and the Works Council members in Hamburg and Munster also participate in structuring the remuneration systems for employees.

GRI 2-20

- » Remuneration Policy Disclosure Report
- » Diversity and non-discrimination, p. 48

REMUNERATION AND RETIREMENT PROVISIONS

	GRI standard	2023	2022	2021
Expenses for compulsory social security contributions (in € mn)¹	GRI 401-2			
Wages and salaries		83.7	82.6	76.4
Company pension schemes		7.2	8.8	8.0
Other social security contributions		19.7	11.6	11.2
Workforce by type of employment (in %)				
Non-tariff employees		64.0	61.2	57.4
Tariff employees		36.0	38.8	42.6
With company pensions	GRI 401-2	92.2	88.5	81.2

¹ Reported in accordance with IFRS.

Occupational benefits are offered to all internal employees. In addition to performance-related remuneration, we offer extensive social benefits to all full- and part-time employees and all internal employees on fixed-term contracts to enhance their security and improve their work-life balance. Our benefits include corporate retirement provisioning, childcare support, a transit allowance for using public transport throughout Germany, 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.

Defined benefit plan obligations and other retirement plans

EMPLOYEE EXPENSES

	2023	2022	2021
Employees with company pensions (in %)	92.2	88.5	81.2
Provisions for pensions and similar obligations (in € thousand)	236,878	237,136	215,056
Wages and salaries (in € thousand)	83,724	80,229	74,957
Compulsory social security contributions and expenses for pensions and other employee benefits (in € thousand)	19,705	36,236	18,635
Of which company pension schemes (in € thousand)	7,262	24,620	7,510
Other social expenses (in € thousand)	12,443	11,616	11,125

» Annual Report 2023, p. 62

GRI 401-2

Our Bank offers a wide range of measures for employees who have children or dependants needing care, and for those who volunteer in their free time. We want to foster a corporate culture that allows our employees to accommodate both family demands and career planning. We are well aware that there cannot be a "one size fits all" approach and always strive to find individual solutions to personal matters together with our employees. For example, these include flexible hours, different part-time models and the option of mobile working.

GRI 201-3

The works council agreement on hybrid working that was introduced in 2021 proved to be a successful framework for organising working time. The "pre-dominant presence" concept, whereby employees are asked to work from their office premises on a flexible basis more than half the time, has created more flexibility to strike a balance between working and private life. It is seen as a key strength for DZ HYP and an important factor contributing to its attractiveness as an employer.

In recognition of our family-friendly human resources policy, the non-profit Hertie Foundation awarded us the "audit berufundfamilie®" certificate in 2013, which we still have to this day. This seal of quality has to be earned anew every three years and we were awarded it once again, with distinction, in the year under review. It applies to the two head offices in Hamburg and Munster.

In the event of significant operational changes, all of the notice periods under labour law and the German Co-Determination Act (*Mitbestimmungsgesetz* – "MitbestG") apply. Our employees are included in decision-making processes and can use the intranet, for example, to stay up to date with recent developments at DZ HYP. In compliance with legal requirements, DZ HYP keeps the Works Council members informed of any fundamental changes and enters into appropriate agreements with them as stipulated in the Works Constitution Act (*Betriebsverfassungsgesetz* – "BetrVG").

GRI 402 GRI 402-1

In compliance with legal requirements, Human Resources keeps the Works Council members informed on a regular basis of any fundamental changes and enters into appropriate agreements with them as stipulated in the Works Constitution Act. DZ HYP and the Works Council members continued their constructive working relationship during the year under review. For instance, they further harmonised working conditions valid across locations and signed central works council agreements on e-learning and an inflation compensation bonus.

Diversity and non-discrimination

We treat all employees equally, regardless of their heritage, skin colour, religion, gender or gender identity, age, nationality, sexual orientation, marital status or degree of disability. To reinforce this principle, we developed a diversity concept in the year under review, which was adopted in February 2023. Suitable measures were derived from this in February 2024 with the publication of our new diversity policy, which all employees can find on the intranet.

As our corporate culture promotes integration and diversity, our workforce naturally includes people with severe disabilities. During the year under review, 3.7 per cent of our employees were classified as severely disabled (2022: 3.4 per cent). They also have dedicated representatives to give voice to their interests and concerns.

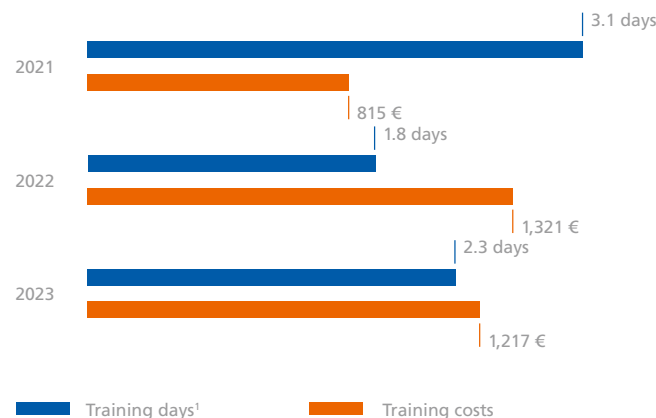
Our employees receive regular training on the German General Equal Treatment Act (*Allgemeines Gleichbehandlungsgesetz – "AGG"*), and the training applies to our executive staff in particular. After joining DZ HYP, new employees must complete a training course on the General Equal Treatment Act within 14 days. Once again, no violations or complaints regarding non-compliance with the General Equal Treatment Act were registered in 2023.

Training and Education

GRI 404
GRI 404-1

GRI 406

TRAINING DAYS AND COSTS PER EMPLOYEE



¹The number of training days refers to 100 per cent of DZ HYP's employees.

Our Human Resources work also aims to help our employees keep their skills up to date. With this in mind, we launched an HR development programme called "ZukunftsFit!" at the end of the reporting year. This programme deals with the challenges associated with the changing work environment and allows employees to hone personal skills that we feel will be particularly relevant in the future. The programme includes training courses on mindfulness and emotional intelligence, keynote speeches, communications seminars and the introduction of our new Masterplan learning platform.

The DZ HYP Real Estate Academy is an integral part of the specialist training programme for our employees. It functions in partnership with the IRE|BS International Real Estate Business School, which is one of the leading CPD establishments in the real estate sector. Around 100 DZ HYP employees have participated in the Academy's programme since 2010. In addition to attending a series of lectures split into three modules, participants work in small teams on a real-life 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 in-depth insights into the various areas of the real estate industry. In addition to the Bank's own workforce, representatives from cooperative banks take part in the Real Estate Academy.

All DZ BANK Group employees have access to DZ BANK's continuing professional development programme. DZ HYP employees can find comprehensive information on the entire range of training courses on DZ HYP's intranet.

New employees at DZ HYP must complete the following training programmes:

- » Fraud prevention
- » Prevention of money laundering (Training, Responsible Corporate Governance, p. 12)
- » Data protection
- » Information security
- » German General Equal Treatment Act (Diversity and non-discrimination, p. 48)

GRI 404-2

All new employees joining DZ HYP are given an overview of all first-aiders and fire safety assistants, and an information leaflet on how to conduct themselves in an emergency.

Most of the training courses above are held online. Some of the training courses, e.g. on occupational and fire safety or on data protection, are repeated at regular intervals.

We developed a modern and practical format for employee appraisals that is in line with the needs of today's management. It ensures that managers and their staff enter into a dialogue at eye level at least once a year, which – instead of being a retrospective, formalised assessment – focuses on strengths and potential. Having a regular dialogue also serves to identify individual areas for improvement.

GRI 404-3

Transfer of knowledge and professional discourse

We place great importance on involving our employees and keeping them up to speed about goals and results in the area of sustainability, especially regarding environmental and resource protection. Part of our mission is to raise awareness among employees and to motivate them to play an active role in protecting the environment, both at work and at home. We have put together practical tips and interesting information that can be found on our intranet. Since September 2022, this has included updated and optimised functions that allow an interactive exchange of views. DZ HYP provides studies, reports and a sustainability glossary and has dedicated sustainability contacts. In 2023, we also increased our efforts to inform employees about the new regulatory requirements in preparation for implementing the Corporate CSRD.

The Culture Project launched at the end of 2021 was continued in 2023 under the name Reasons for Change. It focuses on the following four areas of activity:

- » Looking ahead
- » Improving structures and processes
- » Relying upon our own employees and core expertise
- » Breaking new ground together

Our Culture Team oversees this Culture Project along the way, collecting and working with the results from various measures on a regular basis. Formats that took place in 2023 included a dialogue series with the Management Board, a lunch networking event, an internal video/podcast series that introduces new employees, an initiative for improving cross-departmental cooperation, and a tandem programme. We also held workshops across departments and hierarchy levels (and with the support of external partners) aimed at coming up with new ideas in the four areas of activity.

In December 2023, we continued our successful in-house information event series on sustainability. DZ HYP's Sustainability Officer moderated the event, welcoming financial expert Prof. Dr Christian Klein to our DZ HYP Studio, where he explained his definition of "sustainable finance". He also shared his views on what factors capital market players will have to consider to comply with the requirements stipulated by the EU Commission going forward. Prof. Dr Klein also granted us rare insights into the role of policymakers, providing valuable background knowledge that helped us understand the relevance of the EU Taxonomy. As usual, our colleagues had the opportunity to ask questions during the event.

Professional and vocational training

For several years now, DZ HYP has been providing vocational training for talented young professionals. This is part of its ongoing efforts to rise to current challenges and respond to changing skills requirements. Since adopting its demographic concept, DZ HYP has strengthened its vocational training activities from year to year and has increased the quality and quantity of its trainee programmes.

A total of four trainees and two "dual" students were recruited for the Munster office, which is primarily responsible for the Retail Customer business, in the 2023 financial year. The "dual" study programme, which includes a programme leading to a Bachelor of Arts degree in Banking & Finance, has been offered there since 2012 in addition to the vocational training programme for bank officers. DZ HYP awarded permanent contracts to four trainees and two "dual" students in 2022.

Trainee programmes offering vocational training for qualified university graduates have been extended. In spring, five individuals successfully concluded the trainee programme for commercial real estate finance, which was established several years ago, and were all awarded permanent contracts. In the autumn, ten new trainees embarked upon their trainee programmes in different areas and at various DZ HYP locations. In addition to the established Real Estate Finance (Commercial Real Estate Finance) and IT programmes, DZ HYP launched traineeships in Finance and Human Resources during the year under review. The trainee programmes aim to give junior staff the qualifications they need for a permanent position in different specialist departments, while also making new skills available to DZ HYP. Trendence, an independent consultancy and market research company, once again awarded DZ HYP its seal of quality in 2023 for its Fair Trainee Programme.

We successfully completed the BEST PLACE TO LEARN® trainers' certification programme in 2022, and once again received its seal of approval for outstanding vocational training in January 2023. The seal is valid until December 2025. Secondary school and third-level students can also get to know DZ HYP through internships, student clerkships or their studies or 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.

Health and Safety

As well as addressing factors that pose a risk to health, we take preventative steps to maintain and improve employee health. In future, our occupational health management will also focus more on mental health challenges at the workplace in the wake of a changing work environment. This is also important from an economic perspective as it means safeguarding our workforce's ability to perform. We are well aware that our performance depends greatly on our employees' wellbeing and their ability to cope with their individual workload.

In the year under review, a committee comprising equal numbers of employees and management representatives was responsible for developing the psychological and stress-related risk assessment, and other occupational health management services and initiatives. Our employees' mental health was the main focus here.

In a series of open seminars, employees learn effective ways of maintaining or improving their mental health. External trainers conduct various live and online seminars, which are very well received by participants. In addition to the seminars, we subsidise selected meditation and mindfulness apps that have proven to be suitable for attaining a relaxed state and reducing overall stress levels. Health insurance funds have recognised the effectiveness of these apps. DZ HYP promoted new annual subscriptions in the first quarter of 2022 by way of an employer subsidy, unless they were reimbursed by the employees' own health insurance fund.

GRI 403-5

GRI 403
GRI 403-1
GRI 403-8

The Bank continued to provide occupational health management benefits during the year under review. Employees were able to consult with company doctors at fixed times. The annual flu vaccination was once again offered and administered at the Bank's Hamburg and Munster offices. Employees in the real estate centres had the opportunity to be vaccinated locally at the health centres of our cooperation partner B A D Gesundheitsvorsorge und Sicherheitstechnik GmbH. Demand was comparable to the previous year.

GRI 403-3

An occupational re-integration management programme for employees with health issues has been in place at our Hamburg and Munster offices since 2012 and 2019 respectively. At both head offices, there are permanent integration teams, who contact the employees during their working hours and prepare measures for re-integration or continued employment at the workplace.

The Bank-wide Committee for Occupational Safety (ASA) – which consists of the two Occupational Health and Safety Officers from the Hamburg and Munster offices, representatives from Human Resources and Administration and company doctors – met regularly in 2023. Safety Officers from every office location take part in relevant training.

Key tasks of the ASA:

- » Analysing accidents at the workplace, including accidents occurring during commuting
- » Advising on measures and institutions to counter (and prevent) health risks
- » Exchanging experiences regarding measures taken
- » Coordinating occupational safety measures to be taken by the employer
- » Advising on safety aspects when new procedures or institutions are introduced

DZ HYP's Occupational Health and Safety Officer inspects the Bank's real estate centres at least once every three years together with an external occupational safety specialist and a Works Council representative, followed by a risk assessment conducted with the designated contact.

GRI 403-2

In accordance with the statutory provisions and requirements for occupational and fire safety, all employees receive safety training when they join us. An occupational safety specialist is at hand to answer any questions and to give advice on topics such as ergonomics at the workplace.

In addition, annual occupational health training, e.g. on fire protection and screen work, is mandatory for all employees. Participation is checked by the Occupational Health and Safety Officer and documented at the end of the year.

There are no occupational health and safety impacts directly linked to our business.

GRI 403-7

As in previous years, there were no work-related fatalities in 2023. The rate of work and commuting accidents at DZ HYP was 0.9 per cent in 2023 (2022: 0.7 per cent). The illness rate was 3.9 per cent in 2023 (2022: 4.9 per cent).

GRI 403-9
GRI 403-10

SOCIAL COMMITMENT

The basic cooperative values of solidarity, aiding empowerment and sustainable and responsible business practices 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 live and work. That is why we join our employees in dedicating ourselves to the benefit of society, making our own contribution to social cohesion, supporting a large number of social and environmental projects as well as non-profit organisations active in the real estate or cooperative sectors. We also support 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.

DZ HYP embraces its responsibility as a corporate citizen, and is particularly active in regions where it has offices. Examples of donations and sponsoring activities are given below. The Bank also supports humanitarian aid programmes providing emergency relief.

» Location of operations, p. 6

Together with the Loki Schmidt Foundation, we helped maintain the health of bogs in 2023. Our corporate volunteering project began with an expert from the foundation giving a presentation explaining the different functions of bogs. DZ HYP employees then set to work in the Hammoor bog in North Germany, removing non-native plants that had found their way into the wetland through illegal dumping, and fencing in areas to protect breeding grounds. The project was rounded off with an exhibition of photographs at DZ HYP illustrating the unique biodiversity in the bog.

GRI 203

DZ HYP also demonstrated its social commitment in its contribution to the "Tomorrow Can Come" climate action campaign launched by the National Association of German Cooperative Banks (BVR). Working closely together with the German Forest Protection Association (SDW), DZ HYP has funded more than 9,700 seedlings since 2023. The Bank promotes the Active Citizenship Foundation ("Aktive Bürgerschaft"), which advocates civic action and non-profit organisations. We also support the CLUB OF ROME's German charter by offering them space for their branch office at our Hamburg premises at no charge. DZ HYP is also the host and financial backer of the annual meeting of the CLUB OF ROME schools network.

GRI 413

DZ HYP works together with two schools in Munster within the scope of the "Schools and Business Partnership" project launched by the local chamber of commerce and industry. The Bank also supports hands-on 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.

In 2023, DZ HYP also subsidised the Hamburg Donors' Parliament ("Hamburger Spendenparlament"), which supports initiatives to tackle homelessness and poverty, as well as initiatives to promote integration in Hamburg. As in previous years, the Bank also matched the staff Christmas collection initiated by the Works Council, and made donations to customer-related projects. The total of € 24,180 was divided equally between two different charitable organisations. Local charity Basis und Woge e.V. received financial support for its KIDS projects at Hamburg's main train station, which provides a safe space for children and teenagers who, for various reasons, end up living on the street. We also

made a donation to a project by Caritas and the Hamburg University of Applied Sciences that repurposes shipping containers as homes for homeless women. As part of this project, up to ten women can stay in a container of their own and receive help and advice from a social worker and university students.

In 2023, DZ HYP once again largely refrained from sending out Christmas cards, choosing instead to donate the money saved to five social projects proposed by its workforce. The first of these five projects was the Franziskustreff, a homeless charity in Frankfurt/Main. The second, also located in Frankfurt/Main, was Würdezentrum gUG, an organisation that advocates for a more people-oriented approach to senior and health care, and for a greater degree of autonomy and dignity for people, especially in the final stage of their lives. The next project was Ghost Diving Germany e.V., whose volunteers work to remove “ghost gear” – i.e. fishing gear such as nets, ropes or traps that has been abandoned or lost at sea – and to raise awareness of the problems it causes. The fourth choice was Munich-based Hauner Verein, which is dedicated to helping seriously ill children and their families during prolonged hospital stays. Finally, we helped to fund a new outdoor play structure at the KiTa Hauptkirche St. Petri daycare centre in Hamburg.

The DZ HYP department responsible for donations and sponsoring is Communications, Marketing & Events (CME), which presents the Management Board with a budget once a year. The budget for donations and sponsoring activities was € 311,417 in 2023 (2022: € 383,921).

We are also committed to supporting employees who are actively involved in social projects. For many years now, our kitchen staff have regularly donated soup to the soup kitchen for homeless people organised by the Protestant parish of St. Georg-Borgfelde near our Hamburg office.

Following an enforced hiatus during the COVID-19 pandemic, we held our sixth ever Social Day at DZ HYP. This time, employees spruced up the gardens at the Sternenbrücke children’s hospice in Hamburg during their working hours.

Disclosure of total amount invested in social activities – broken down into relevant sub-categories:

IN €		
	2023	2022
Donations for ecclesiastical, religious or other charitable purposes deemed particularly worthy of support	41,120	137,410
Donations for scientific, cultural or social purposes	102,870	67,490
Sponsorships	167,427	179,021
Political contributions	0	0
Other non-deductible donations	0	0
Total	311,417	383,921

ECOLOGICAL RESPONSIBILITY

Conserving an intact and stable environment is also a business interest for us. Our environmental management activities focus 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 want to minimise mobility-related emissions, such as those resulting from business travel. Taking environmental issues into account in the supply chain of products and services is another part of our sustainable corporate policy.

» [Suppliers](#), p. 15

With this in mind, we are working together with DZ BANK Group companies in the Centre of Competence for Environmental Matters (KCU) to standardise environmental impact data, reduce our carbon footprint and share expertise and experience. The KCU, which is made up of employees who are responsible for environmental impact matters within the DZ BANK Group entities, reports to the Group Sustainability Committee (GSC), which itself consists of representatives from the Boards of the individual Group entities and the division heads responsible for sustainability.

» [Sustainability in the DZ BANK Group](#), p. 23

The DZ BANK Group's first environmental and climate strategy went into effect in 2018, setting common standards for an effective environmental policy, lean processes and an efficient organisation with clear responsibilities. This strategy has been regularly reviewed and refined. In September 2021, we set new Group-wide goals of being carbon-neutral by 2045 and reducing our carbon footprint by at least 65 per cent by 2030 compared with 2009. In doing so, we support the Federal Government of Germany's Climate Action Plan and the

UN's Paris Agreement to limit the increase in global average temperatures to less than two degrees Celsius compared with pre-industrial levels. In fact, the DZ BANK Group has already lowered its carbon emissions by 60 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 and efficiency enhancements in heat generation and distribution.

The climate and environment position paper details the DZ BANK Group's approach to

» improving its ecological footprint and
» promoting sustainability.

» [Climate and environment position paper](#)
» [Sustainability Strategy](#), p. 17

To further advance environmental management at DZ HYP and keep track of the impact that our business activities have on the environment, we systematically record and analyse our resource consumption. This enables us to identify any steps that need to be taken and any potential for improvement, as well as to determine the urgency, efficiency and benefits of these steps and plan them accordingly. In accordance with our environmental policy, we derive environmental targets and the measures we need to take in order to meet them.

Since 2012, the Munster site has received four awards under the ÖKOPROFIT programme – an ecological project for integrated environmental technology involving the City of Munster, industry, local chambers of commerce and national partners. The most recent re-certification took into account the key

measures we introduced to increase ecological sustainability. These included modernising our office building (including extensive façade renovation), switching to district heating and converting to LED lighting in the hallways where elevators are located.

Coordinating environmental management at the Bank lies within the responsibility of DZ HYP's Sustainability department. This department is in charge of developing the Bank's environmental management system – with the support of further specialist departments, which in turn are responsible for implementing environmental steps in their respective areas.

In response to the war in Ukraine and the ensuing gas shortages, DZ HYP introduced ways to conserve energy and safeguard supplies in close cooperation with the corresponding working group at DZ BANK Group level. These included

- » lowering office room temperatures,
- » minimising exterior lighting,
- » switching off interior lighting centrally outside of office hours and
- » adjusting heating times and reducing pre-heating.

Most of these measures were continued in 2023 to further reduce energy consumption.

Energy

We improved the energy efficiency of our façades by installing high-quality windows with opaque smart glass, a co-generation unit and photovoltaic panels on the green roof of the Hamburg office. In this way, we were able to reduce energy consumption and emissions associated with running the building during the year under review. A total of 251 solar panels (with an output of 325 watts each) generate solar output of around 80 kWp (kilowatt peak) per

hour under optimal conditions. This corresponds to an output of 70,000 to 80,000 kWh per year. Total output was 72,227 kWh in 2023 (2022: 77,330 kWh).

The solar panels will allow DZ HYP to reduce annual carbon emissions by around 36,000 kg compared with conventional electricity generated from gas, coal and nuclear power.

Self-generated electricity from the co-generation unit and photovoltaic panels supply approximately 40 per cent of total energy demand, with over 900,000 kWh generated at reduced emissions and used on site. The additional power used is made up exclusively of electricity purchased from certified hydroelectric power sources.

During the year under review, the aggregated electricity consumption at both head offices in Hamburg and Munster fell year-on-year to 2,526,139 kWh (2022: 2,879,298 kWh). Consumption has decreased by 12 per cent compared with 2019 (3,129,136 kWh), the year before the project to upgrade the buildings' energy systems was launched. On a per-FTE basis, electricity consumption was 3,660 kWh (2022: 4,136 kWh, 2019: 4,888 kWh).

We have taken different measures to reduce our electricity consumption, including:

- » increasingly combining energy-efficient LED light sources with motion detector technology and lighting controls based upon demand (e.g. for timing and intensity);
- » enhancing energy efficiency in the operation of buildings – especially in the equipment of communal areas such as kitchens;
- » encouraging employees to delete data that is no longer needed and to avoid standby energy consumption.

GRI 301
GRI 301-1
GRI 301-2

By introducing modernisation measures and adding storeys to our Hamburg office we were able to improve, among other things, the efficiency of the heating system and to lower total consumption over the last few years. The hydraulic balancing of the existing heating system completed in 2022 reduced gas consumption significantly compared with the previous year. We now expect the building to be certified “Silver” by the German Sustainable Building Council (DGNB).

In Munster, all floors of the tower were completely refurbished over the last few years and converted to allow the modern office to be used as a multi-tenant property. Principal measures included installing new heating, ventilation and air-conditioning technology and replacing the entire façade, which should reduce energy consumption considerably. The modernisation work also provides an opportunity for the building to be certified by the DGNB. The Bank is aiming for a “Gold” certificate.

The Quartier 21 building in Munster is now fully rented out. As DZ HYP no longer uses any space there itself, consumption in that building is distributed exclusively among its tenants. However, because there was a vacancy during the year, a share of the building’s consumption was attributed to DZ HYP in the year under review. Quarter 21 relies on district heating.

ELECTRICITY AND HEAT CONSUMPTION

	2023 ¹	2022 ¹	2021 ¹
Electricity consumption			
Total electricity consumption (in kWh)	2,526,139	2,879,299	2,204,747
Of which sustainable hydroelectricity (in kWh)	1,585,899	1,987,631	2,204,747
Self-generated electricity (in kWh) ²	940,240	891,668	
Specific electricity consumption (in kWh/FTE)	3,660	4,136	3,228
Specific electricity consumption (in kWh/m ²) ²	50.75	52.89	
Heat consumption			
Heat consumption (natural gas) (in kWh)	2,454,559	3,102,889	3,703,600
Heat consumption (district heating) (in kWh)	140,580	0	66,790
Total heat consumption (in kWh)	2,595,140	3,102,889	3,773,390
Specific heat consumption (in kWh/FTE)	3,760	4,457	5,524
Specific heat consumption (in kWh/m ²) ²	52.13	57.00	

¹ 84 per cent coverage per full-time employee (FTE); part-time positions are added up to a 100 per cent basis. This includes permanent and temporary employees (excluding Management Board, those on placements, inactive employees and externals).

² Since 2022, the data we collect has included self-generated electricity and consumption per square metre.

As DIN EN 16247-1 requires the audit process to be repeated every four years, a follow-up energy audit was carried out under this standard at DZ HYP in the year under review. This involved three locations being visited by an auditor for an on-site inspection. The data on Munster in particular demonstrated the extremely positive impact of the renovation and refurbishment measures undertaken there. In Munster, consumption can be measured by tenant. The results of these location-specific energy audits are factored into future action plans. Parts of these plans are already being put into practice.

Emissions

Our calculations of greenhouse gas emissions (carbon 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 Greenhouse Gas Protocol has stipulated that data is to be reported in two ways: using both a market-based and a location-based method (dual reporting). In line with the VfU, we are continuing 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. They can be classed as upstream or downstream depending on where they occur in the value chain. The DZ BANK Group does not currently make this distinction because only upstream emissions are tracked.

GRI 305

This is the basis upon which we identify our main emissions and calculate our carbon footprint. Based on the indicators as determined and within the framework of our environmental management systems, we decide on suitable measures for reducing our consumption and avoiding carbon emissions. We continually monitor our indicators, which in turn helps us to identify potential for saving energy and finding appropriate measures for better energy efficiency. At 2,087 tonnes in the year under review (2021: 2,137 tonnes), our carbon emissions continued to decline. The change in the share of climate-neutral emissions was due to our utilities company offsetting our gas emissions for us. We are continuing to follow the principle of avoiding or reducing emissions wherever possible, and offsetting them in all other cases.

GRI 305-1

GRI 305-2

GRI 305-3

EMISSIONS

GRI 305-4
GRI 305-5

	2023 ³	2022 ²	2021
Total GHG emissions (in t CO ₂) ¹	2,087	2,137 ⁴	2,367
Share of climate-neutral emissions (in %)	24.5	1.8 ⁴	0.5

- ¹ The stated volume of greenhouse gas emissions includes scope 3 emissions from commuting, events, postage and working from home.
- ² Climate-neutral emissions from self-generated electricity from solar panels accounted for fully for the first time.
- ³ At our Hamburg offices, the utilities company offsets gas emissions through a Verified Carbon Standard (VCS) and a climate action project certified by TÜV, a renowned German technical certification agency.
- ⁴ Deviation from the Sustainability Report 2022 due to a manual transmission error.

REDUCTION IN DZ HYP'S CO₂ EMISSIONS COMPARED TO THE 2009 BASE YEAR (IN %)



In past years, we showed the extent to which we were achieving our targets towards our previous goal of reducing carbon emissions by at least 80 per cent by the year 2050, compared with 2009. We have now updated the chart to reflect the revised goal of cutting greenhouse gas emissions by at least 65 per cent by 2030. In the interests of comparability, we did not include scope 3 emissions from commuting, events, postage and working from home in the current figure because the base value from 2009 does not include these emissions.

CARBON FOOTPRINT

GRI 305-1
GRI 305-2
GRI 305-3

CO₂ SF₆ CH₄ **2,087 t** N₂O HFCs PFCs

SCOPE 2 ¹	SCOPE 1	SCOPE 3 ²
45 t (indirect)	960 t (direct)	1,082 t (expanded)
PURCHASED ELECTRICITY FOR OWN CONSUMPTION	FUEL COMBUSTION FLEET	BUSINESS TRAVEL VEHICLES USED BY CONTRACTUAL PARTNERS PRODUCTION OF PURCHASED MATERIALS RAW MATERIALS PROCESSED PRODUCT USE AND CONSUMPTION

¹ Following the VfU, we continue to disclose scope 2 emissions based on supplier- and product-specific emission factors (market-based method).

² Scope 3 resource consumption now includes not only paper, water, waste and business travel, but also commuting, events, postage and working from home.

CARBON EMISSIONS (in kg)

	2023 ¹	2022
Emissions source		
Electricity	18,223.41	20,422.67 ³
Heating	647,301.64	797,878.94
Water	5,136.82	5,476.12 ³
Paper	13,472.78	14,079.44
Waste	15,288.61	9,977.61
Travel including commuting ²	1,118,501.02	1,063,067.66
Working from home	22,101.05	26,626.99
Events	233,104.00	183,229.44
Postage	13,853.47	16,419.12
Total carbon emissions (in kg)	2,086,982.81	2,137,177.98³
Specific carbon emissions (in kg/FTE)		
Electricity	26.40	29.33 ³
Heating	937.83	1,146.05
Water	7.44	7.87 ³
Paper	19.52	20.22
Waste	22.15	14.33
Travel	1,620.52	1,526.96
Working from home	32.02	38.24
Events	337.73	263.19
Postage	20.07	23.58
Specific carbon emissions (in kg/FTE)	3,023.69	3,069.78³

Due to changes at the Munster and Hamburg offices, we did not break down carbon emissions into individual emissions sources in the past two reporting years. Because our calculations are based on the VfU indicator system, they also include upstream and downstream processes.

¹ 84 per cent coverage per full-time employee (FTE); part-time positions are added up to a 100 per cent basis. This includes permanent and temporary employees (excluding Management Board, those on placements, inactive employees and externals).

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

³ Deviation from the Sustainability Report 2022 due to a manual transmission error.

Mobility

DZ HYP conducted a pre-study in 2023 to increase transparency regarding mobility-related emissions. The findings from this study will be used to make emissions management more effective and achieve greater reductions. These are important steps to us at DZ HYP because mobility is a powerful lever for implementing our climate strategy. Decisions about specific measures, such as the introduction of adequate tools, will be made in 2024 together with the Management Board and the relevant departments.

We set great store by having a fuel-efficient and low-emission vehicle fleet. Accordingly, our company car policy sets out a framework that governs carbon emissions and the rules for allocating, using and returning cars. The gradation depends on the function of the employee entitled to a company car. The maximum values range between 150 and 180 grams of CO₂ emitted per kilometre (cars with automatic transmissions may exceed the maximum value by 20 grams of CO₂ per kilometre each). Electric and plug-in hybrid cars have become an integral part of the company car policy. Seventeen vehicles of this type have been part of the fleet ever since. Going forward, we aim to use mainly electric vehicles. On a general level, we are able to calculate the cars' actual annual mileage and CO₂ figures by using information provided by our leasing company.

In the year under review, business travel increased to 4,230,544 km (2022: 3,798,982 km) after pandemic restrictions were lifted and in-person meetings resumed. Nonetheless, travel is still much lower than the pre-pandemic level in 2019. The practice of holding video meetings and teleconferences during the pandemic has been continued by employees and helps to avoid business travel.

At ten per cent (2022: seven per cent), the share of business-related air travel was slightly above the 2019 level, but still low, while the share of climate-friendly rail travel remained at 37 per cent (2022: 37 per cent).

BUSINESS TRAVEL

	2023 ¹	2022 ¹	2021 ¹
Total business travel (in km)	4,230,544	3,798,982	2,564,228
Specific business travel (in km/FTE)	5,147	4,575	2,947
Share of travel by train² (in %)	37	37	21
Share of air travel (in %)	10	7	3
Less than 500 km (in %)	66	61	83
More than 500 km (in %)	34	39	17

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

² For DZ HYP's business trips made by rail, it is worth noting that the German railway company Deutsche Bahn uses exclusively sustainable energy, making this form of travel climate-neutral since 1 April 2013.

An electric and a plug-in hybrid vehicle are available to employees at the Hamburg office for business travel. Two electric and 14 plug-in hybrid vehicles from the DZ HYP car pool can be fully charged quickly using the seven charging stations located in our underground garage. Six additional charging stations with billing systems for our employees' private cars are expected to be installed in the first half of 2024 once the renovation of the underground garage is finished. In Munster, there is a total of 19 charging stations: three for DZ HYP company cars and 16 equipped with billing systems for external use.

DZ HYP encourages employees to use low-emission public transport by providing transit cards ("job tickets") and transit allowances for existing season tickets as a financial incentive. During the year under review, 459 employees at our Hamburg office and 84 employees at our Munster office took advantage of the transit card (2022: 238 and 36, respectively). Our employees in Munster have also been able to lease bikes and e-bikes from the bicycle leasing provider JobRad at a special company bike rate. This allows our employees to travel to work in an extremely environmentally friendly way. DZ HYP contributes € 10 to the monthly lease costs and also covers the insurance for the bike. In 2023, a total of 227 (2022: 200) employees in Munster and Hamburg signed up for bikes and e-bikes.

There are around 100 bicycle parking spaces available to our staff and tenants (cooperative companies) in the underground garage of DZ HYP House in Hamburg. This includes ten spaces with charging stations for e-bikes. As well as this, there are 50 further covered spaces and a bicycle repair station on the grounds. Changing rooms and showers are also available, making it even easier for employees to ride their bike to work. In Munster we have a total of 170 covered bicycle parking spaces, 60 further spaces on the grounds and 52 charging stations for e-bikes. Our employees there can also use free parking spaces at the bicycle station at the railway station.

Water and effluents

DZ HYP sources water from the local utilities companies in Hamburg and Munster. Total water consumption during the year under review was 8,320 cubic metres, down from 8,869 cubic metres in 2022. Specific water consumption per employee in 2023 declined once again year-on-year to 12.05 cubic metres (2022: 12.74 cubic metres), but was still above the pre-pandemic level registered in 2019 (total: 9,779 cubic metres; specific: 15.03 cubic metres).

GRI 303
GRI 303-3
GRI 303-5

GRI 303-5

WATER CONSUMPTION

	2023 ¹	2022 ¹	2021 ¹
Total water consumption² (in m³)	8,320	8,869 ³	9,502
Specific water consumption (in m³/FTE)	12.05	12.74 ³	14.03

Water consumption figures are averaged, as some of the water meters had to be removed and taken out of operation due to the renovation measures.

¹ 84 per cent coverage per full-time employee (FTE); part-time positions are added up to a 100 per cent basis. This includes permanent and temporary employees (excluding Management Board, those on placements, inactive employees and externals).

² Water withdrawn from the public drinking water system.

³ Deviation from the Sustainability Report 2022 due to a manual transmission error.

Waste water is fed into the local sewerage system; it is not discharged directly into streams and rivers. The constituents of the waste water produced by DZ HYP do not affect biodiversity.

GRI 303-4

Materials

Printer and copier paper account for the largest share of consumables in terms of volume. We have been increasingly using Blue Angel certified recycled paper. In 2023, 95.7 per cent of the paper used at DZ HYP carried that label, which was up on the previous year (2022: 86.2 per cent). We use exclusively FSC-certified paper for marketing materials and publications. To further reduce our paper consumption in Munster, all sanitary facilities and washrooms there are equipped not only with paper towels but also with cloth towel dispensers. Cloth towels are a good alternative to paper towels because they can be exchanged and cleaned regularly. At 16,727 kg, total paper consumption was lower in the year under review than in 2022 (16,949 kg). DZ HYP continued to pursue its modernisation strategy in many areas in 2023. The number of office printers was further reduced and the old multifunctional printers were replaced with more efficient models.

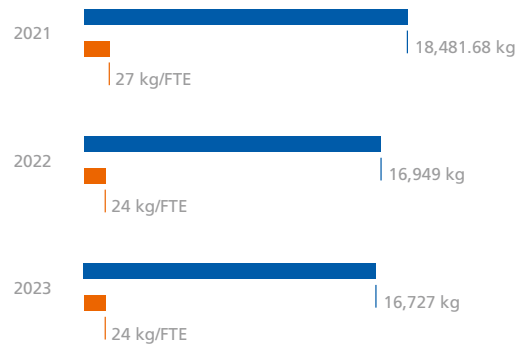
» Annual Report 2023, Digitalisation, p. 9

PAPER CONSUMPTION

	2023 ¹	2022 ¹	2021 ¹
Printer and copier paper consumption			
Total paper consumption ² (in kg)	5,813	7,464	7,903
Specific paper consumption (in kg/FTE)	8	11	12
Share of FSC-certified paper (in %)	0	20	1
Share of recycled paper (in %)	96	80	99
Share of totally chlorine-free (TCF) paper (in %)	4	0	0
Printed material			
Total paper consumption (in kg)	4,827	3,664	4,826
Specific paper consumption (in kg/FTE)	7	5	8
Share of FSC-certified paper (in %)	100	100	100
Hygienic paper consumption²			
Total paper consumption (in kg)	6,088	5,821	5,753
Specific paper consumption (in kg/FTE)	9	8	8

GRI 301-1
GRI 301-2

TOTAL AND SPECIFIC PAPER CONSUMPTION



GRI 301-1

¹ 84 per cent coverage per full-time employee (FTE); part-time positions are added up to a 100 per cent basis. This includes permanent and temporary employees (excluding Management Board, those on placements, inactive employees and externals).

² Because different methods of data collection are used at both head offices, we are not able to report the percentage share of elemental chlorine-free (ECF) and totally chlorine-free (TCF) hygienic paper.

Waste

We try to prevent waste wherever we can. Where this principle cannot be applied, any waste we generate is reused or recycled. For example, in 2022 some fabric banners that had been used to decorate an old trade fair stand were repurposed into bags that were awarded as prizes to employees during a sustainability quiz in 2023. All of the waste that is generated at our buildings is disposed of by an external contractor that recycles a large proportion of it.

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 no longer dispose of it ourselves but rather via a service provider, Ratiodata, which is contractually obliged to dispose of the devices properly and provide us with the necessary documentation.

Construction site waste is sorted and disposed of by a specialist company in accordance with regulations.

In the reporting year, we were able to reduce our volume of confidential paper waste by a further 27 per cent compared with the previous year. 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 sort their waste, and suitable places – such as the kitchens – are equipped with bins for residual waste, glass and recyclable plastics. All offices are also 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.

Around two per cent of our total waste is not recyclable.

WASTE – NON-HAZARDOUS WASTE

	2023 ¹	2022 ¹	2021 ¹
Total paper (excluding confidential paper) (in kg)	81,790	84,583	132,738
Total confidential paper (in kg)	12,811	17,525	23,668
Total biological waste ² (in kg)	13,600	14,200	18,700
Total mixed packaging (in kg)	139,275	145,241	226,533
Construction waste from modernisation ³ (in kg)	77,435	245,225	617,980
Total commercial waste (in kg)	11,728	12,348	15,367
Total non-hazardous waste (in kg)	336,639	519,122	1,034,986
Total waste generated (in kg)	340,546	520,616	1,037,018
Specific paper (excluding confidential paper) (in kg/FTE)	119	122	194
Specific confidential paper (in kg/FTE)	19	25	35
Specific biological waste (in kg/FTE)	20	20	27
Specific mixed packaging (in kg/FTE)	202	209	332
Specific building site waste from modernisation (in kg/FTE)	112	352	905
Specific commercial waste (in kg/FTE)	17	18	23
Total specific non-hazardous waste (in kg/FTE)	488	746	1,516
Total waste generated (in kg/FTE)	493.4	748.0	1,518.0

GRI 306-3

WASTE – HAZARDOUS WASTE

	2023 ¹	2022 ¹	2021 ¹
Total toner waste (in kg)	87	93	184
Total electronics waste (in kg)	3,675	1,260	1,680
Total lighting waste (in kg)	144.9	141	168
Total hazardous waste (in kg)	3,910.0	1,494	2,032
Specific toner waste (in kg/FTE)	0.1	0.1	0.3
Specific electronics waste (in kg/FTE)	5.3	1.8	2.5
Specific lighting waste (in kg/FTE)	0.2	0.2	0.3
Specific hazardous waste (in kg/FTE)	5.7	2.1	3.1

¹ 84 per cent coverage per full-time employee (FTE); part-time positions are added up to a 100 per cent basis. This includes permanent and temporary employees (excluding Management Board, those on placements, inactive employees and externals).

² At the Hamburg office, figures pertaining to biological waste are not reported separately due to the low volume. At the Munster office, the canteen is operated by a third-party service provider. Kitchen waste from the canteen cannot be listed separately and is 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, e.g. when water damage is repaired.

ABOUT THIS REPORT

We use this Report to transparently inform our stakeholders about DZ HYP's sustainability activities, sharing information about our values and important fields of action, including measures, targets and key financial indicators.

DZ HYP itself is a part of the DZ BANK Group and therefore of the Volksbank-
en Raiffeisenbanken Cooperative Financial Network, which comprises 737 indi-
vidual 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.

GRI 2-2

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

GRI 2-3

» Annual Report 2023, p. 15

This Report was published on 29 August 2024.

While the indicators generally relate to the 2023 financial year (1 January to 31
December 2023), issues of particular relevance were included up to the editori-
al deadline on 30 March 2024.

Contact point:

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The process associated with the Corporate Sustainability Reporting Directive
(CSRD) launched by the EU Commission will redefine not only the scope of
sustainability reporting but also its nature. DZ HYP will integrate sustainability
reporting into its Annual Report from the 2024 financial year onwards.

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

OTHER REPORT TOPICS

GRI standard	Chapter	Page
GRI 201: Economic performance	Our Company	8
GRI 203: Indirect economic impacts	Social Commitment	14
GRI 204: Procurement practices	Suppliers	15
GRI 205: Anti-corruption	Our Company	13
GRI 206: Anti-competitive behaviour	Our Company	14
GRI 301: Materials	Ecological Responsibility	62
GRI 302: Energy	Ecological Responsibility	58
GRI 303: Water and effluents	Ecological Responsibility	62
GRI 305: Emissions	Ecological Responsibility	58
GRI 306: Waste	Ecological Responsibility	64
GRI 308: Supplier environmental assessment	Suppliers	15
GRI 408: Child labour	Suppliers	15
GRI 409: Forced or compulsory labour	Suppliers	15
GRI 412: Human rights assessment	Our Company	15
GRI 414: Supplier social assessment	Suppliers	16
GRI 415: Public policy	Sustainability Strategy	32

GRI CONTENT INDEX

Statement

DZ HYP AG has prepared the information presented in this GRI content index for the period from 1 January to 31 December 2023 with reference to the GRI standards.

While the indicators generally relate to the 2023 financial year (1 January to 31 December 2023), issues of particular relevance were included up to the editorial deadline on 30 March 2024.

GRI reference		Chapter/section	Comments/references	UN Global Compact
GRI 1:	FOUNDATION 2021			
GRI 2:	GENERAL DISCLOSURES 2021			
2-1	Organisational details	Our Company		
2-2	Entities included in the organisation's sustainability reporting	Our Company		
2-3	Reporting period, frequency and contact point	About This Report	Carina Hamacher E-mail: nachhaltigkeit(at)dzhyp.de	
2-4	Restatements of information	About This Report	The emission values and the data on energy and water consumption provided in the Ecological Responsibility chapter deviate from the Sustainability Report 2022. The reason is a manual transmission error.	
2-5	External assurance		No external assurance has been obtained for this Report.	
2-6	Activities, value chain and other business relationships	Our Company		
2-7	Employees	Our Company Employee Matters	All of DZ HYP's staff are employed in Germany, which is why the Bank does not provide a breakdown of employee numbers according to regions. The working time model is currently not broken down according to gender. Employment contracts are currently not broken down according to gender or region.	6
2-8	Workers who are not employees		We cannot report on individuals who are not employees because such data is not available to us.	
2-9	Governance structure and composition	Our Company	Annual Report 2023	
2-10	Nomination and selection of the highest governance body	Our Company	Annual Report 2023	

GRI reference		Chapter/section	Comments/references	UN Global Compact
GRI 2:	GENERAL DISCLOSURES 2021			
2-11	Chair of the highest governance body		Annual Report 2023	
2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Strategy	Annual Report 2023	
2-13	Delegation of responsibility for managing impacts	Sustainability governance and management		
2-14	Role of the highest governance body in sustainability reporting	Sustainability Strategy		
2-15	Conflicts of interest	Responsible Corporate Governance	Annual Report 2023	
2-16	Communication of critical concerns	Responsible Corporate Governance	Our Code of Conduct https://dzhyp.de/de/ueber-uns/wir-ueber-uns/beschwerdeverfahren (available in German only)	
2-17	Collective knowledge of the highest governance body	Sustainability governance and management		
2-18	Evaluation of the performance of the highest governance body	Our Company	Annual Report 2023	
2-19	Remuneration policies	Employee Matters	Remuneration Policy Disclosure Report	
2-20	Process to determine remuneration	Employee Matters	Remuneration Policy Disclosure Report	
2-21	Annual total compensation ratio		We currently do not compile the ratio of the annual overall remuneration of the highest-paid individual and the median of the annual overall remuneration for all employees (excluding the highest-paid individual).	
2-22	Statement on sustainable development strategy	Letter from the Management Board		
2-23	Policy commitments	Responsible Corporate Governance	Our Code of Conduct The DZ BANK Group's Human Rights Guideline Climate and environment position paper Exclusion criteria of the DZ BANK Group Labour rights Sustainability requirements for the DZ BANK Group's suppliers	1 to 10
2-24	Embedding policy commitments	Suppliers Employee Matters Ecological Responsibility	Our Code of Conduct The DZ BANK Group's Human Rights Guideline Climate and environment position paper Exclusion criteria of the DZ BANK Group Labour rights Sustainability requirements for the DZ BANK Group's suppliers	

GRI reference		Chapter/section	Comments/references	UN Global Compact
GRI 2: GENERAL DISCLOSURES 2021				
2-25	Processes to remediate negative impacts	Responsible Corporate Governance Suppliers Employee Matters	Our Code of Conduct The DZ BANK Group's Human Rights Guideline Labour rights Sustainability requirements for the DZ BANK Group's suppliers https://dzhyp.de/de/ueber-uns/wir-ueber-uns/beschwerdeverfahren (available in German only)	
2-26	Mechanisms for seeking advice and raising concerns	Responsible Corporate Governance Suppliers	Our Code of Conduct The DZ BANK Group's Human Rights Guideline https://dzhyp.de/de/ueber-uns/wir-ueber-uns/beschwerdeverfahren (available in German only)	
2-27	Compliance with laws and regulations	Responsible Corporate Governance GRI 406-1 GRI 412-2 GRI 417-2 GRI 417-3	Our Code of Conduct https://dzhyp.de/de/ueber-uns/wir-ueber-uns/beschwerdeverfahren (available in German only)	1 to 10
2-28	Membership of associations and stakeholder groups	Our Company		
2-29	Approach to stakeholder engagement	Stakeholder engagement		8
2-30	Collective bargaining agreements	Employee Matters		3, 6
GRI 3: MATERIAL TOPICS 2021				
3-1	Process to determine material topics	Sustainability Strategy		
3-2	List of material topics	Sustainability Strategy		
3-3	Management of material topics	Responsible Corporate Governance Sustainability Strategy		
GRI 201: ECONOMIC PERFORMANCE 2016				
3-3	Management of material topics		Annual Report 2023	
201-1	Direct economic value generated and distributed	Economic Performance		
201-2	Financial implications and other risks and opportunities due to climate change	Economic Performance		7, 8
201-3	Defined benefit plan obligations and other retirement plans	Economic Performance		

GRI reference		Chapter/section	Comments/references	UN Global Compact
GRI 202: MARKET PRESENCE 2016				
3-3	Management of material topics	Employee Matters	Remuneration Policy Disclosure Report	
202-1	Ratios of standard entry level salary by gender compared to local minimum wage		Standard entry level salaries are based on collective bargaining agreements. Our job postings do not include any gender-specific specifications.	6
GRI 203: INDIRECT ECONOMIC IMPACTS 2016				
3-3	Management of material topics	Social Commitment		
203-1	Infrastructure investments and services supported	Social Commitment		
203-2	Indirect economic impacts	Social Commitment		
GRI 204: PROCUREMENT PRACTICES 2016				
3-3	Management of material topics	Suppliers		
204-1	Proportion of spending on local suppliers	Suppliers		
GRI 205: ANTI-CORRUPTION 2016				
3-3	Management of material topics	Responsible Corporate Governance		10
205-1	Percentage of operations assessed for risks related to corruption and risks identified	Anti-corruption		10
205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption		10
205-3	Confirmed incidents of corruption and actions taken	Anti-corruption		10
GRI 206: ANTI-COMPETITIVE BEHAVIOUR 2016				
3-3	Management of material topics	Responsible Corporate Governance		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Anti-competitive behaviour		

GRI reference	Chapter/section	Comments/references	UN Global Compact
GRI 207: TAX 2019			
3-3	Management of material topics	Economic Performance	
207-1	Approach to tax	Economic Performance	
207-2	Tax governance, control, and risk management	Economic Performance	
207-3	Stakeholder engagement and management of concerns related to tax	Economic Performance	
207-4	Country-by-country reporting	Economic Performance	
GRI 301: MATERIALS 2016			
3-3	Management of material topics	Ecological Responsibility	7, 8, 9
301-1	Materials used by weight or volume	Materials	7, 8, 9
301-2	Recycled input materials used	Materials	7, 8, 9
GRI 302: ENERGY 2016			
3-3	Management of material topics	Ecological Responsibility	7, 8, 9
302-1	Energy consumption within the organisation	Energy	7, 8, 9
302-2	Energy consumption outside of the organisation	Energy	7, 8, 9
302-3	Energy intensity	Energy	7, 8, 9
302-4	Reduction of energy consumption	Energy	7, 8, 9
GRI 303: WATER AND EFFLUENTS 2018			
3-3	Management of material topics	Ecological Responsibility	7, 8
303-3	Water withdrawal	Water and effluents	7, 8
303-5	Water consumption	Water and effluents	7, 8
GRI 305: EMISSIONS 2016			
3-3	Management of material topics	Ecological Responsibility	7, 8, 9
305-1	Direct (scope 1) GHG emissions	Emissions	7, 8, 9
305-2	Energy indirect (scope 2) GHG emissions	Emissions	7, 8, 9
305-3	Other indirect (scope 3) GHG emissions	Emissions	7, 8, 9
305-4	GHG emissions intensity	Emissions	7, 8, 9
305-5	Reduction of GHG emissions	Emissions	7, 8, 9

GRI reference		Chapter/section	Comments/references	UN Global Compact
GRI 306: WASTE 2020				
3-3	Management of material topics	Ecological Responsibility		7, 8, 9
306-1	Waste generation and significant waste-related impacts	Waste		7, 8, 9
306-2	Management of significant waste-related impacts	Waste		7, 8, 9
306-3	Waste generated	Waste		7, 8, 9
306-4	Waste diverted from disposal	GRI 306-3		7, 8, 9
306-5	Waste directed to disposal	GRI 306-3		7, 8, 9
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016				
3-3	Management of material topics	Responsible Corporate Governance		7, 8, 9
308-1	New suppliers that were screened using environmental criteria	Suppliers		7, 8, 9
308-2	Negative environmental impacts in the supply chain and actions taken	Suppliers		7, 8, 9
GRI 401: EMPLOYMENT 2016				
3-3	Management of material topics	Employee Matters		
401-1	New employee hires and employee turnover	Employment		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment		
401-3	Parental leave	Staffing indicators Employment	We currently do not compile a gender-specific figure.	
GRI 402: LABOUR/MANAGEMENT RELATIONS 2016				
3-3	Management of material topics	Employee Matters		
402-1	Minimum notice periods regarding operational changes	Employment		

GRI reference		Chapter/section	Comments/references	UN Global Compact
GRI 403:	OCCUPATIONAL HEALTH AND SAFETY 2018			
3-3	Management of material topics	Employee Matters		
403-1	Occupational health and safety management system	Health and Safety		
403-2	Hazard identification, risk assessment, and incident investigation	Health and Safety		
403-3	Occupational health services	Health and Safety		
403-4	Worker participation, consultation, and communication on occupational health and safety	Health and Safety		
403-5	Worker training on occupational health and safety	Health and Safety		
403-6	Promotion of worker health	Health and Safety		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and Safety	There are no occupational health and safety impacts directly linked to business relationships. To prevent such impacts, DZ HYP gives training courses and instructions.	
403-8	Employees covered by an occupational health and safety management system	Health and Safety		
403-9	Work-related injuries	Health and Safety		
403-10	Work-related ill health	Health and Safety		
GRI 404:	TRAINING AND EDUCATION 2016			
3-3	Management of material topics	Employee Matters		
404-1	Average hours of training per year and employee	Training and Education		
404-2	Programmes for upgrading employee skills and transition assistance programmes	Training and Education		
404-3	Percentage of employees receiving regular performance and career development reviews	Training and Education	We currently do not compile a figure broken down by gender and employee category.	

GRI reference		Chapter/section	Comments/references	UN Global Compact
GRI 405:	DIVERSITY AND EQUAL OPPORTUNITY 2016			
3-3	Management of material topics	Employee Matters		1, 2, 6
405-1	Diversity of governance bodies and employees	Employee Matters		1, 2, 6
405-2	Ratio of basic salary and remuneration of women to men	Employee Matters		1, 2, 6
GRI 406:	NON-DISCRIMINATION 2016			
3-3	Management of material topics	Employee Matters		1, 2, 6
406-1	Incidents of discrimination and corrective actions taken	Employee Matters		1, 2, 6
GRI 407:	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016			
3-3	Management of material topics	Responsible Corporate Governance		3
407-1	Operations and suppliers in which the right to exercise freedom of association may be violated or at risk, and measures taken	Human Rights		3
GRI 408:	CHILD LABOUR 2016			
3-3	Management of material topics	Responsible Corporate Governance		1, 2, 5
408-1	Operations and suppliers at significant risk for incidents of child labour	Human Rights		1, 2, 5
GRI 409:	FORCED OR COMPULSORY LABOUR 2016			
3-3	Management of material topics	Responsible Corporate Governance		1, 2, 6
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Human Rights		1, 2, 6
GRI 413:	LOCAL COMMUNITIES 2016			
413-1	Operations with local community engagement, impact assessments, and development programmes	Social Commitment		1

GRI reference		Chapter/section	Comments/references	UN Global Compact
GRI 414:	SUPPLIER SOCIAL ASSESSMENT 2016			
3-3	Management of material topics	Suppliers		
414-1	New suppliers that were screened using social criteria	Suppliers		
414-2	Negative social impacts in the supply chain and actions taken	Suppliers		
GRI 415:	PUBLIC POLICY 2016			
415-1	Political contributions	Client Information and Marketing Measures		
GRI 417:	MARKETING AND LABELLING 2016			
3-3	Management of material topics	Client Information and Marketing Measures		
417-1	Requirements for product and service information and labelling	Client Information and Marketing Measures		
417-2	Incidents of non-compliance concerning product and service information and labelling	Client Information and Marketing Measures		
GRI 418:	CUSTOMER PRIVACY 2016			
3-3	Management of material topics	Responsible Corporate Governance		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Compliance		

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