



**DEUTSCHE/HYPO**  
Member of NORD/LB

Sustainability Report

**2018**

Your success is : our benchmark



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The sustainability report of Deutsche Hypo is also available in German. In the event of any discrepancy, the German version shall prevail.

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# FOREWORD BY THE BOARD OF MANAGING DIRECTORS

UNCG<sup>\*)</sup>  
102-14

Dear Customers and Business Partners,

As we look back on our actions on the topic of sustainability during 2018, the Pfandbrief is celebrating its 250th birthday. Deutsche Hypo can itself boast of 147 years' experience as a Pfandbrief bank. Through good times and bad, both the Pfandbrief and the Bank have consistently changed and developed. In 2017, Deutsche Hypo issued its first Green mortgage Pfandbrief – only the second bank in Germany to do so. This has enabled us to lay the foundation for establishing a new asset class on the market and ensure that the Pfandbrief remains on a sure footing for the future. A little under two years on and the Green Pfandbrief has been received well both at Deutsche Hypo and also on the financial markets. Deutsche Hypo is working with other institutions at the level of the Association of German Pfandbrief Banks (vdp) on a definition for a Green Building Standard. The aim of this is to enable the green Pfandbrief product to be structured more uniformly.



The next crucial step for us was to ensure that the green value-creation chain can be expanded in a consistent manner. We introduced the green loan in April 2019, which means that we have also established sustainability fully on the asset side and thus within our core business of commercial real estate finance. The focal point of the green loan is the financing of modern, future-proof and energy-efficient properties. At the same time, it also incentivises the sparing use of resources and sustainable and environmentally sound construction methods. We are excited to watch how the introduction of the green loans will develop and are already looking forward to reporting back in the next sustainability report. However, we can already say that our staff are working tirelessly on guiding Deutsche Hypo and our customers into a successful and sustainable future.

We hope you find this report informative.

Yours sustainably

Sabine Barthauer  
Board of Managing Directors

Andreas Rehfus  
Board of Managing Directors

<sup>\*)</sup> The numbers indicate the respective GRI indicator, which is dealt with in the corresponding text section. Deutsche Hypo reports in accordance with the GRI Standards: Core Option. Selected additional information is indicated by the addition "Z" (e.g. Z: 102-21). UNCG refers to the principles of the UN Global Compact.

## DECLARATION ON THE REPORT

Deutsche Hypothekenbank (Actien-Gesellschaft) with its registered office in Hanover (hereinafter referred to as “Deutsche Hypo” or the “Bank”) declares that it exercised the utmost diligence in performing the materiality assessment conducted for this report and in compiling the texts and data, and that the information contained in this report is correct to the best of its knowledge and no material circumstances have been omitted.

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102-48  
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Deutsche Hypo has produced this report in conjunction with the Global Reporting Initiative (GRI) in the version compliant with the GRI standards: core option. The report was approved by the Board of Managing Directors of Deutsche Hypo at its meeting on 11 June 2019. No external review was performed.

The report, which was produced for 2018, covers the period 1 January 2018 to 31 December 2018. The report is published annually. Where available, the key figures presented refer to financial years 2018, 2017 and 2016. There have been no material changes in the recording of the underlying information.

Deutsche Hypo publishes its financial figures annually in accordance with the German Commercial Code (Handelsgesetzbuch, HGB). The 2018 annual report forms the data basis for the key figures specified in this report. Deutsche Hypo has no subsidiaries or other entities.

For reasons of improved readability, gender-specific double designations will be avoided. The term “employee” refers explicitly to men and women. Similarly, the term “employee” covers all employees and executives including the Board of Managing Directors, unless these are accounted for separately.

As at the reference date of 31 December 2018, 433 staff were employed at Deutsche Hypo.

The data for the employees and products is taken for instance from the accounting systems that aggregate the results of all ongoing business processes. Similarly, data is generated from established processes and systems, such as the human resource management system.

Deutsche Hypo uses the standard of the Association of Environmental Management and Sustainability in Financial Institutions (VfU) when presenting the key figures for banking operations in the banking operations section and calculating the company’s greenhouse-gas emissions. The headcount at Deutsche Hypo is recorded using the (Group evidence) specifications of the Group parent NORD/LB, in order to ensure an approach that is comparable across the group.

The consumption data for the ecological key figures specified in the banking operations section relates to the respective financial years for the Hanover site. The values refer to the employees of Deutsche Hypo based in Hanover (385 or 88.5 per cent of the total headcount) and the up to 100 employees of NORD/LB who are included in the consumption values as subtenants.

# MATERIALITY ASSESSMENT

The materiality assessment is one of the reporting foundations under the GRI standards. By including stakeholders and focusing on issues relevant to sustainability, it seeks to ensure that material activities, impacts and stakeholder expectations are taken into account and reported on fully and transparently.

The following “reporting principles” were applied when carrying out the materiality assessment:

- Inclusion of stakeholders
- Materiality
- Sustainability context
- Completeness

Deutsche Hypo conducted its first ever materiality assessment for reporting year 2016. This was reviewed and updated in the current reporting period.

## Stakeholder dialogue and sustainability context

102-42  
102-43

For Deutsche Hypo, stakeholders are legal or natural persons of whom it can be assumed that they are affected by the Bank's activities to a material extent or where it can be anticipated that their actions will influence the Bank in terms of the implementation of strategies and the attainment of targets. Deutsche Hypo considers stakeholders to have a varied interest in the Bank, be that the general handling of and compliance with regulatory stipulations for financial institutions, managing transactions, dealing with risks or specifically the company's future orientation and the agreement of ecological, social and economic targets. The focus of this report is thus on environmental, social and governance (ESG) topics that have been defined as being material.

It is essential for companies to identify the requirements of their interest groups at an early stage so that they can react to them appropriately. For Deutsche Hypo the systematic examination of stakeholders' needs is a material factor in safeguarding the long-term success of its business.

Z: 102-21

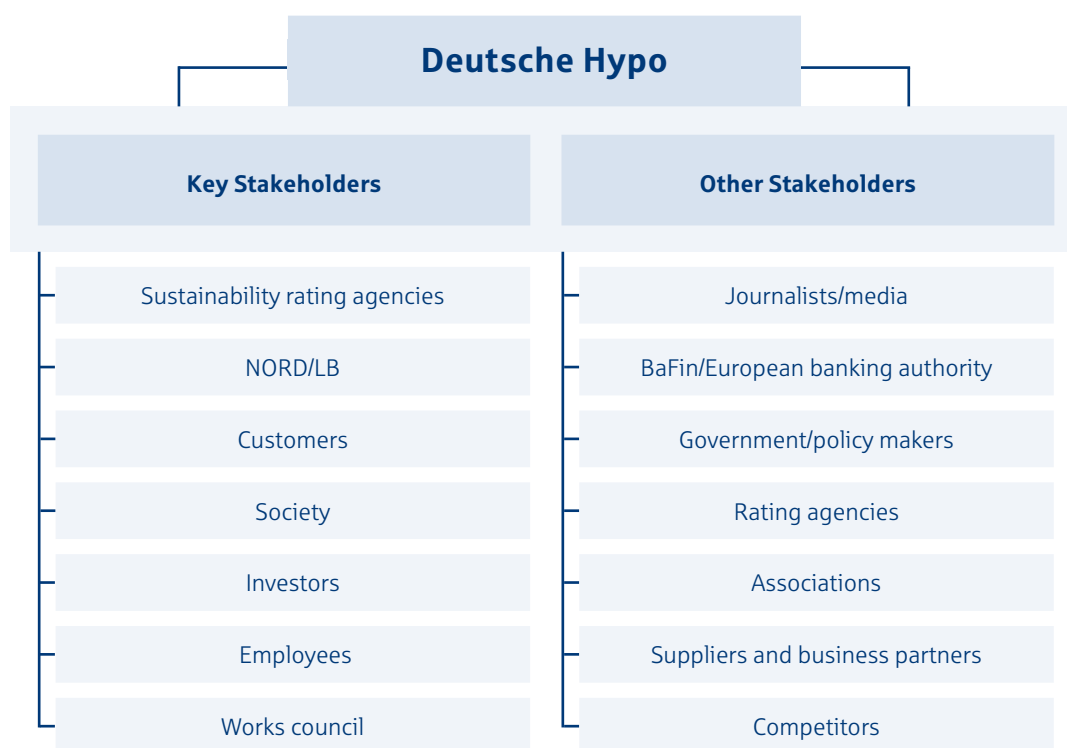
The sustainability management team of Deutsche Hypo manages and coordinates the dialogue with the stakeholders. In turn, the sustainability management team notifies the Board of Managing Directors about new insights, developments and ESG trends. For many years Deutsche Hypo has been involved in communication with a range of sustainability ratings agencies and actively supports the feedback processes and rating dialogues. The feedback from the ratings are used to analyse the sustainability activities and as a pool of ideas for potential improvements and fed back accordingly to the respective departments.

The sustainability report is the main means of communication for interested members of the public. The report has been produced annually since 2016 in accordance with the applicable version of the GRI principles. The sustainability officers can be contacted at any time via the Bank's homepage. Employees are also provided with information via the intranet and newsletter in addition to the generally accessible media. Additionally, an intensive discussion on the subject of sustainability is underway with a range of stakeholders, including the Group parent NORD/LB, customers and (potential) investors.

Deutsche Hypo conducted its first ever stakeholder survey in the third quarter of 2018. Using questionnaires tailored to the specific stakeholder group, customers, investors, employees, sustainability ratings agencies and the Group parent NORD/LB were systematically surveyed. The stakeholder dialogues and the stakeholder survey provide Deutsche Hypo with valuable insights into current developments and areas of interest across a range of stakeholder groups. Overall, the stakeholder feedback is used to continually monitor the sustainability activities and improve them as necessary. Deutsche Hypo has identified and classified the following stakeholders:

#### Overview of classification of key stakeholders and other stakeholders

102-40



### Identifying material topics

Deutsche Hypo conducted its first materiality assessment for reporting year 2016. This materiality assessment has been updated in the current reporting period and supplemented and validated by a comprehensive stakeholder survey, which also included an employee survey.

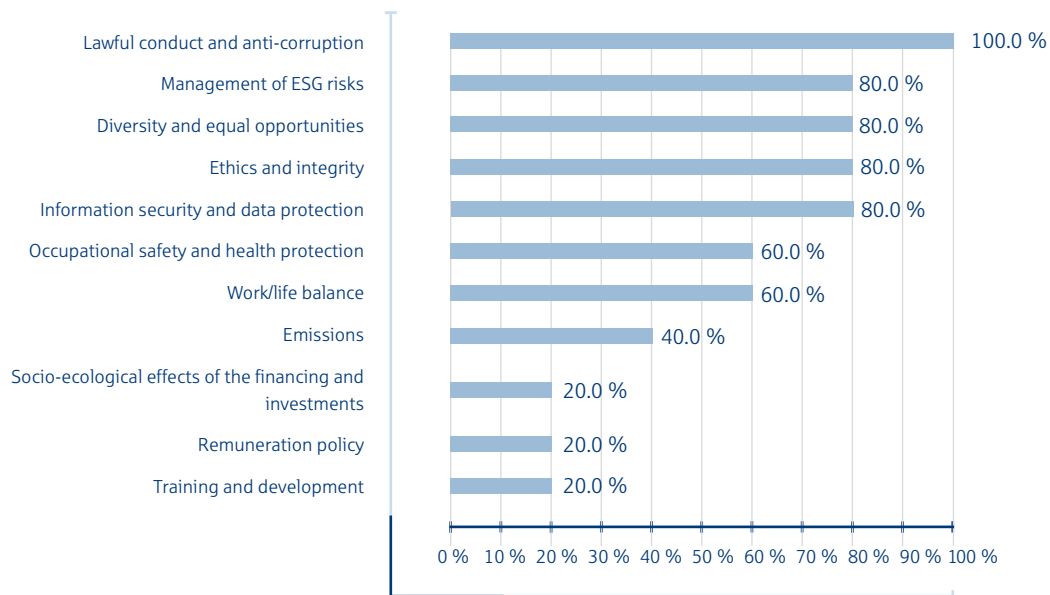
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A comprehensive list of sustainability topics was drawn up in 2016 to identify the material topics. Further topics, e.g. from sustainability ratings, media reports, customer queries and dialogues with sustainability ratings agencies or the Group parent NORD/LB, were added to the existing GRI indicators. The next stage was to screen out topics that clearly had no connection to the business activities of Deutsche Hypo, which enabled an initial rough selection to be made. These insights were fed into the internal discussions. The topics were prioritised across various internal departments within Deutsche Hypo.

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The material topics were validated at a Board of Managing Directors meeting by means of the stakeholder questionnaire, the sustainability committee and the Board of Managing Directors. The new results were used to update and modify the materiality assessment. Accordingly, the following topics were identified as being material in the current reporting period:

### Material topics for Deutsche Hypo



The percentage shows the percentage of the surveyed stakeholders – customers, investors, employees, sustainability ratings agencies and the Group parent NORD/LB – who consider the topic to be material. For example, the topic “lawful conduct and anti-corruption” is important for all stakeholders, while the topic of “training and development” is only material for one stakeholder.

### Completeness

Deutsche Hypo reports on all topics identified as part of the materiality assessment on the basis of the GRI Standards: core option. The management approach is described and an indicator reported for all material topics. Additionally, Deutsche Hypo voluntarily reports on further indicators that are listed separately.



# DEUTSCHE HYPO AND ITS BUSINESS MODEL

Deutsche Hypothekenbank (Actien-Gesellschaft) was established in 1872. As such, it is one of Germany's most renowned Pfandbrief banks. Its registered office is at Osterstraße 31, 30159 Hanover, Germany. Deutsche Hypo is registered at the Hanover District Court under HRB 5602.

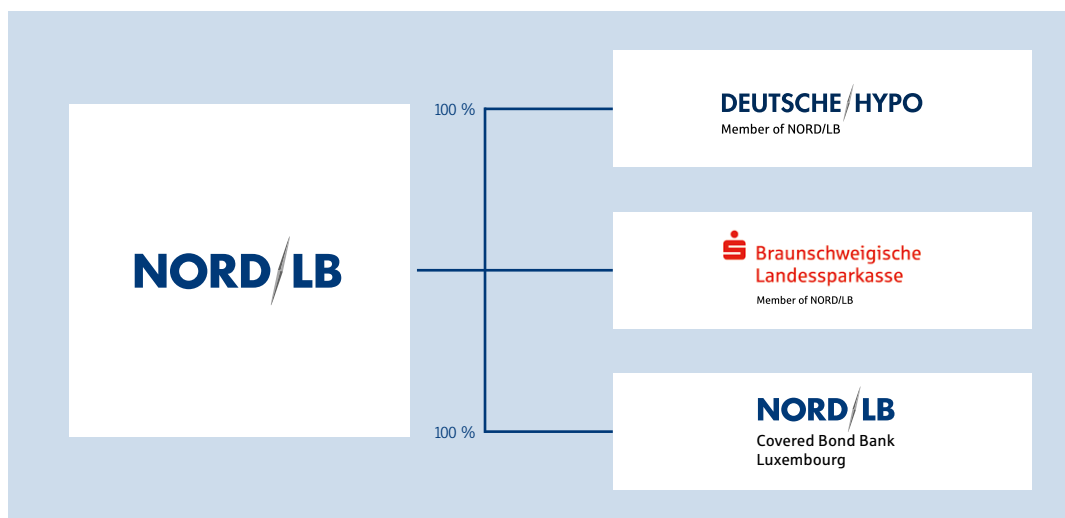
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Deutsche Hypo is a wholly-owned, strategic participation of Norddeutsche Landesbank Girozentrale (Anstalt des öffentlichen Rechts), Hannover, Braunschweig, Magdeburg (NORD/LB). As a subsidiary, Deutsche Hypo is included in the consolidated financial statements of NORD/LB. A control and profit and loss transfer agreement has been entered into between Deutsche Hypo and NORD/LB for an indefinite period. As a result, Deutsche Hypo transfers its profits to NORD/LB. At the same time, NORD/LB is required to set off any potential loss arising at Deutsche Hypo. The control and profit and loss transfer agreement means that a fiscal tax unit exists.

## Structure of the NORD/LB Group



Deutsche Hypo has its headquarters in Hanover. The Bank also has offices in Berlin, Düsseldorf, Hamburg, Frankfurt, Munich as well as Amsterdam, London, Paris, Madrid and Warsaw. Deutsche Hypo is a German real estate bank with a European focus and supports its customers as a professional and strategic financing partner in the strategic target markets of Germany, Benelux, France, the UK, Spain and Poland.

102-4

102-6

### Overview of Deutsche Hypo's offices



As a subsidiary, Deutsche Hypo is the centre of competence for real estate finance business within the NORD/LB Group. This also includes the role as the main issuer of mortgage Pfandbriefe within the NORD/LB Group. The Bank performs a funding role by issuing unsecured bonds, the objective of which is to enable funding at any time on competitive terms. This plan is achieved through the quality of the cover pools and the associated ratings of the Pfandbriefe and through the credit rating of the Bank for the area of unsecured bonds.

102-2 Commercial real estate finance is the core business of Deutsche Hypo and generates over 90 per cent of the Bank's total interest and commission income. It pools the financing of customers that primarily generate their cash flow from real estate or regularly make significant real estate investments. The capital market business includes the securities, money markets and derivatives business with banks as well as funding. In strategic terms, Deutsche Hypo has pursued a reduction of the public sector loan portfolio for many years, which is why this business area has become significantly less important for the Bank. Selective new business with highly liquid securities is only entered into for the purpose of liquidity and cover pool management.

102-7 Please refer to the corresponding information as part of the Bank's financial reporting for items 102-7,  
102-10  
Z: 201-1 102-10 and 201-1. Information about risk management is listed in the 2018 annual report from page 50.

## Value creation chain

Within an economy, private households, companies, the state, foreign countries and banks make up the five main sectors that have a material influence over economic affairs. In this context, banks are classified within the asset sector, which plays a key role in economic affairs: This is where monetary transactions are handled, payment transactions managed and (monetary) assets administered.

102-9

As financial intermediaries, banks facilitate investments that are essential to customer's success, and as such assume the role of brokers between market participants who want to invest or obtain money. The funds raised are aggregated in a credit pool out of which long-term loans are issued following a review of the borrowers' creditworthiness and likelihood of default. In this way banks balance out the demand for loans and the supply of money by way of lot size transformation, maturity transformation and risk transformation, which are explained below:

- Lot size transformation: the conversion of monetary sums into monetary sums of different amounts
- Maturity transformation: the balancing of different maturity interests
- Risk transformation: assumption of savers' risks

The significance of banks within an economy is thus not merely limited to putting money into circulation, but also enabling access to the capital market to expand the financing options of companies. In this way the asset sector represents a driving force for the future economy of a country. Banks rely on the input of various market participants, referred to below as stakeholders, for the internal management of their business activities. Thus, a bank's primary and supporting processes generate output that has added value for society.

## Corporate bodies

The corporate bodies of Deutsche Hypo are the Board of Managing Directors and the Supervisory Board. The Board of Managing Directors bears responsibility for managing the Bank and represents it both in court and out of court. The Board of Managing Directors of Deutsche Hypo consists of the following members:

102-18

### Andreas Pohl

Chairman of the Board of Managing Directors up to 28 February 2018

### Sabine Barthauer

Member of the Board of Managing Directors

### Andreas Rehfus

Member of the Board of Managing Directors

For further information regarding the responsibilities and CVs of the current Members of the Board of Managing Directors, please refer to the Bank's website.

The Supervisory Board advises the Board of Managing Directors and monitors its management of the company's affairs. The Supervisory Board of Deutsche Hypo consists of six members, three of whom are Members of the Board of Managing Directors of the Group parent NORD/LB. The Chairman of the Supervisory Board is the Chairman of the Board of Managing Directors of NORD/LB. We refer to the financial reports of Deutsche Hypo for information about the composition of the Supervisory Board and the established committees.

## Business strategy

The business model of Deutsche Hypo and its Group parent NORD/LB is based on compliance with all material legal stipulations. Under § 25a (1) German Banking Act (KWG), banks are required to have in place a proper business organisation which ensures compliance with the legal provisions to be observed by the institution as well as business requirements. The basic principle set down in § 25a KWG in turn is firmed up in the Minimum Requirements on Risk Management (MaRisk AT 4.2), according to which the management of the company is required to set out a sustainable business strategy and a consistent risk strategy. Deutsche Hypo has corresponding, institution-specific strategy documents in place in accordance with the respective statutory requirements.

In accordance with the Group business strategy, Deutsche Hypo's strategy is reviewed at least once a year, adjusted where necessary, agreed with NORD/LB and is made available to and discussed with the Supervisory Board of Deutsche Hypo and of NORD/LB along with the requisite variance and root cause analysis. Deutsche Hypo's strategy manifests itself in the medium-term plan, where the impact of objectives with respect to income, risk and market growth, under the inclusion of premises, is expressed in figures. Furthermore, here the outcomes of the planned market activities, personnel and organisational measures as well as balance sheet, capital and funding plans can be found, too. In addition, risk limitation is nevertheless undertaken to counteract any potential income concentration.

The business, risk and IT strategies are developed in alignment with each other and determined by the Board of Managing Directors. They constitute the framework for Deutsche Hypo's strategic direction. The business strategy lists Deutsche Hypo's strategic business areas and describes their strategies (strategies for the business areas). These are based on a thorough analysis of the market, the relevant economic variables, the competitors as well as the regulatory environment and other premises, which are also the foundations of the medium-term plan. The internal and external influencing factors that have been taken into account are listed in the annex. The realisation of the business strategy is effected through the business model and the individual business areas in alignment with the risk and IT strategies.

## Strategic orientation of the business model

102-16

In everything it does, Deutsche Hypo is guided by its corporate principles: Deutsche Hypo – real estate specialist within the NORD/LB Group and a Pfandbrief bank since 1872. We work together to build an organisation based on clear architecture, open doors, direct communication and a high level of transparency. Our actions towards our customers, owners and each other are guided in equal measure by the following aims:



- We are a long-term, reliable partner that responds rapidly and individually.
- We are an international family.
- We embody tradition and modernity.
- We speak openly and treat each other with fairness and respect.
- We use freedom to achieve common goals.
- We act with enthusiasm for the success of our customers and our bank.

In addition, Deutsche Hypo has introduced management principles that supplement the corporate guidelines. These are:

We, the members of Deutsche Hypo's management staff...

- are positive role models and provide guidance.
- take on responsibility and delegate tasks.
- set appropriate goals and build lasting success.
- make decisions and implement them consistently.
- communicate openly and foster trust.
- encourage our employees and acknowledge performance, and
- solve conflicts fairly and employ constructive criticism.

The Bank's strategic objectives are:

- to increase customer satisfaction and to optimally meet customer needs,
- to strengthen the business model by diversifying the earnings base and expanding expertise, by increasing income not related to risk-weighted assets (RWA) and by limiting the risk with a granular portfolio,
- to secure funding and liquidity at all times,
- to secure and increase the corporate value, profitability and profit transfer over the long term by among other things generating an adequate return on equity for the Bank as well as the Group,
- to improve employee performance and retention.

To this end the Bank uses a business model that, in principle, comprises the financing of commercial real estate. The funding happens mostly with the aid of Mortgage Pfandbriefe that are issued in accordance with the German Pfandbrief Act, which has a stable cover pool as its basis. In view of the eligibility limits of the collateral value, the Bank necessarily funds itself through additional uncovered issues. Financial services complete the product range.

# CORPORATE GOVERNANCE AT DEUTSCHE HYPO

## Ethics, integrity and lawful conduct

“Ethics and integrity” as well as “lawful conduct and anti-corruption” were identified as material issues during the materiality assessment.

UNGC  
103-1

Management approach: ethics and integrity / lawful conduct and anti-corruption

Corrupt or unethical conduct and breaches of laws by individuals or companies damage the company and its members in a number of different ways. The financial services sector plays an important role in preventing such acts. In an era of increasing financial crime, financial institutions across the world are both subject to stringent requirements and exposed to risks in equal measure. For instance, they are exposed to the inherent risk of being abused for purposes of money laundering and the funding of terrorism or facilitating the anonymity of business relationships and transactions. Increasing numbers of methods are being used to “launder” money and assets originating from illegal activities via payment transaction systems, new financial products or technologies and, by masking their true origin, channelling them into legal financial and economic circulation. Similarly, terrorists attempt to provide and collect legal or illegal moneys at financial institutions in order to finance terrorist activities. Such transactions must be prevented by comprehensive prevention measures and comprehensive sensitisation of all employees.

At the same time, it is essential to maintain the trust of market participants and customers that the banking business is being conducted properly. A bank’s own reputation and the trust of its customers and business partners are key assets for financial services institutions and are of central significance to their success. Financial losses, for example due to liability payments or fines, and the consequences of reputational damage can be significant for a bank. For that reason, a bank’s own business activities must be conducted with the utmost diligence and circumspection in order to maintain trust and to protect the bank and its employees and owners from material or immaterial losses.

These topics are also a focal point for lawmakers and supervisory authorities. The sector’s overall significance for the economy as a whole, the complexity of banking transactions and the diversity of products, structures, processes and systems create a situation where a wide range of rules and stipulations are relevant to financial services institutions. These not only comprise the requirements under “classic” banking supervisory law, but also requirements under civil law and tax law at German, European and international level. At the same time, the complexity of regulatory requirements increases along with the scale and complexity of a company’s business activities, and so does the risk of not fulfilling these adequately.

Acting lawfully and with integrity safeguards the Bank’s future viability and also secures jobs. There is no fool proof method of ensuring that a financial services institution and its employees will obey the rules at all times and comprehensively across all business activities. However, there are suitable strategies and safeguards to reduce the risk. This also gives employees the certainty that they are working for a company that acts lawfully and with integrity and to which they are happy to devote their working capacity with no ethical reservations.

Both of these issues apply both internally and externally. They are relevant to Deutsche Hypo and also significant for society, investors, customers and employees.

Management approach: ethics and integrity / lawful conduct and anti-corruption

103-2

As part of society, considers itself Deutsche Hypo obliged to use preventative measures to avert criminal acts as best it can and for it to act ethically, morally and lawfully itself to do justice to the trust placed in it by staff, customers and business partners, and to maintain and extend this trust. This also includes compliance with regulatory requirements, lawful conduct and a zero-tolerance policy towards bribery, corruption and undue advantage.

Management approach: ethics and integrity / lawful conduct and anti-corruption

103-3

Deutsche Hypo operates at the international level and offers products and services across a range of European markets. These activities are therefore subject to a range of country-specific and international legal stipulations and customs. Legal prohibitions and obligations need to be strictly observed, even if this may appear “impractical” or “economically unfavourable” from the perspective of the individual or the company. In case of doubt, lawful conduct always takes precedence. If conflicting requirements or stricter or more comprehensive laws and regulations are in place, the stricter requirements should always be applied.

### Ethical principles

To forge a link between the Bank’s aspiration to comply with the law and the issue of ethically correct conduct, and as such to combine commercial success and social responsibility, Deutsche Hypo has published ethical principles and a gifts and gratuities policy. This can be viewed by all employees in SharePoint. It forms the basis for conduct based on integrity, awareness of values and fairness and is binding on all members of the Board of Managing Directors, executives and employees.

UNGC  
102-16

The ethical principles published by Deutsche Hypo and the gift and gratuity policy contain clear commitments to avoiding conflicts of interest, tackling corruption and bribery, preventing money laundering, the funding of terrorism as well as other criminal acts.

### Compliance management system

Deutsche Hypo accepts its responsibility for the responsible management of the company's affairs using clear ethical principles and a commitment to act lawfully and with integrity within the Bank. A system has been set up across the whole of the NORD/LB Group as a compliance-management system that among other things is based on the IDW PS 980 standard. The NORD/LB Group is doing its utmost to protect the company from criminal acts by rolling out a range of measures under the banner of compliance management. In that context, the Board of Managing Directors of NORD/LB requires the employees of all Group companies to be “100% compliant” and underpins this stipulation with a corporate compliance policy.

UNGC

The topics of regulation, compliance, avoidance of money laundering/terrorism financing/scams or other criminal acts (fraud) as well as compliance with financial sanctions/embargoes are the responsibility of the Compliance Officer and the Compliance Organisation. Their tasks include both the advising the departments on the implementation and compliance with all statutory and regulatory regulations and obligations across the Bank as a whole as well as the consistent implementation and process-driven monitoring of processes within the Bank.

The compliance departments of the NORD/LB Group identify all regulations relevant to banking supervision so that the Board of Managing Directors and relevant the Bank departments can be notified about any new or amended rules and regulations. The respective compliance officers and the money laundering officers they deploy (incl. fraud) are registered with BaFin or comparable overseas institutions.

Additionally, adequate preventative measures are defined as part of the existing risk-management system. For example, the Bank's business- and customer-related systems are designed not to enter into or perpetuate any business relationships that pursue purposes of white-collar crime or facilitate anonymous transactions. A suspect notification is generated if a suspicious transaction is identified. Employees can be sensitised to such matters using Internet-based learning programs, regular face-to-face courses and newsletters.

### **Management of conflicts of interest**

Z: 102-25 Conflicts of interest can arise where multiple people are interested in the realisation of certain business opportunities or a party is only able to realise its own interests at the costs of a different party. This can be the case for relationships Bank or employee to customer or supplier, Bank to employee and between customers.

In order to justify and retain the trust of customers, employees and the public in the Bank's effectiveness and integrity, the Board of Managing Directors of Deutsche Hypo has instructed the compliance department to monitor and avoid conflicts of interest, whilst remaining neutral and independent.

The compliance team ensures adherence to the statutory provisions for avoiding conflicts of interest and the strict separation of various business areas with access to sensitive customer data and information ("Chinese walls") as well as the requirement that sensitive information only be shared with other departments after approval by the respective manager and the compliance team.

Employees are a key pillar in avoiding conflicts of interests. All employees of Deutsche Hypo undertake to perform their services with the utmost level of expertise, care and diligence. If unavoidable conflicts of interest occur as a result of the different levels of information held by customers and the Bank, care is taken to ensure that these different levels of information are not exploited to the customer's detriment. In this context, the Compliance teams ensure that recommendations made by employees are submitted in an honest and fair manner in observance of all statutory requirements, subject to adequate risk disclosure.

All employees are further required to avoid situations in which their personal interests could collide with the interests of the Bank or even give rise to the appearance of a conflict. The compliance team has set down how other disclosure and approval processes are to be handled in the employee guidelines.

A potential conflict of interest also exists for instance in the context of customer care where both a customer and personal relationship exists with the customer. Such situations should be avoided as far as possible in the interest of everyone involved.



## Preventing insider dealing

In the course of their work, Deutsche Hypo employees may gain access to information that is not available to other persons and that they could potentially use to their own advantage. This is a conflict of interest. Laws on insider dealing are intended to safeguard the functionality of the markets for financial instruments and provide investors with the certainty that they are being treated equally and are protected from the unlawful use of information. Insider information is deemed to be any precise information about circumstances that are not publicly known that relates to one or more issuers of insider securities or the insider securities themselves and that has the potential to have a significant impact on the price of the insider securities on the stock exchange or market.

Both employees and board members are prohibited from exploiting inside knowledge to buy or sell insider securities on their own account or on behalf of others. Additionally, they may not pass this information to third parties without authorisation or otherwise disclose it or use it for making investment recommendations. This also includes passing on this information within the Bank; it may only be passed on to other employees if the information is required in order to perform their professional duties and these employees are formally authorised to receive the information.

Employees who typically have access to insider information about a listed company, or do so because of a specific occasion, are listed in an insider register managed by compliance and monitored separately.

## Prevention of money laundering and the financing of terrorism

The targeted fight against money laundering, organised crime and international terrorism also needs to be tackled from the financial side to make it harder to invest profits from criminal activities and disrupt payment flows intended to fund terrorist activities. Deutsche Hypo therefore takes the prevention of money laundering and the financing of terrorism extremely seriously.

The central office is operated under the guidance of the Compliance officer, who is registered as the Money Laundering Officer (incl. Fraud) with the German Federal Financial Supervisory Authority (BaFin). Alongside the task of preventing money laundering, the financing of terrorism and other criminal acts, the central office is also responsible for compliance with financial sanctions/embargoes. Money Laundering Prevention / Fraud Compliance monitors adherence to the corresponding requirements and reports to the Board of Managing Directors and Internal Audit.

Deutsche Hypo pursues a “know your customer” business policy that is tailored to the specific risk and complies with the applicable laws under the German Money Laundering Act (Geldwäschegesetz) and regulatory requirements. A key aspect of the processes for combating money laundering and the financing of terrorism is the identification of the customer using official documents and other relevant information. If the source of the money or the type of the transaction gives rise to justified doubts in a pending transaction or the performance of a transaction relating to the customer, the transaction must not be carried out.

UNGC  
Z: 205-1

The prevention of money laundering and the financing of terrorism is based on a risk analysis that is performed annually. Specific measures are derived from it. Measures include developing a risk-oriented monitoring plan, creation of a training concept as well as measures for implementing the “know your customer” principle. Additionally, a system-side review of all customers and economic beneficiaries is performed for:

- Suspicions of money laundering and the financing of terrorism
- Embargoes and financial sanctions and
- The characteristic of politically exposed people.

Any suspicions must be passed to the Money Laundering Officer, who will review the relevance of all reported suspicions. The Money Laundering Officer is also available to answer queries.

### **Preventing other criminal acts (fraud)**

102-16

Preventing corruption and other criminal acts (fraud) are also high priorities at Deutsche Hypo. To protect both the company as well as its reputation and assets, the Bank takes an active and consistent approach towards preventative and repressive measures against all manifestations of white-collar crime or other gross or sustained violations of applicable laws. To that end, Deutsche Hypo takes its lead from the statutory requirements for preventing other criminal acts (KWG, German Money Laundering Act (GwG) and instructions of the German banking industry (DK) or comparable international rules). The Money Laundering Officer is charged with the operative implementation by the Board of Managing Directors.

A standard risk analysis across the Group looks at department-specific risk scenarios relating to corruption and other criminal acts as defined in § 25h (1) sentence 1 KWG, and their criticality is evaluated using external statistics and internal assessments. This analysis is compared with the existing preventative measures in order to establish the remaining residual risk and develop further preventative measures. The Board of Managing Directors will be informed annually of the main results in the Risk Report.

Additionally, the integrated risk assessments also involve questioning the departments of the Bank as a whole about basic fraud relevance. As this method is now used throughout the NORD/LB Group for risk assessment, the results across the Group are comparable.

In 2018 the comprehensive preventative measures meant that there were no losses related to other criminal acts.

## Preventing corruption and bribery

Deutsche Hypo tolerates neither corruption nor bribery in the course of business. Alongside the applicable legal principles that require strict compliance, the Bank also satisfies the UN Global Compact, the 10th principle of which reads: “anti-corruption – businesses should work against corruption in all its forms, including extortion and bribery.”

The ethical principles and the gift and gratuity policy contain clear guidelines for the avoidance of corruption, bribery and giving and receiving undue advantage. Supplementary internal guidelines describe the admissibility of receiving or giving invitations and gifts as well as requirements for accounting for hospitality and material expenses.

The compliance team performs monitoring measures to ensure that the rules are being complied with. Accompanying training courses on the subject of avoiding conflicts of interest in the context of invitations and gifts help ensure that these issues are handled correctly.

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In 2018 the comprehensive preventative measures meant that no corruption-related losses were sustained.

205-3

## Integrity check

In the course of its customer acceptance check, Deutsche Hypo performs a separate integrity check for lending or commercial transactions, business relationships with intermediaries and brokers or suppliers, and service providers above a specified financing and trading volume.

The Bank’s transaction and customer-related safeguarding systems are designed to prevent business relationships from being entered into or perpetuated that are connected to money laundering, the financing of terrorism, other criminal acts or relevant sanction and embargo rules.

This integrity check is performed on the basis of available information (including internet research, institutional and office information, SCHUFA queries).

If the check reveals indicators that the potential business partner for example has been convicted of a criminal offence or sanctioned by a state regulatory body, fraud prevention management measures take effect. Accordingly, the following information needs to be checked in particular for reputational and commercial risks, a decision taken on the business relationship, and if need be the customer risk adjusted.

## Whistle-blower system and ombudsman

Deutsche Hypo required by law to take appropriate measures to guard against criminal acts committed internally or externally. Effective protection against losses and the avoidance of losses from such acts are a key component of the Bank’s risk management. It leaves no stone unturned in preventing such acts, or at least discovering them at a sufficiently early stage, and limiting risks to the lowest possible potential. Deutsche Hypo condemns any attempt to commit actionable and criminal and dishonest acts as serious conduct that will not be tolerated. A key element here are sensitised and vigilant employees and the capability to report indications without fearing reprisals.

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Deutsche Hypo has set up a whistle-blower system with the primary aim of combatting criminal and illegal acts. An external ombudsman has been instructed who all employees, board members, customers and business partners can turn to confidentially and, if they so wish, anonymously. This ensures that whistle-blowers need not fear any disadvantages if the tip-off turns out to be unfounded.

The role of the ombudsman is performed by a lawyer who takes on a mediating role between the Bank and the whistle-blower. The ombudsman passes on the information and maintains the anonymity of the whistle-blower. After an initial review, the ombudsman will forward the evidence provided to the relevant contact person within the Bank. This person is responsible for initiating the necessary further internal measures. Additionally, the ombudsman is not only able to advise the whistle-blower on problems, but can also help them to extract themselves from criminal behaviour and provide advice. A whistle-blower will remain strictly anonymous vis-à-vis the Bank as the ombudsman is subject to both the duty of attorney/client confidentiality as well as the right to refuse to give evidence. Similarly, the whistle-blower will not incur any costs by involving the ombudsman; these are borne by the Bank.

Employees are informed about the ombudsman, his duties and activities and how to contact him via compliance training and the newsletter. By appointing an ombudsman, Deutsche Hypo is abiding by the rules of the German Corporate Governance Code. Additionally, employees may also report relevant events to their line manager, the competent member of the Board of Managing Directors, the HR department, the legal department, audit and the compliance department.

Notwithstanding any notifications submitted, the compliance department has comprehensive rights of inspection and examination over legal and ethically relevant matters. This is possible either at fixed intervals, such as for reporting obligations, and ad hoc by means of spot checks. The requisite mechanisms for detection are identified accordingly.

## Information security and data protection

“Information security and data protection” was identified as a material topic in the materiality assessment.

103-1

Management approach: information security and data protection

Nowadays, financial services companies incorporate a wide range of different information into their operations. Such information and the associated resources (e.g. information technology and stored information or non-digital information such as knowledge, forms, letters, print-outs, contacts) represent fundamental assets. The protection of these assets is essential to maintain and enhance the Bank's performance and competitive position, trust of our business partners, customers and employees and our public image, as well as to prevent abuse.

The protection of information covers both the safety and safeguarding of IT systems and the protection of electronic data as well as the protection of information that is processed using non-electronic means. Thus, confidential information (incl. personal data) first needs to be protected from access by unauthorised persons, and second the integrity/correctness and the non-repudiation of information must be ensured.



To that extent, threats such as cyber-crime, hacker attacks, password theft, and also ignorance and human error are creating new and growing challenges for all companies who deal with information in any way. The global connectedness of today's information flows means that the issue applies internally and externally with no limitations. It is relevant to Deutsche Hypo and also especially significant for society, investors, customers and employees.

## Information security

Management approach: information security and data protection

103-2

Requirements for information security have been put in place for all subsidiaries of the NORD/LB Group and implemented in the governance. Deutsche Hypo's German locations comply with regulatory, legal and contractual requirements including the following:

- German Banking Act (KWG) § 25a and § 25b
- German Federal Data Protection Act (BDSG) and General Data Protection Regulation (GDPR)
- German Commercial Code (HGB), risk management in information processing
- Minimum requirements for the security of Internet payments (MaSi)
- Memoranda of the banking supervisory authorities, such as the German Federal Institute for the Supervision of Financial Services (BaFin)
- Group guidelines on Information security
- Contractual security obligations agreed with third parties

Specific, comparable rules apply to the foreign offices.

Under § 25a KWG, financial institutions are required to have adequate staff and technical facilities and other processes to facilitate its risk management. The requirements of risk management are fleshed out in MaRisk, specifically AT 7.2 (technical facilities and other processes).

Management approach: information security and data protection

103-3

Overall responsibility for all matters relating to information security lies with the Board of Managing Directors. It is an integral part of Deutsche Hypo's commercial and risk policy. That notwithstanding, it is incumbent on each and every employee to comply with the rules of information security and to protect sensitive information. The corresponding requirements are operationalised in manuals and working instructions based on the business strategy and the security strategy (as part of the risk strategy) via guidelines on information security and security policies in manuals and working instructions and made available to each employee of the Group. The associated written rules apply across the Bank and are supplemented via regular mandatory training on all topics relevant to information security and sensitisation measures for all employees.

Deutsche Hypo has an Information Security Officer (ISO) appointed by the Board of Managing Directors. This role involves the development, implementation and continual improvement of requirements relating to information security. The ISO is directly subordinate to the Board of Managing Directors and reports directly to it, both periodically and ad hoc. His role includes the guidance and management of information security and associated risks, performing regular checks and also advising the Board of Managing Directors and the departments.

## Data protection

All internal data must be protected. However, the protection of personal data represents a special aspect of information security management because this impinges on the individual's personal rights; rights that are granted under special data protection laws.

Bank staff come into contact with a wide range of personal data. Protecting this data and the trust shown in providing it is one of the Bank's key tasks. Accordingly, the confidential, sensitive handling of customer data at Deutsche Hypo has the highest priority and the statutory data protection obligations and requirements that need to be met have a central significance. This applies both to the processing of personal employee and customer data as well as the personal data of suppliers, advisors and other contractual partners. Banking secrecy is strictly complied with. Data and information are only used for specific intended purposes and in line with statutory requirements.

### 103-2 Management approach: information security and data protection

Deutsche Hypo is required to comply with the provisions of the German Federal Data Protection Act, GDPR and other laws that contain rules relating to data protection. The statutory data-protection provisions relate to all natural persons, especially the Bank's customers and staff. Alongside the proper handling of protected personal data, data protection also relates to monitoring compliance with the rights of persons affected by automated data processing and the fundamental obligations of special function holders with access to personal data within the Bank.

Each and every employee is responsible for compliance with the data protection provisions. On the Bank's side, obligations under data protection law applicable to all internal and external employees who deal with personal data derive from the data secrecy obligation under § 5 German Federal Data Protection Act; this obligation also applies after the termination of the employment relationship. The NORD/LB Group's data protection rules are set down in the Group's general data protection policy that applies across all institutes of the Bank.

### 103-3 Management approach: information security and data protection

A Data Protection Officer will monitor, advise on and conduct regular training and sensitisation measures to ensure compliance with the data protection requirements. To ensure professional independence vis-à-vis all departments being monitored, the Data Protection Officer is directly subordinate to the Board of Managing Directors, which in turn has overall responsibility for this function and monitors its effectiveness. The Data Protection Officer reports directly to the Board of Managing Directors at regular intervals or ad hoc and also provides running updates to the competent member of the Board of Managing Directors in the course of everyday business.

To shore up and monitor compliance, adequacy and effectiveness of all relevant requirements under data protection law, annual risk-orientated monitoring procedures are performed using a standardised Group risk analysis. The audit plans for Deutsche Hypo's monitoring measures are agreed with the Data Protection Officer of the NORD/LB Group, enabling the audits to be performed simultaneously and the outcomes reported to the full Board of Managing Directors.

Any incidents or complaints from a data protection perspective are analysed and solutions developed with corresponding preventative measures. No incidents relevant to data protection law came to light in the reporting period that ought to have triggered a notification pursuant to § 42a BDSG from NORD/LB to the relevant body.

418-1

## Training on compliance-relevant topics

The planning and execution of target-group-focused employee training measures and the support of the operational departments by means of dedicated training events is embedded in NORD/LB Group's corporate compliance policy.

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The aim is to increase employees' awareness of compliance-relevant topics and thus to improve their sensitivity to the issue in day-to-day business. Overall, the training measures are divided into mandatory courses and occasional measures. They fall under the responsibility of the compliance function, which also runs some of them. The training courses include statutory obligatory measures on the basis of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), German Money Laundering Act (GwG) and the German Federal Data Protection Act (BDSG), the Minimum Requirements for Risk Management (MaRisk), information security and rules arising from those (this applies accordingly to comparable rules of the legal systems applicable to the foreign branches), such as training courses in conjunction with topics relevant to information security.

The statutory obligatory courses are held in the form of web-based training (WBT) and/or face-to-face training courses. Additionally, occasional courses or sensitisation measures are held.

The principal objectives of the training and sensitisation measures are:

- Imparting or refreshing knowledge
- Creation of a (uniform) basic understanding of compliance-relevant issues;
- Increasing the security awareness of all employees;
- Regular sensitisation to dangers and risks. A particular objective of the training measures is to illustrate personal affectedness and potential (joint) responsibility that may arise from (wilfully) dishonest acts by staff and/or third parties;
- Explanation of and sensitisation to the whistleblowing system (ombudsman) and how it can be used.

# SUSTAINABILITY AT DEUTSCHE HYPO

## Sustainability management team

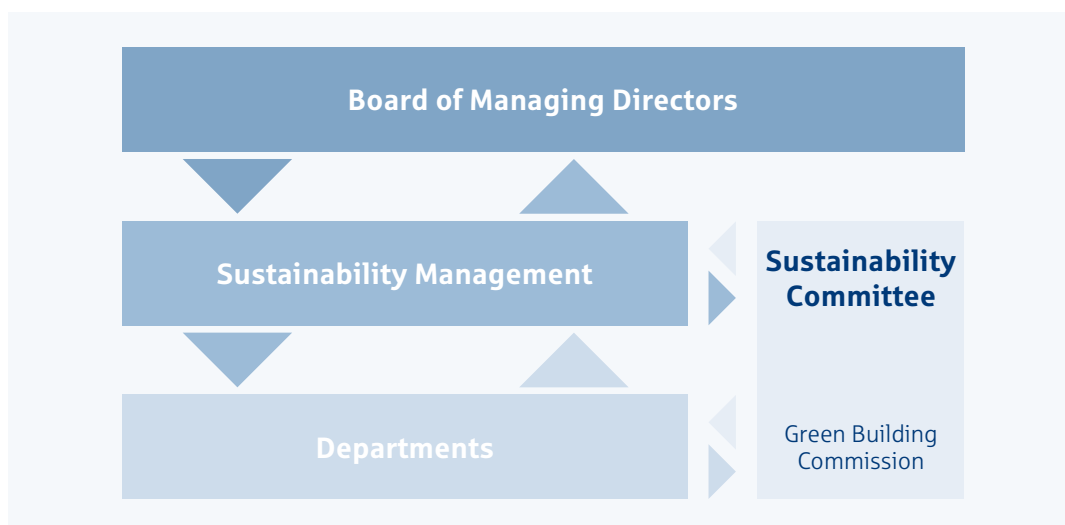
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The Board of Managing Directors of Deutsche Hypo has declared the professionalisation of the sustainability management at the Bank to be a central objective. The sustainability management team is responsible for the implementation of this objective, which is located in the Communication and Board Staff department and forms one of the department's key areas of activity. The sustainability management team's tasks include the implementation of sustainability standards, the coordination of sustainability measures and the further development of the sustainability strategy. The sustainability management team is supported by a Sustainability Committee, which comprises members from all divisions in the Bank who are involved with issues around increasing sustainability. The members come from the following departments: Communication and Board Staff, Domestic Credit, Credit and Property Valuation, Credit Management, Credit Risk Management, Organisation and IT, Personnel and Legal, Treasury. The Green Building Commission set up in 2017 represents a sub-group of the Sustainability Committee that validates standards for green buildings once a year.

The Sustainability Committee supports the sustainability management team in identifying sustainability issues, develops objectives and measures and proposes these to the Board of Managing Directors for implementation. At the same time, the members support the implementation of the measures in their respective departments. Since it was set up, the Sustainability Committee has met at least once per quarter and discusses and develops sustainability issues at the whole-Bank level. At the same time, regular bilateral meetings are held between the individual departments and the sustainability management team at which new topics are jointly developed. These are then proposed to the Board of Managing Directors for implementation as the appropriate circumstance arises. Additionally, the sustainability management team keeps in touch with the relevant sustainability ratings agencies and disseminates the information about their requirements and rating criteria internally.

The organisational structure and the functions and responsibilities can be seen in the following figure.

### Organisational structure of sustainability management



## Sustainability strategy

### Self-conception

The direct and indirect support of a sustainable development through its own actions as a company is part of the self-conception of Deutsche Hypo. It believes firmly that many aspects of global change bear opportunities and risks for itself, as well as for its customers and investors, and therefore have an influence on its business activities. The sustainability strategy addresses the central aspects of global change for Deutsche Hypo, its clients and its investors, and offers insights into ways to efficiently seize the opportunities that arise while responsibly managing risks. Supported by this strategy, the Bank pursues the following fundamental orientation:

### Strategic orientation:

Long-term trends on topics such as climate change, demographic development, urbanisation or commodity restrictions must be taken into account with varying urgency and intensity by customers and investors of Deutsche Hypo as well as by the bank itself. They must evaluate their proven business models early and regularly with the complex effects of these trends and create solutions. Deutsche Hypo supports customers and investors in taking the effects of global change into account in their decisions, thereby enabling them to place a stronger focus on sustainable development over the course of their business activities and investment decisions.

Through a systematic approach with regard to sustainability, Deutsche Hypo ensures that the necessary aspects of sustainability are able to be taken into account in its business activities from the Bank's overall perspective, both in its active and passive business dealings:

- Transactions that clearly violate basic principles of sustainable development – such as those in connection with controversial weapons or pornography, to name a few examples – are identified on the basis of exclusion criteria and turned down.
- A framework of sustainability guidelines defines the relationship between the individual transaction and the specific sustainability standards that Deutsche Hypo deems relevant for the transaction in question, such as the German Sustainability Code or the UN Global Compact, enabling targeted and individual sustainability management.

Since 2014, Deutsche Hypo has regularly accounted for its performance in implementing its sustainability strategy. It does so as part of a sustainability reporting process that is guided by the GRI standards and those of the German Sustainability Code. In accounting for its performance, Deutsche Hypo reports on how its work is benefiting customers, investors and society, taking into account various aspects of its business activities, such as the direct and indirect contributions to sustainability generated for customers, investors and society by Deutsche Hypo's core business areas, as well as the contributions made by activities designed to complement the Bank's core business.

### Focal points and specific goals:

The main goal is to improve the sustainability of Deutsche Hypo every year and to receive a "Prime" sustainability rating. To do so, it compiles sub-targets annually in a sustainability programme, promotes measures and subsequently reviews them to determine the extent to which the targets have been met. Deutsche Hypo works toward the following focal points in its sustainability fields of action.



### **Governance**

Deutsche Hypo has defined its sustainability management approach and takes steps to develop it further. This also includes a constant review of its strategic sustainability orientation. This is achieved through the established sustainability management and the sustainability committee, whose work supports the Board of Managing Directors.

To gain input with regard to the orientation of sustainability management, Deutsche Hypo engages in dialogue with the relevant stakeholder groups, thereby ensuring that its business activities are in line with stakeholder interests. Doing so ensures the success of the company and its competitiveness in the long term.

The findings of this stakeholder dialogue are incorporated into the Bank's sustainability programmes, giving Deutsche Hypo input on where its sustainability goals should be headed.

### **Customers and investors**

Deutsche Hypo has anchored aspects of sustainability in all relevant business areas, thereby ensuring an approach to doing business that includes both economic and ESG (environment, social and governance) aspects for the benefit of customers and investors.

In its business activities, Deutsche Hypo therefore takes economic, ecological and social aspects into account with the aim of improving customer and investor awareness of sustainable positioning on the whole. A lastingly successful customer strengthens the Bank's risk position and that of the NORD/LB Group.

### **Employees**

Its employees are the future of Deutsche Hypo and ensure the company's long-term success. The Bank therefore attaches great importance to creating the conditions for the optimal development of its employees and to promote diversity. One focus is the promotion of gender equality in specialist and management functions. Right now, this means that Deutsche Hypo has set itself the goal of constantly increasing the share of women in management positions.

Among other measures, various seminars are offered to support employees in their professional and personal development. Through a range of information and educational opportunities, Deutsche Hypo supports its employees in gaining knowledge and forming an opinion about corporate sustainability and makes it possible for them to apply this expertise.

### **Society**

In its role as a corporate citizen, Deutsche Hypo is involved in projects that focus on society. Deutsche Hypo helps fund medical cancer research and welcomes volunteer work by its employees. With its activities, Deutsche Hypo lives up to its social responsibility.

### **Environment**

Deutsche Hypo intends to systematically reduce the environmental impact of its business activities. Cutting the consumption of resources and energy, as well as reducing emissions, is intended to consistently raise the Bank's ecological efficiency. Special attention is paid to energy efficiency.

## The ten principles of the UN Global Compact

As a subsidiary of NORD/LB – member of the UN Global Compact – Deutsche Hypo takes its lead from its parent's principles for sustainable development and responsibility. Abiding by the ten internationally acknowledged principles of the UN Global Compact from the aspects of human rights, labour, environment and anti-corruption is a key element of Deutsche Hypo's responsibility as a financial services company not just for its customers and employees, but also as a "corporate citizen" for society as a whole.

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Deutsche Hypo encourages its suppliers and service providers to operate in accordance with the same ecological and social principles and standards to help towards the implementation of a sustainable way of doing business. The ten principles of the UN Global Compact are:

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.
- Principle 2: make sure that they are not complicit in human rights abuses.
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.
- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

## Further commitments

As a subsidiary of NORD/LB – signatory of the UNEP declaration – Deutsche Hypo similarly abides by the financial initiative and thus is committed to sustainable development, forward-looking environmental management and open communication about the furtherance of environmental aspects.

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- As a member of the German Property Federation (ZIA), Deutsche Hypo commits itself and its commercial activity to the voluntary obligations of the real-estate industry from the ZIA's sustainability guidelines "Sustainability in the Real-Estate Industry – Code, Reports and Compliance" (Nachhaltigkeit in der Immobilienwirtschaft - Kodex, Berichte und Compliance).
- Deutsche Hypo produces an annual sustainability report pursuant to the principles of the Global Reporting Initiative (GRI).
- Deutsche Hypo is committed to the German Sustainability Code, a standard for transparency about sustainability governance in companies.
- By signing the Diversity Charter, Deutsche Hypo seeks to promote the acknowledgement, respect and inclusion of diversity within corporate culture in Germany, regardless of gender, nationality, ethnic origin, religion or world view, disability, age, sexual orientation and identity.

## ESG policies

"Management of ESG risks" was identified as a material topic in the materiality assessment.

### 103-1 Management approach: management of ESG risks

ESG risks are risks that may arise due to ecological, social or governance-related aspects in conjunction with controversial business activities or practices. These include for example transactions or business activities with a negative impact on the natural environment and/or human and labour rights including the rights of indigenous peoples and also sectors such as alcohol, embryo research, fossil fuels, gambling, GMO, palm oil, pornography, tobacco or activities within the arms or defence industry.

### 103-2 Management approach: management of ESG risks

Alongside the guidelines applicable to Deutsche Hypo for the implementation of and compliance with requirements under "classic" banking supervisory law and other requirements under civil and tax law at German, European and international level, additional guidelines exist that steer and govern commercial activity in view of the increased attention afforded to economic, ecological and social aspects (ESG approach).

### 103-3 Management approach: management of ESG risks

The ESG guidelines supplement existing guidelines and principles in terms of strategy and governance, thus enabling a holistic management of the portfolio. All ESG guidelines have been passed by the Board of Managing Directors and are thus binding on all employees.

One purpose of the ESG guidelines is to avoid ESG risks. Deutsche Hypo defines these as a risk that could arise due to the governance-related management of social or ecological aspects in the context of a transaction or a business relationship. ESG are classed as operational risks.

### Own indicator: ESG review

In the course of its commercial activities, Deutsche Hypo reviews certain commitments from an ESG perspective in order to identify commercial and reputation risks in the interest of customers and the Bank at an early stage. Like other risks, potential ESG risks are evaluated in the course of the loan process and are incorporated into the overall rating as soon as they are identified.

The starting point for the assessment of the risk potential are the employees' professional skills and experience, the ESG guidelines and the rules underpinning the guidelines. If need be, ambiguous transactions or their potential effects are passed to the Reputation Committee for further evaluation.

Deutsche Hypo has set up a reputation committee to optimally manage reputation risks in the field of real estate finance. The committee is convened on the occurrence of information that is potentially relevant in reputation terms that may result, or already has resulted, in a not insignificant commercial loss and/or a loss of the Bank's reputation. Alongside a Compliance Officer, the reputation committee is made up of the heads of HR and Legal, Credit Risk Management, Communication and Board Staff as well as the departmental head of the Market Division affected in the specific case.

## Policies for Deutsche Hypo

### Business activities

With this guideline Deutsche Hypo complies with the three principles of the UN Global Compact to take account of environmental aspects in its business activities. The direct ecological impact of Deutsche Hypo's business activities is recorded, evaluated and managed by the Bank's operational environmental management.

### Human rights and labour standards

This guideline enables Deutsche Hypo to comply with the six principles of the UN Global Compact to take account of human rights and labour. Applying this enables Deutsche Hypo:

- to take account of the significance of human rights requirements for employees, market partners and society in its business activities,
- to give employees and market partners an orientation in terms of potential human rights violations,
- To further develop processes to create transparency, for evaluation and analysis and monitoring and
- To ensure that human rights aspects are considered in complaints management.

The application of the guideline has a supporting role in the operative implementation of the ethical principles. Additionally, the guideline supplements established framework guidelines such as the finance policy for controversial business areas.

### Taxes at Deutsche Hypo

The "Taxes at Deutsche Hypo" policy is a commitment to comply with the obligation to establish adequate processes and controls to ensure that fiscal requirements are adhered to, and to promote the Bank's social reputation and to consolidate its relationships with government agencies, tax authorities and its customers.

### Responsible marketing

Deutsche Hypo's policy on responsible marketing integrates sustainability into its marketing activities. It takes it lead from among other things the ICC Consolidated Code of Advertising and Marketing Communications Practice published by the International Chamber of Commerce (ICC).

### Real estate financing

As a Pfandbrief and real estate bank, Deutsche Hypo is mindful of its responsibility to support its customers in constructing or acquiring and subsequently operating real estate, as well as the role that ecological and social criteria play in protecting the intrinsic value of real estate. In order to meet this responsibility and consequently reduce financing risks, this guidance defines how sustainability aspects are taken into account in its core business of commercial real estate finance. As of April 2019, this policy has been expanded with the rules around the issue of "green loans".

**Financing policies regarding controversial areas of business**

The policy governs or prevents the cultivation of business relationships with companies from the arms industry and companies that produce pornography. Finance connected to the arms industry is subject to strict conditions. The arms and defence industry is not a core business area of Deutsche Hypo. Business relationships with companies that produce and deal in pornography as well as companies with close links to this sector are banned.

The ESG guidelines for industries and banking sectors are always developed in conjunction with employees from the departments. Sensitisation measures to the ESG guidelines have been performed in the relevant areas. The processes are developed further and adapted to current developments in the course of an annual quality review.



# DEUTSCHE HYPO AS AN EMPLOYER

An increasingly complex regulatory environment and ever more rapid changes to markets and the financial sector have an impact on Deutsche Hypo. In conjunction with further drivers of change such as demographic changes and digitalisation, the HR policy faces particular challenges in managing the increasing requirements on its workforce.

The job market in Germany with its fundamental demographic challenges was again an employees' market in 2018. The shortage of specialist staff and executives, especially in the IT sector, continued in 2018. 2018 also saw the "war for talents" remain a significant challenge for Deutsche Hypo. As a reliable, modern employer, Deutsche Hypo's HR policy pursues the goal of supporting and advancing the employees who work here. This involves offering them varied tasks as well as attractive social benefits. The employees hold the international yet collegiate working environment in high regard. In the reporting year, the fundamental challenge for the staff remained reconciling the ambitious triad of the Bank's fixed income goals, the necessary cost discipline and also the constantly increasing regulatory requirements day by day. In 2018 the Bank succeeded in doing so with ideas, impetus and active contributions for the further development of the organisation by the colleagues who work here.

The HR function creates the framework of instruments, offers and products that are crucial for modern HR development. The Bank believes that this approach promotes employees' individual responsibility, enhances the role of each manager as an "on-site HR developer" and ultimately clears the way to the Bank's successful and future-proof development. After all, everything that Deutsche Hypo offers its customers emanates from the people who work here.

## Human resources strategy

The foundation of Deutsche Hypo's actions in the HR field is an HR strategy that is derived from the business strategy/risk strategy. The focal point is the management of:

- Headcount, i.e. value-added allocation of available resources and capacities and safeguarding and creating jobs;
- HR costs, i.e. guaranteeing brand-orientated and performance-related remuneration via a strategic remuneration model;
- HR quality, i.e. increasing motivation and performance by promoting clarity regarding tasks, skills and responsibility;
- Change management, i.e. empowering the employees to embrace change.

## Headcount, hires and staff turnover

At the end of 2018, Deutsche Hypo employed 433 staff (compared with the same number of 433 in 2017). The mix of women and men within the Bank is relatively balanced and is within a range that has been stable for years with low levels of fluctuation (proportion of women on the staff: 44.3 per cent (2017: 44.6 per cent)).

The key locations of Deutsche Hypo are in the Federal Republic of Germany (93.6 per cent). The remaining employees work in the European target markets of the Netherlands, France, Spain, UK and Poland.

Most Deutsche Hypo staff are on permanent contracts. Seasonal fluctuations do not occur due to the type of activity. Temporary workers are only used at Deutsche Hypo in exceptional cases to bridge capacity gaps in special situations. These may include avoiding overtime on large projects as well as cover for parental or sick leave.

#### Total workforce according to type of employment, employment contract and gender

|  | 2018 | 2017 | 2016 |
|--|------|------|------|
| <b>Company employees (total)</b>               | 433  | 433  | 408  |
| <b>Salaries employees (total)</b>              | 429  | 428  | 406  |
| of which male employees                        | 241  | 240  | 226  |
| of which female employees                      | 188  | 188  | 180  |
| <b>Salaried full-time employees</b>            | 332  | 333  | 317  |
| of which male employees                        | 224  | 225  | 213  |
| of which female employees                      | 108  | 108  | 104  |
| <b>Salaried part-time employees</b>            | 97   | 95   | 89   |
| of which male employees                        | 17   | 15   | 13   |
| of which female employees                      | 80   | 80   | 76   |
| <b>Temporary contract employees (total)</b>    | 4    | 5    | 2    |
| of which male employees                        | 0    | 0    | 0    |
| of which female employees                      | 4    | 5    | 2    |
| <b>Temporary contract employees, full-time</b> | 4    | 4    | 1    |
| of which male employees                        | 0    | 0    | 0    |
| of which female employees                      | 4    | 4    | 1    |
| <b>Temporary contract employees, part-time</b> | 0    | 1    | 1    |
| of which male employees                        | 0    | 0    | 0    |
| of which female employees                      | 0    | 1    | 1    |
| <b>Apprentices and trainees</b>                | 3*)  | 7*)  | 12   |
| of which male employees                        | 1    | 1    | 4    |
| of which female employees                      | 2    | 6    | 8    |
| <b>Workforce by region</b>                     |      |      |      |
| Germany  | 399  | 402  | 382  |
| Europe   | 34   | 31   | 26   |

\*) As a result of the modified joint training venture with NORD/LB, the trainees who started their training in 2017 and 2018 for a uniform cooperation across the Group along with the NORD/LB trainees and are therefore no longer included at the level of Deutsche Hypo.

Z: 202-2

Deutsche Hypo usually recruits across Germany. The overseas locations recruit their staff at all hierarchical levels within their regional recruitment markets after the job in question is advertised internally.

## Hires by gender, age structure and region

|                        | Hires  |             |
|------------------------|--------|-------------|
|                        | Number | in per cent |
| <b>Gender</b>          |        |             |
| Male employees         | 12     | 2.7         |
| Female employees       | 11     | 2.5         |
| <b>Age structure</b>   |        |             |
| Employees 30 and under | 7      | 1.6         |
| Employees 31 to 50     | 13     | 3.0         |
| Employees 51 and over  | 3      | 0.6         |
| <b>Region</b>          |        |             |
| Germany                | 23     | 5.2         |
| Europe                 | 0      | 0.0         |

## Hires by gender, age structure and region

|                        | Leaves |             |
|------------------------|--------|-------------|
|                        | Number | in per cent |
| <b>Gender</b>          |        |             |
| Male employees         | 11     | 2.5         |
| Female employees       | 11     | 2.5         |
| <b>Age structure</b>   |        |             |
| Employees 30 and under | 4      | 0.8         |
| Employees 31 to 50     | 9      | 2.1         |
| Employees 51 and over  | 9      | 2.1         |
| <b>Region</b>          |        |             |
| Germany                | 19     | 4.4         |
| Europe                 | 3      | 0.6         |

## Remuneration

“Remuneration policy” was identified as a material topic in the materiality assessment.

Management approach: remuneration policy

A central issue for banks is their remuneration policy. In this context they are required to report transparently about the basis of the bonus payments of the Board of Managing Directors and the senior executives. Part of this process is a holistic consultation. The decisions on remuneration are also taken in the sense that they are a valuable investment in employee potential, including in terms of the Bank's strategic orientation. Ultimately, Deutsche Hypo's attractive and competitive remuneration system ensures employee recruitment and loyalty. The remuneration system supports the corporate culture by translating the corporate values of performance, responsibility, trust and sustainability defined in Deutsche Hypo's mission statement into the remuneration strategy and instruments. The topic also has an impact internally on the Board of Managing Directors, the employees and the HR department, as well as externally and is especially important for society, customers and employees.

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Management approach: remuneration policy

Die Deutsche Hypo ist ein bedeutendes Institut im Sinne der Institutsvergütungsverordnung. Das Vergütungssystem der Bank unterliegt damit besonderen Anforderungen. Die Deutsche Hypo ist weiter zur Offenlegung gem. § 16 Institutsvergütungsverordnung in Verbindung mit Artikel 450 der Verordnung (EU) Nr. 575/2013 verpflichtet und erstellt jährlich einen Vergütungsbericht.

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## 103-3 Management approach: remuneration policy

The remuneration system of Deutsche Hypo follows and supports the company's business strategy and risk strategy. Its objectives are sustainability and continuity in order to promote responsible and risk-conscious behaviour on the part of employees and to ensure sustainable business success. The remuneration system is also designed to ensure appropriate staffing in qualitative and quantitative terms and – in line with the Group remuneration strategy – to improve our attractiveness as an employer.

102-41 The basis of remuneration for pay-scale employees at Deutsche Hypo is the collective bargaining agreement for the private banking industry and public banks. Besides fixed remuneration in twelve equal parts, employees under the collective bargaining agreement receive a special bonus equal to an additional month's salary. Non-tariff employees receive a fixed annual salary, in twelve equal parts.

102-36 All positions are graded based on the role and not the holder, meaning that minimum remuneration standard for the sector is guaranteed regardless of race, ethnic origin, gender, religion or world view, disabilities, age and sexual orientation, which is based on the employees' qualification, range of tasks and functions as well as their professional experience.

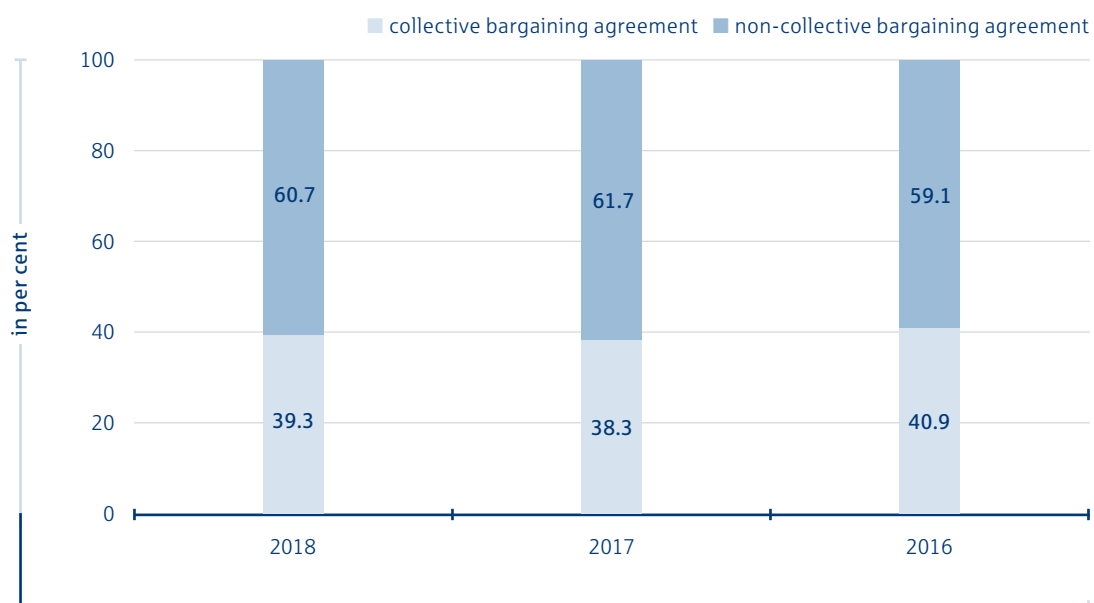
The variable salary is determined for all employees in a transparent process set down by the Bank and Works Council. The variable remuneration is limited to 100 per cent of the fixed remuneration.

Permanent employees of Deutsche Hypo are entitled to the applicable occupational pension scheme. Deutsche Hypo also offers comprehensive social benefits, such as capital accumulation benefits, continued salary payment in the event of sickness, special leave for special events, wedding and birth allowances, subsidised lunch, subsidised use of public transport, subsidised participation in external sports events or Group accident insurance.

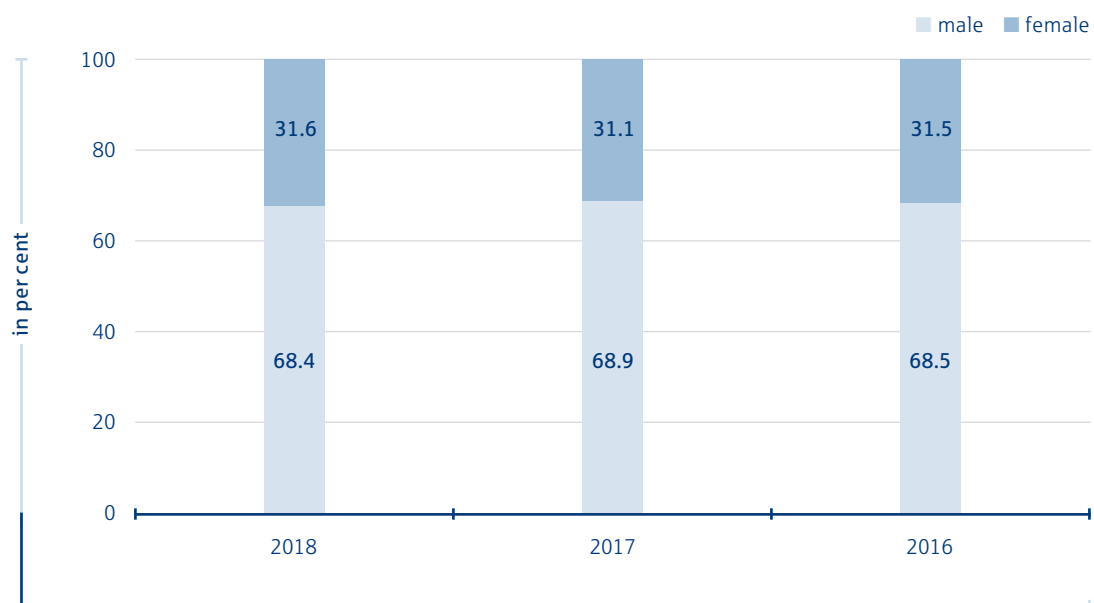
The remuneration of the Supervisory Board is set by the Annual General Meeting. This is a fixed salary, the level of which varies depending for instance on whether the member has taken on management functions in the Supervisory Board or sits on committees. The remuneration of members of the Board of Managing Directors comprises a fixed annual salary and variable remuneration. The Supervisory Board decides the level of the variable component based on the targets and the results achieved. This reflects the success of the bank, the success of the division for which they are responsible and their individual success taking into account the risks taken. Part of the variable remuneration is paid over a period of five years in accordance with the Institute Remuneration Act.

For its part, the Board of Managing Directors is responsible for the adequate structuring of the remuneration systems of the reporting levels below the Board of Managing Directors. As contractual employees of Deutsche Hypo, executive remuneration is not governed by the collective agreement. The remuneration usually comprises a fixed annual salary and variable remuneration. The variable remuneration may not exceed the fixed amount. "Risk takers", which definition also covers the members of the senior executive levels, are subject to special rules regarding payments. Depending on the position, tasks, activities and the level of variable remuneration and the risks, up to 60 per cent of the variable remuneration is paid over a period of up to five years. The payment is results-, performance- and risk-based and also linked to the Bank's long-term performance. More information on this is published annually on the website in the Remuneration Report. The Remuneration Report is generally published at the start of the third quarter of the following year.

### Overview of proportion of employees subject to a collective bargaining agreement and not subject to a collective bargaining agreement

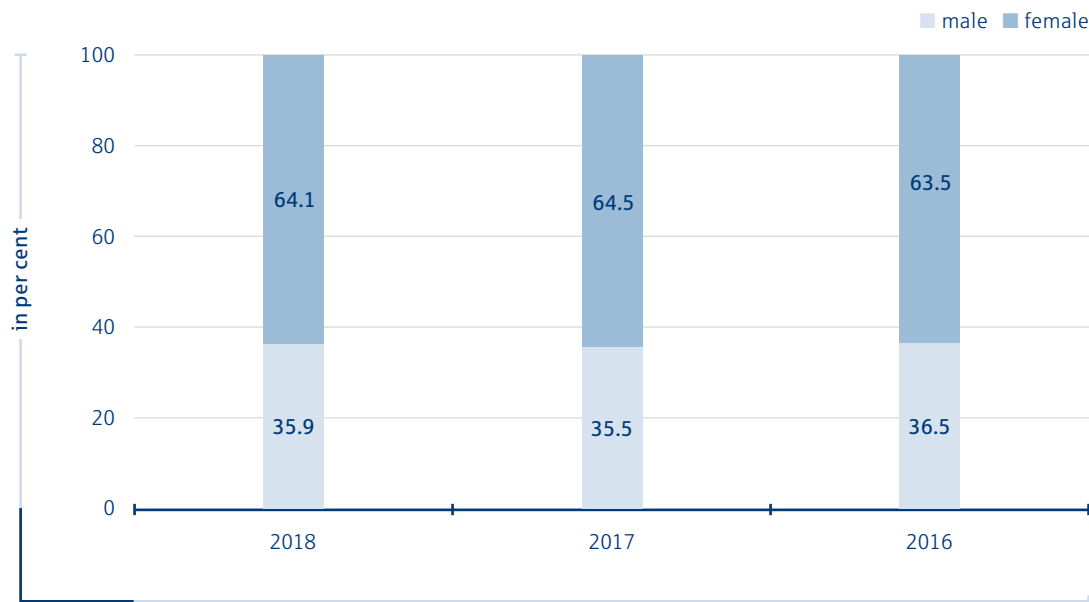


### Overview of employees not subject to collective bargaining agreement by gender





### Overview of employees subject to collective bargaining agreement by gender



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Almost all company social benefits such as healthcare, parental leave and pensions are available both to permanent full-time employees as well as part-time and fixed-term staff.

## Annual performance appraisal and assessment

As part of the annual meetings, all executives and employees undergo a performance and skills assessment in conjunction with a development dialogue and development plan. The development dialogue and development plan support the targeted exchange of ideas between executives and employees about the employees' strengths, areas for development, and next development steps to be taken.

## Representation of interests

Deutsche Hypo complies with all legal requirements of the countries in which the Bank is commercially active. In the Federal Republic of Germany, for example, this relates to measures under employment and co-determination law. The employees' representatives are notified of any operative changes at an early stage. This includes in particular the obligation to notify the Works Council comprehensively and promptly of intended measures in accordance with the provisions of the German Works Council Constitution Act (Betriebsverfassungsgesetz) so that it may perform its tasks. At Deutsche Hypo, corporate co-determination has traditionally enjoyed a high status. The Works Council and the Board of Managing Directors enjoy regular and trust-based interaction. The Works Council also represents those members of staff who are not covered by the collective agreement.

Employees are regularly notified about important topics, for example in the form of employee information on the intranet or by email. It is intended that employees who do not have access to emails at the Bank will be notified by their particular line manager.

All employees at Deutsche Hypo have the opportunity and the right to organise themselves in trade unions. Employees also receive strike pay. All employees also have the right to freedom of assembly. Works meetings also provide employees with regular and comprehensive information. Participation in works meetings is counted as working time. Additionally, the Works Council regularly provides information to the employees via information letters.

## Diversity and equal opportunities

“Diversity and equal opportunities” were identified as material topics in the materiality assessment.

Management approach: diversity and equal opportunities

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The topic of diversity and equality of opportunity acknowledges the heterogeneity of the staff and uses this diversity for the benefit of the company and all stakeholders. “Otherness” and “being different” are not merely tolerated, but rather welcomed and emphasised as a valuable addition that demands respect. Utilising and advancing all of our employees’ facets goes hand in hand with acknowledging a wide range of opportunities and including a wide range of experiences and ways of thinking. Diversity and equality of opportunity represent a valuable economic and competitive factor for a company if the mix of skills and abilities of various employee groups is deliberately taken advantage of. This includes the core dimensions (such as age, gender, religious affiliation) as well as personality traits (for instance skills, emotions, attitudes), the origin and type of socialisation as well as place in the hierarchy within the company.

Management approach: diversity and equal opportunities

103-2

Deutsche Hypo’s approach to its work around diversity is thus holistic and integrative, meaning that the desire to treat and promote the staff fairly and properly is linked to active management of differences, cultural backgrounds and practical experiences for the benefit of the company.

Management approach: diversity and equal opportunities

103-3  
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The Bank’s fundamental values are the defining principles for its approach to diversity management. With its ethical principles and as a signatory to the Charter of Diversity, Deutsche Hypo affirms that it does not tolerate any discrimination or harassment, whether on grounds of gender, age, disability, ethnic background, religion and world-view, sexual identity or political outlook or trade-union activity. Deutsche Hypo acts in a protective role for its staff in this respect. Any breach of this principle may result in disciplinary action, including dismissal. Any unfair treatment may be referred to a grievance body. No cases of discrimination were identified for 2018.

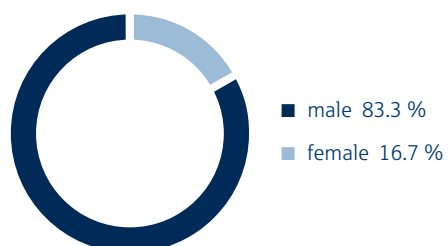
Deutsche Hypo is expressly committed to diversity and equality of opportunity. Diversity management also feeds into the corporate culture. The diversity of our employees is part of our company identity. Mutual respect is a fundamental aspect of the set of values underpinning cooperation in the Bank and in the Group. The conduct of our employees – and thus of our company – is guided by mutual respect, openness, honesty and a common understanding of trust-based partnership. By acting in this way, Deutsche Hypo also seeks to contribute to acceptance and openness within society.

The Bank's diversity work focuses on the benefits of heterogeneity in the Bank in the positive sense, i.e. different perspectives, experiences, approaches and also values for the benefit of the company. This also means that all employees have good prospects and opportunities for development. Additionally, the potential of women is promoted by means of targeted measures, for example via targets for the proportion of women in executive positions and a target quota of women as a framework at the recruitment stage. To support and protect disabled people, people at risk of disability and seriously disabled people, persons of trust and representatives of seriously disabled persons are selected. In 2018 the proportion of persons with disabilities at Deutsche Hypo was 3.5 per cent (2017: 4.2 per cent).

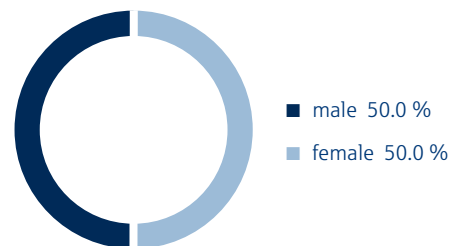
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The diversity figures of Deutsche Hypo – for instance the number of women on the staff at 44.3 per cent (2017: 44.6 per cent), of women in executive positions at 14.8 per cent (2017: 15.0 per cent) and 16.6 per cent (2017: 16.6 per cent) for female members of the Supervisory Board – are within a range that has been stable for many years with low fluctuation. In terms of members of the Board of Managing Directors, the proportion of women in 2018 rose to 50.0 per cent (2017: 33.3 per cent). In 2018 the staff included employees from ten nations (2017: nine nations).

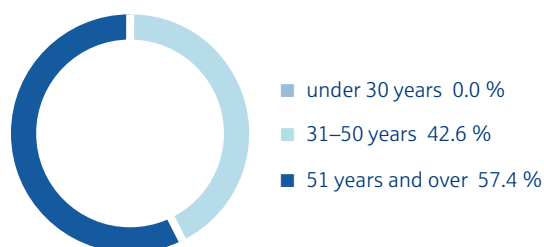
Supervisory Board by gender



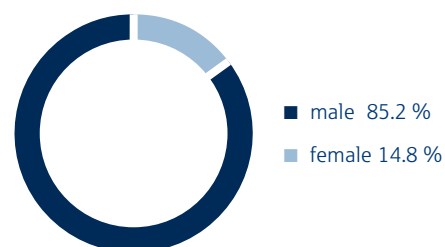
Members of Board of Managing Directors by gender



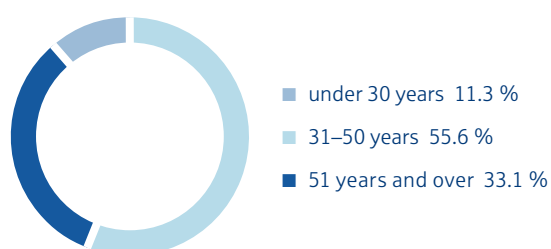
Age structure of managers



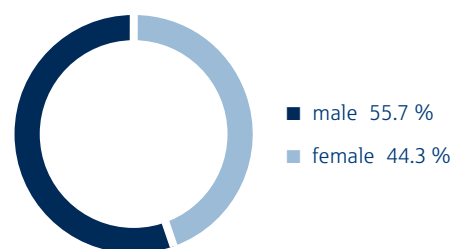
Managers by gender



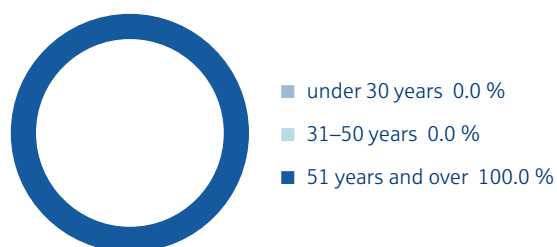
Age structure of employees



Employees (total by gender)



Age structure of Members of Board of Managing Directors



## Training and development

"Training and development" were identified as material topics in the materiality assessment.

### 103-1 Management approach: training and development

Skilled, committed and entrepreneurially minded employees are a key factor for Deutsche Hypo's success. In this context, the Bank needs to tackle current challenges – regulatory environment, changes in the employer market, digitalisation, shortage of skilled workers and executives and demographic change. To remain competitive, consistent succession planning and also further training of the staff are especially important. From a broader social perspective, ultimately both the training of new hires and also the provision of adequate further education offers for the staff are key aspects of training and economic policy that have an impact beyond Deutsche Hypo's business area. The issue thus has an effect both internally and externally on individuals and society, regionally and across the whole of Germany.

### Training

### 103-2 Management approach: training and development

In fiscal year 2018, Deutsche Hypo also provided training in the classic occupation of bank clerk. Additionally, this offer was enhanced with the international Bachelor of Arts (B.A.) and the Bachelor of Science (B.Sc.) courses of study, which are offered in cooperation with the Leibniz FH School of Business. The Bank had 14 trainees and work-study students in the reporting year. As a result of the modified joint training venture with the NORD/LB, the trainees who started their training in 2017 and 2018 form a uniform cohort across the Group along with the NORD/LB trainees. Additionally, the joint training venture in the Group gave trainees of NORD/LB the opportunity to work in real estate banking at Deutsche Hypo in Hanover. Conversely, trainees from Deutsche Hypo were able to sit in on different departments at NORD/LB. Further, our trainees availed themselves of the Group's wide offer of examination preparations and seminars.

Deutsche Hypo also gives interested students the chance to complete internships at Deutsche Hypo, providing them with their first insight into the workings of a real estate and Pfandbrief bank. In the year under review, a total of 17 internships were offered.

Since 2017 Deutsche Hypo has also been involved in a close partnership with HAWK (Hochschule für angewandte Wissenschaft und Kunst Hildesheim/Holzminden/Göttingen), Faculty of Management, Social Work, Construction at the Holzminden site. The HAWK students all have strong expertise in real estate matters as a result of their specific course of study, creating optimum conditions for collaborations for dissertations or internships.

### Further education

### Z: 404-2 103-2 Management approach: training and development

An HR policy that revolves around potential makes a key contribution to ensuring that Deutsche Hypo is future-proof. Guiding the quality of the workforce, i.e. adopting a needs-driven approach to HR development that enables the staff to embrace the necessary change and increases their willingness to perform and lead was again a key driver of the Bank's HR development policy in 2018.

In 2018, synergies within the Group were again exploited to generate added value within HR development at Deutsche Hypo. The basis of this was the introduction of the NORD/LB Group's competence model that was adapted to the special features of Deutsche Hypo. An individual assessment centre was

set up as a standard selection instrument for executives. The assessment criteria adjusted to the competence model were used for the first time for the reporting year. Additionally, the seminar programme was expanded further with a focus on the competences under the competence model.

A further focal point for personnel development in 2018 was the systematic qualification of specific target groups. The “Basic Program for Real Estate Financing” and “Qualification Program for Project Management” development series launched in 2017 were continued in the reporting year and successfully concluded. At the conceptual level an approach to the advancement of high-potential employees was developed in 2018 that will be implemented for the first time in the annual reviews at the start of 2019. Additionally, a concept for promoting Digital Competence at the Bank as well as “New Leadership” has been developed in conjunction with the various groups of people at the Bank who are involved with issues around digitalisation or agile working, and will also be implemented in 2019.

#### Management approach: training and development

103-3

In addition to training courses, seminars, and numerous development measures in day-to-day operations, part-time study plays a key role in personnel development at Deutsche Hypo. It is for this reason that the Bank supports employees who are studying specialised or bank-related subjects part time. In 2018 a total of 14 employees (previous year: 15) attended part-time professional training activities funded by the Bank, such as master's degree programmes or subject-specific advanced training.

In 2018 in Germany a total of three colleagues took up management positions for the first time or moved into a more senior leadership role. These people are qualified through the corresponding development programs of NORD/LB. Additionally, Deutsche Hypo supplemented these measures with need-focused further training and a seminar programme for all executives. In 2018 training courses were held for example on the introduction the psychological risk assessment and health-related issues.

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## Seminar attendance

|   | 2018*) | 2017   | 2016   |
|---|--------|--------|--------|
| <b>Management (in work days)</b>                  | 203    | 145    | 136    |
| of which male employees                           | 197    | 124    | 122    |
| of which female employees                         | 6      | 21     | 14     |
| <b>Employees (in work days)</b>                   | 814    | 771    | 596    |
| of which male employees                           | 412    | 376    | 312    |
| of which female employees                         | 402    | 394    | 248    |
| <b>Average work days</b>                          | 2.3    | 2.0    | 1.8    |
| <b>Percentage of training days for management</b> | 20.0 % | 15.8 % | 18.6 % |
| <b>Percentage of training days for employees</b>  | 80.0 % | 84.2 % | 81.4 % |
| <b>Number of hours for management</b>             | 1,583  | 1,131  | 1,061  |
| <b>Number of ours for employees</b>               | 6,349  | 6,014  | 4,649  |
| <b>Average number of hours for management</b>     | 25.9   | 18.9   | 18.3   |
| of which male employees                           | 29.6   | 19.0   | 18.3   |
| of which female employees                         | 5.3    | 18.2   | 18.2   |
| <b>Average number of hours for employees</b>      | 17.1   | 16.1   | 14.0   |
| of which male employees                           | 17.0   | 14.8   | 15.0   |
| of which female employees                         | 17.1   | 17.5   | 11.3   |

\*) In contrast to the 2016 and 2017 financial years, free further training measures have also been included in this overview at Deutsche Hypo since the financial year 2018.

The training offers are available to all employees, regardless of any factors (such as age, gender, working time model, pay scale group, temporary/permanent contract).

## Work/life balance

"Work/life balance" was identified as a material topic in the materiality assessment.

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Management approach: work/life balance

Employees' time away from the workplace is now inseparably linked to the world of work. In order to actively practise diversity and equality of opportunity, employers need to create suitable conditions in order to integrate employees' different lifestyles into working life. Work/life balance is a key topic when selecting an employer for employees of Deutsche Hypo as well as external applicants and interested parties; surveys of graduates also confirm this. Ultimately, a work/life balance also has an influence on workplace health management and supports employees' productivity. Corresponding measures thus represent a key economic factor for Deutsche Hypo and have both an internal impact (employees, HR department) and an external one (society, potential applicants). They are especially important for employees and their families as well as society.

2018 saw a reorientation of the work-life and the Bank's offers focusing on health. The aim was to replace existing measures with offers that benefit many more employees than before. This has resulted for example in a renegotiation of the Company Agreement to 'Promote the Combination of Family and Work'. Instead of the nursery places that only benefit very few employees, the new company agreement to 'Promote the Combination of Family and Work' that takes effect on 1 February 2019 covers the emergency childcare offer "Fluxx" from the city and region of Hanover, a holiday childcare offer supported by the Bank for children of school age up to 12, and advice and mediation services on issues relating to private life such as children, caring for family members and looking for household help.



The result of digitisation and increasing technological progress are changing opportunities and conditions in the working environment. Since 2013 the Bank has been offering a group of people defined in more detail in the corresponding works agreement the opportunity to do some of their work from home via alternating teleworking. Initial experience with this first step towards mobile working has been positive. Because technical progress has quickly picked up speed, it was decided to go one step further in the reporting year and to roll out mobile working to all employees from 2019 onwards. The aim is to increase individual flexibility and the compatibility of family and work.

## Occupational safety and health protection

“Occupational safety and health protection” were identified as material topics in the materiality assessment.

Management approach: occupational safety and health protection

Health and safety in the workplace guarantee employees’ right to bodily integrity; and employees are a company’s most important asset. Only with effective, well-qualified, motivated and above all healthy employees can companies secure their long-term success. The world of work is in constant flux. High pressures to change and increasing flexibilisation are having an ever stronger effect on employees. The consequences of overwork can include reduced performance and illnesses such as high blood pressure, depression and back, shoulder and neck pain, and associated sick days. This has a direct impact on a company’s economic resilience and market success.

There is also an interplay between operative working conditions and the staff’s performance which can be managed by the optimisation of working conditions on the one hand and strengthening human resources on the other. As well as meeting statutory requirements, health management is a worthwhile investment in the health and effectiveness of the employees from the perspective of the Board of Managing Directors. However, for Deutsche Hypo employee health is not just an operational value-creating factor for economic success, but rather employee health and consequently also the management of workplace health are also a key social and societal issue for the Bank. In the first instance, all employees benefit from such measures. Low sickness levels also facilitate social life, work/life balance and also takes the pressure off social systems. The issue therefore has an internal and an external impact. It is relevant both to Deutsche Hypo and potential applicants and society as a whole, and highly significant for employees.

### Workplace health management

Management approach: occupational safety and health protection

The focus of workplace health management is on promoting personal and company health potential. Workplace health management complements classical health and safety in the workplace by developing health-promoting company objectives, corresponding management behaviour and other health resources in order to embed these in the Bank’s structures. This may be to do with changes in the organisation of work (organisation of structures and processes), the restructuring of tasks or an improvement in communication structures.

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## 103-2 Management approach: occupational safety and health protection

A targeted improvement of working conditions and the organisation of work at Deutsche Hypo can improve employees' effectiveness and solve or reduce health issues.

The quality of employees' work improves thanks to:

- fewer health complaints
- increased well-being and increasing quality of life
- healthier conduct in the company
- improved working climate

Benefits to the Bank arise thanks to:

- increased productivity
- reduction of sickness levels
- increased satisfaction in the workplace
- improved company communication
- boost to the company's image

Successful health promotion is characterised by meeting or implementing the following partial goals:

- Health is regarded as a key criterion in structuring and organising work
- Deutsche Hypo systematically and comprehensively analyses health risks and burdens
- Employees and managers have a high awareness of health matters and actively participate in improving their working conditions and removing detrimental factors

The active cooperation of employees is just as important for successful workplace health management as is the credible commitment of management and the Works Council. The Bank expects that its management will continuously motivate and sensitise its employees such that the employees see the workplace health management measures and instruments as a benefit to themselves and take advantage of them in a targeted and purposeful manner.

The offers of health management at Deutsche Hypo comprise both proactive and preventative support instruments, such as

- annual flu jabs
- mindfulness courses
- relaxation exercises in the lunchbreak
- company sport groups (e.g. football, running, bowling, dragon boat, swimming)
- health day on the topic of "back fitness"

The focus of the benefits of workplace health management in 2018 remained on increased sensitisation, training and qualification of the managers via counselling services. With its concept for psychological risk assessment, Deutsche Hypo will boost its status as a responsible employer as required by law.

## Safety in the workplace

In Germany the Occupational Safety Act (ASiG), the Working Conditions Act (ArbSchG) and the Accident Prevention Regulation (DGUV) govern issues around health and safety in the workplace. The topic of health and safety in the workplace is now influenced to a large extent by European legislation. Harmonised minimum standards for health and safety in the workplace apply across the member states of the EU. This level of protection thus also extends to service providers and suppliers.

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Management approach: occupational safety and health protection

As employees of a financial services company, the employees of Deutsche Hypo do not engage in any activities that are categorised as particularly dangerous or harmful to health. Local circumstances are reviewed using risk assessments. Additionally, any anomalies – such as clusters of accidents at certain points or the suspicion of work-related causes of accidents – are reviewed by the health and safety expert and the company physician, for instance by a physical inspection. Measures will be initiated if necessary.

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One challenge to health and safety in the workplace that also occurs in other sectors is the increase in psychological conditions and muscular-skeletal complaints. In the event of workplace-related or psycho-social problems, all employees can consult a neutral external social counselling service.

The Workplace Safety Committee (ASA) of Deutsche Hypo is responsible for all questions related to health and safety in the workplace and the prevention of accidents. The ASA represents the interests of the Bank's employees. It meets at least four times a year and is composed as follows in accordance with statutory requirements:

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- one officer representing the employer or company
- two members of the Works Council
- one company physician
- one health and safety specialist
- disabled people's representative
- two safety officers

Additionally, representatives of the divisions Safety and Compliance, IT and Organisation and HR and Legal sit on the ASA. The remit of the ASA covers for instance:

- matters related to health and safety in the workplace and accident prevention,
- development of campaigns and initiatives on selected topics,
- consideration of current insights from the media on potential health risks,
- merging the different viewpoints of all interest groups

All topics relating to health and safety in the workplace at Deutsche Hypo are agreed formally with the Works Council. In addition to the statutory requirements on health and safety in the workplace and occupational health, Deutsche Hypo offers its employees a range of counselling services, which are also available to all staff. Further, company physicians advise on optimum workplace design and preventive measures to avert posture and visual problems. Ergonomics is taken into account when purchasing furniture and IT devices. Additionally, several Group locations have early defibrillators.

The Bank's workplace integration management seeks to support employees with long-term or chronic illnesses by means of individual measures. Statutory and additional measures apply to all employees.

103-3 Management approach: occupational safety and health protection

In 2018 the sickness rate at Deutsche Hypo was down slightly at 4.4 per cent (2017: 4.5 per cent). Over the last three reporting years there have been no workplace accidents at Deutsche Hypo. The accident report is the rulebook for workplace accidents. No regional anomalies were identified, and there have never been any workplace accidents resulting in death.

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403-2

#### Overview of sick days and accidents at work

|  | 2018   | 2017    | 2016   |
|--|--------|---------|--------|
| Accidents at work (number)                                 | 0      | 0       | 0      |
| of which male employees                                    | 0      | 0       | 0      |
| of which female employees                                  | 0      | 0       | 0      |
| Accidents at work (work days)                              | 0      | 0       | 0      |
| of which male employees                                    | 0      | 0       | 0      |
| of which female employees                                  | 0      | 0       | 0      |
| Deaths resulting from accidents at work                    | 0      | 0       | 0      |
| Sick days (work days)                                      | 4,353  | 4,509   | 3,200  |
| of which male employees                                    | 2,154  | 1,897   | 1,351  |
| of which female employees                                  | 2,199  | 2,612   | 1,849  |
| Target work days (work days)                               | 97,770 | 100,185 | 96,656 |
| of which male employees                                    | 57,909 | 58,248  | 55,885 |
| of which female employees                                  | 39,861 | 41,937  | 40,771 |
| Percentage of accidents at work to number of staff         | 0.0 %  | 0.0 %   | 0.0 %  |
| Percentage of accidents at work to sick days               | 0.0 %  | 0.0 %   | 0.0 %  |
| Percentage of accidents at work to target work days        | 0.0 %  | 0.0 %   | 0.0 %  |
| Percentage of sick days to target work days (illness rate) | 4.4 %  | 4.5 %   | 3.3 %  |

#### First aiders and fire marshals

Deutsche Hypo is obliged by law to maintain a level of five per cent of first aiders and fire marshals when more than 20 employees are present. Deutsche Hypo meets the statutory requirements under § 10 Arb-SchG, § 26 DGUV-V1 "Principles of prevention" and § 23 (1) German Social Code VII (SGB VII).

#### External security personnel and security control centre

Security staff from a security service provider are used to secure the Bank building. The security staff are bound by the regional laws at the respective location. Only trained (regular and occasional) security staff are deployed.

# CUSTOMERS AND PRODUCTS

"Socio-ecological effects of the financing and investments" were identified as a material topic in the materiality assessment.

Management approach: socio-ecological effects of the financing and investments

103-1

When it comes to financial products, the law requires lending institutions to comply with comprehensive information and transparency obligations such as documenting meetings in meeting minutes, defining and classifying customers and products in risk classes, adhering to consultation that is tailored to the investor and investment as well as an overview of costs and charges. The Bank complies with these without exception.

Management approach: socio-ecological effects of the financing and investments

103-2

The securities issued by Deutsche Hypo are sold subject to the applicable laws, in Germany in accordance with the requirements of the Securities Prospectus Act (WpPG), i.e. all information the customer requires is available to the customer at the Bank and additionally published on the Internet. For Deutsche Hypo compliance with legal requirements has utmost significance. The Compliance team monitors conformity by way of procedural tests, and Internal Audit also has a monitoring function.

Management approach: socio-ecological effects of the financing and investments

103-3

For the reporting year no case of non-compliance with laws and regulations related to information regarding the labelling of products and services and the provision and use of products and services was notified to Deutsche Hypo.

## Customer satisfaction

The NORD/LB Group regularly conducts customer surveys to record and measure customer satisfaction. The aim of the satisfaction survey is to demonstrate both customers' satisfaction with the Bank, and also the potential risk of losing customers. This Group-wide survey provides concrete areas of action for Deutsche Hypo.

The survey method used by NORD/LB starts by defining uniform recording criteria. The data collected is then aggregated and adjusted on a comparable basis for the various business areas. In the study the customers surveyed at the level of business areas of the NORD/LB Group. The survey covers the areas of

- total customer satisfaction
- customer loyalty
- relationship officers
- quality of advice
- proactive approach
- brand/benchmarking
- product usage & product assessment

The survey results are transposed on to a scale of 0 to 100. NORD/LB has set a target of 80 index points as the minimum threshold to be achieved by it and its subsidiaries. In terms of benchmarking, NORD/LB uses the best-in-class methodology, i.e. the comparison with the best competitor.

In the last customer satisfaction survey conducted in 2016, Deutsche Hypo exceeded the target value of 80 index points. This good result reflects customers' overall satisfaction. At the same time, the survey also showed where there is room for improvement, and Deutsche Hypo has been working hard to remedy this since that time.

## Commercial real estate finance

Deutsche Hypo provides commercial real estate finance in its core markets of Germany, Great Britain, France, Benelux, Spain and Poland. It is important to the Bank that its customers view their partnership with the Bank as a partnership of equals. With its finance above all in green building Deutsche Hypo is making an active contribution towards the real estate industry building a permanent and sustainable infrastructure. It is in keeping with how the Bank sees itself that it sets high quality standards in respect of financing and only enters into new business that promises to be successful.

Sustainability considerations are taken into account in real estate risk assessments. If a property is planned in a sustainable manner, the risk of for example vacancy is reduced. So that its core business can remain sustainable, the Bank assesses exposures in its risk management considering economic, building law and environmental considerations. The best possible finance solution is then drawn up in conjunction with the customer.

Since April 2019 Deutsche Hypo has been further expanding its green value creation chain with the introduction of the green loan. The focal point of the green loan is the financing of contemporary, future-proof and energy-efficient properties. At the same time, it also incentivises the sparing use of resources and sustainable and environmentally sound construction methods. The ability to access green loans for financing purposes is assessed using a scoring model developed in-house. Criteria used include energy consumption, certifications, distance to public transport, the building structure and soil sealing. The tenant structure is also analysed and properties with controversial main tenants are excluded. If the finance is ultimately deemed eligible for a green loan, corresponding incentivisation is performed via the margin structure.

In Deutsche Hypo the product range is updated continually. This is done among other things by monitoring the market intensively and considering customer needs. If new, innovative ideas or new target markets are identified, a comprehensive New Product Process (NPP) is started. Here sustainability considerations are also taken into account.

The Board of Managing Directors has also defined the topic of digitalisation as a focal area. Digitalisation presents enormous opportunities for optimising the Bank's processes and structuring communication to customers more rapidly and directly. In terms of future-proofing Deutsche Hypo, it is extremely important to grasp these opportunities and make corresponding preparations at an early stage. Some digitalisation initiatives are driven by regulatory requirements, while the aim of other initiatives is to increase efficiency or boost the Bank's image on the market.

## Capital market business

The business area of capital market business includes the securities, money markets and derivatives business with banks as well as funding. This business area also includes public sector finance business, a portfolio that the Bank has been reducing for some years now.

The Bank issues Pfandbriefe as well as uncovered loans. The issued Pfandbriefe satisfy all requirements of the German Pfandbrief Act (Pfandbriefgesetz). Senior Unsecured loans rank alongside other loans of this asset class (pari passu); this may also relate to small volumes (private placements) as well as issues in benchmark format.

In addition to liquidity management, Deutsche Hypo's securities lending business primarily covers investments in line with regulatory requirements (mainly liquidity buffer, provision of collateral to central banks etc.) as well as the management of Pfandbrief cover.

## Funding / Green Bond

Deutsche Hypo has already issued two green mortgage Pfandbriefe – on 17 November 2017 and on 3 September 2018. In doing so it was the second bank in Germany to successfully place a green Pfandbrief in benchmark format on the capital market. This landmark project resulted in Deutsche Hypo's acquisition of numerous new investors, many of whom are very focused on sustainability.

Deutsche Hypo identified green building finance projects in its mortgage portfolio and added a green sub-portfolio. The basis of this was the evaluation of energy certificates and sustainability certificates on the basis of Deutsche Hypo's green bond framework. The funds received are used exclusively for financing energy-efficient real estate. The adequacy of the entire process and the adherence to the green bond principles was confirmed in a "second party opinion" by oekom research. A comprehensive report has been published on the Deutsche Hypo website, enabling investors to analyse the portfolio development and calculate the CO<sub>2</sub> savings attributable to their investment.

Since 2018 the "green bond report" means that a document is regularly published on the Deutsche Hypo website that provides investors and other interested parties with comprehensive information about their investment and the underlying green buildings. Among other things, an impact report is also included in which the amount of carbon dioxide saved is calculated. In terms of the financing volume of green buildings with existing energy certificates, 5.5 tonnes of carbon dioxide per year are saved per million euros invested (as of November 2018).

CO<sub>2</sub>-Einsparung:



Total Savings in tCO<sub>2</sub>/p.a.:  
8,243.6 EnEV  
16,461.6 EU-Average



Thereof in Germany in tCO<sub>2</sub>/p.a.:  
6,173.9 EnEV  
11,250.4 EU-Average



Thereof in four-person-households:  
4,397 EnEV  
8,013 EU-Average



Savings per €mn in tCO<sub>2</sub>/(€ mn. \*p.a.):  
5,5 EnEV  
11,0 EU-Average



## Products and services with a social benefit

UNGC

Own indicator: products and services with ecological and social benefit

When calculating the monetary value of products and services with a social benefit, the direct and the indirect amounts that the core business generates for customers and society are taken into account. In the area of social sustainability, lending business with customers whose business activities are of a particular public interest are recorded. In accordance with the Bundesbank's industry code, the following industries have been identified at Deutsche Hypo:

- Real estate
- Healthcare
- Residential homes

The finance volume agreed by Deutsche Hypo in these industries was around € 11.3 billion (2017: € 12.0 billion) on the reference date of 31 December 2018.

## Products and services with an ecological benefit

UNGC

Own indicator: products and services with ecological and social benefit

As with the social benefit, the lending business with an ecological benefit at Deutsche Hypo was identified for the following industries:

- Waste disposal
- Mechanical and plant engineering

The finance volume agreed by Deutsche Hypo in these industries was around € 80 million (2017: € 80 million) on the reference date of 31 December 2018.

# DEUTSCHE HYPO'S COMMITMENT TO SOCIETY

Social commitment in the commercial context is a key issue for Deutsche Hypo. For a lending institution, the regional environment is not only a location, but also where its employees and many customers have their homes and live their lives, and not least is important for recruiting new talent. Additionally, the Bank procures many of the services it commissions from within the region.

Z: 201-1

Z: 203-1

Z: 413-1

For that reason, Deutsche Hypo focuses on the following areas in order to contribute to an attractive and liveable region:

- as a patron of the sciences
- as a supporter of social projects
- as a donor, sponsor and benefactor
- through the voluntary commitment of the employees

Deutsche Hypo's social commitment is based on the principles of stability, continuity and reliability, which is why the projects it facilitates are generally geared towards the long term. This means that the tenets such as the Compliance guidelines, the ethical principles and the rules for the responsible management of the company's affairs (Corporate Governance) are adhered to.

## Overview of donations

| in €                                   | 2018          | 2017          | 2016          |
|--|---------------|---------------|---------------|
| Social causes                          | 4,850         | 5,750         | 1,750         |
| Cultural causes                        | 60            | 510           | –             |
| Environmental causes                   | –             | 1,250         | –             |
| Sport                                  | –             | 250           | 250           |
| Research, business development science | 18,262        | 17,734        | 20,000        |
| Other (without focus)                  | –             | –             | –             |
| <b>Total</b>                           | <b>23,172</b> | <b>25,494</b> | <b>22,000</b> |

## Social causes

At the instigation of staff, the 'Christmas wish tree' project was established at Deutsche Hypo in 2010. This allows the Christmas wishes of children and young people from the "Güldene Sonne", an educational and therapeutic residential centre in Rehburg-Loccum not far from Hanover, to come true. Overall, bank employees spent around € 2,300 of their own money on around 100 gifts for children. Every year, the HAZ-Weihnachtshilfe initiative is supported. In 2018 the Bank's Christmas donation was split equally between the Kontaktladen Mecki, a contact point for homeless people run by the social arm of the Protestant church, and the Aegidiushaus auf der Bult, a respite centre for disabled children.

Z: 201-1

Z: 203-1

## Science and research

Deutsche Hypo focuses its support on improving health care in Germany and in particular on cancer research. For this purpose, on the occasion of Deutsche Hypo's 100th anniversary in 1972, the Johann Georg Zimmermann Prize, which is awarded jointly with the Hannover Medical School (MHH), was created. This year, the annual ceremony was held at the Hanover Medical School (MHH) on 11 February 2019.

Z: 201-1

Z: 203-1

The Johann Georg Zimmermann research prize 2018/2019, endowed with € 10,000 and aimed at young doctors in cancer research for their current scientific work, was awarded to PD Dr. Sebastian Kobold, senior physician in the department of clinical pharmacology at the university hospital of the Ludwig-Maximilians-Universität München. His research focus is tumour immunology and the development of immune therapies for treating tumour diseases. An important approach here was the deployment of genetically modified T cells and receptors developed in house to enable more effective deployment of immune cells against tumour cells.

The Johann Georg Zimmermann medal 2018/2019, endowed with € 2,500, was awarded to Professor Christa Fonatsch, emeritus professor and former director of the Institute for Human Genetics at the University of Vienna. She is a pioneer in tumour cytogenetics and her ground-breaking work has cast light on many chromosomal anomalies in leukaemia and solid human tumours. Professor Fonatsch has long-standing connections to the MHH. From 1973 she worked at the Institute for Human Genetics, where she also laid the foundation for the successes of her future tumour-cytogenetic working groups over the next ten years.

## Politics

102-13  
Z: 415-1

Deutsche Hypo is participating in the creation of a binding and transparent framework for the financial services sector in order to fulfil its economic and social responsibility. To that end, it is involved in a number of associations, including the Association of German Pfandbrief Banks (vdp), the German Property Federation (ZIA) and the Initiative Corporate Governance of the German Real Estate Industry (ICG). Deutsche Hypo does not make any donations to political parties or party-affiliated organisations.

# BANK OPERATIONS

“Emissions” was identified as a material topic in the materiality assessment.

Management approach: emissions

102-11  
103-1

In the face of a range of negative ecological trends – such as climate change, the increasing scarcity of water and resources, deforestation and threats to biodiversity – it is incumbent on companies and our society to play their part in protecting the natural environment. Mindful that tackling the negative issues of climate change is already one of the 21 century’s biggest social challenges, Deutsche Hypo is committed to protecting the environment. As a non-manufacturing company that operates in the financial services sector, the Bank assesses the risk of having a direct, significant involvement in irreversible environmental damage due to its own business activities as low.

Management approach: emissions

103-2

Deutsche Hypo offers workplaces for 433 employees in offices in Germany and abroad that are heated, possibly air-conditioned, supplied with water and that also need to be equipped with IT hardware and office furniture. Additionally, the activities of Deutsche Hypo require mobility in order to satisfy an important service of a financial services company: consultation with customers.

Deutsche Hypo has defined the protection of the environment as a material aspect of its sustainability strategy. The aim is to consistently improve its eco-efficiency by reducing resources, energy and emissions. At the same time, Deutsche Hypo currently regards the continual reduction of CO<sub>2</sub> emissions as a material aspect in the face of climate change.

The banking sector thrives on personal contact with its customers. For that reason, business trips are the largest factor in the transport sector. The employees of Deutsche Hypo are required not only to choose the most economical form of transport, but also to consider environmental aspects when planning and executing trips. The Travel Cost Guidelines state that train travel should generally be preferred over car use. A further objective is to limit flights and car trips to the necessary minimum by means of employee sensitisation and to further expand the use of technical alternatives such as telephone and video conferencing.

As the employer of 433 people, the daily commute is also a key area where emissions can be saved or avoided. For that reason, Deutsche Hypo enables its employees in Hanover to use season tickets for public transport for the daily commute. In 2018, around 70.0 per cent of the employees made use of this offer.

## IT equipment

The IT hardware used by Deutsche Hypo complies with the following standards:

### Monitors

- TCO standards
- EnergieStar 5.0 or EnergieStar 6.0
- REACH
- RoHS Directive 2002/95/EC
- RoHS2 Directive 2002/95/EC

### Printers

- Blauer Engel

## Energy and emissions

UNGC  
Z: 302-1  
Z: 302-2  
Z: 302-3  
Z: 302-4  
103-3

### Management approach: emissions

Employees of the Bank moved into the new building in which Deutsche Hypo is a tenant in November 2014. In 2015 the building was awarded the highest building evaluation in the form of a platinum certification by the DGNB. For example, the targets of the 2011 Energy Saving Regulation (Energieeinsparverordnung), the year in which the building was planned, were exceeded by 15 %. What is more, the building has high attainment levels especially in the criteria of ecological and economic quality. The offices were upgraded in accordance with contemporary, technical standards with a good cost-benefit ratio. The design of the offices seeks to ensure an optimum climate within the rooms – both in summer and winter. The cooling and heating system is managed centrally to make sure that the systems are not working against each other for reasons of energy and efficiency. There are also numerous measures in place to provide the employees with a pleasant working environment.

A fluctuating number of employees (reaching a maximum of up to 100 employees) work in the premises of NORD/LB, which occupies a surface area of 18 per cent (reduction to 15 per cent as of 1 April 2018) as a subtenant. The consumption of these employees is included in the consumption values.

### Direct energy consumption by primary energy provider

| in GJ                           | 2018         | 2017         | 2016         |
|---------------------------------|--------------|--------------|--------------|
| Petrol consumption for vehicles | 321          | 267          | 44           |
| Diesel consumption for vehicles | 1,319        | 1,528        | 1,603        |
| <b>Total</b>                    | <b>1,640</b> | <b>1,795</b> | <b>1,647</b> |

The mileage driven at Deutsche Hypo varies from year to year. Reasons for this include a fluctuating number of company cars and the expansion or reduction of sales activities. A lower number of cases in Special Credit Management means that the number of business trips fell in comparative terms in the reporting year.

### Indirect energy consumption by primary energy carrier

| in GJ            | 2018         | 2017         | 2016         |
|------------------|--------------|--------------|--------------|
| Electricity      | 3,121        | 3,093        | 3,070        |
| District heating | 1,721        | 1,609        | 1,724        |
| <b>Total</b>     | <b>4,842</b> | <b>4,702</b> | <b>4,794</b> |

The consumption values for electricity for office air-conditioning and community heating are highly dependent on the weather. Cold winters require more community heating, and hot summers require more electricity for air-conditioning – which was the case during the hot summer of 2018. Increasing digitalisation also increases electricity consumption due to higher computing power, more monitors and higher heat loads.

### Greenhouse gas emissions according to the Greenhouse Protocol methods

| in t CO <sub>2</sub>   | 2018       | 2017       | 2016       |
|--|------------|------------|------------|
| <b>Scope 1: Direct CO<sub>2</sub> emissions</b>                    |            |            |            |
| Petrol (company vehicles )   | 25         | 21         | 3          |
| Diesel (company vehicles)  | 100        | 115        | 122        |
| (Scope 1 total)  | 125        | 136        | 125        |
| <b>Scope 2: Indirect CO<sub>2</sub> emissions</b>                  |            |            |            |
| District heating   | 60         | 37         | 40         |
| Electricity  | -          | -          | 246        |
| (Scope 2 total)  | 60         | 37         | 286        |
| <b>Scope 3: Indirect CO<sub>2</sub> emissions by third parties</b> |            |            |            |
| Electricity  | 6          | 6          | 32         |
| Heating  | 17         | 10         | 11         |
| Transport and mobility (e.g. business travel)                      | 120        | 127        | 112        |
| Paper  | 11         | 14         | 12         |
| Water  | 2          | 2          | 2          |
| Waste  | 8          | 8          | 7          |
| (Scope 3 total)  | 164        | 167        | 176        |
| <b>Total</b>   | <b>349</b> | <b>340</b> | <b>587</b> |

305-1  
Z: 305-2  
Z: 305-3

Since significantly reducing its greenhouse gas emissions in 2017 by purchasing eco-electricity, Deutsche Hypo's CO<sub>2</sub> emissions have since fluctuated at a low level.

## Material consumption

Over 90 per cent of the paper used at Deutsche Hypo has a sustainability mark. Additionally, printing of the annual report and image brochures is climate-neutral. At Deutsche Hypo, paper from sustainable forestry management with the Forest Stewardship Council (FSC) seal is used as printer and copier paper.

Z: 301-1  
Z: 301-2

### Materials used by weight and share of recycled material

| in kg  | 2018   | 2017   | 2016   |
|--|--------|--------|--------|
| Paper purchase                                     | 9,585  | 11,521 | 10,458 |
| of which: recycled paper :                         | –      | –      | –      |
| of which: virgin fibre paper (ECF and TCF)         | 9,585  | 11,521 | 10,458 |
| of which: chlorine-bleached virgin fibre paper     | –      | –      | –      |
| Percentage of paper featuring sustainability label | 90.1 % | 90.4 % | 90.4 % |
| Paper consumption per employee                     | 22.1   | 26.6   | 25.6   |

All employees of Deutsche Hypo are being sensitised to avoid unnecessary or colour printouts, or to print on both sides.

Z: 303-1 Deutsche Hypo gets its drinking water from regional suppliers. The water for the Hanover site is obtained from waterworks to the north and south of the regional capital (Elze-Berkhof, Fuhrberg, Grasdorf) as well as from reservoir water from the Harz region. Deutsche Hypo also provides employees with free chilled and carbonated tap water from special drinking water dispensers, which reduces packaging waste for drinking bottles and promotes employees' health.

### Waste and wastewater

UNGC The quantity of wastewater is consistent with the stated water usage. This is used drinking water from sanitary facilities and kitchens. The wastewater is fed into the municipal sewers in accordance with statutory provisions. Reusable materials are recycled as far as possible.

#### Water abstraction by source

| in m³          | 2018  | 2017  | 2016  |
|----------------|-------|-------|-------|
| Drinking water | 2,646 | 2,588 | 2,754 |

The consumption of drinking water has been significantly reduced since the move in 2014 because water-saving systems are used in the buildings. The slight rise in the reporting year is a result of the need for increased watering of the green areas in the hot summer.

Z: 306-2 **Total weight of waste by type and disposal method**

| in kg              | 2018   | 2017   | 2016   |
|--------------------|--------|--------|--------|
| Recovery/recycling | 13,710 | 17,000 | 19,760 |
| Incineration       | 14,680 | 15,540 | 14,100 |
| hazardous waste    | –      | –      | –      |
| Landfill           | –      | –      | –      |
| Total              | 28,390 | 32,540 | 33,860 |



Wastepaper and electronic junk are recycled. Waste for incineration is mixed municipal waste. Less waste-paper was generated in the reporting year due to the ongoing digitalisation process.

Overall, Deutsche Hypo achieved a recycling rate of around 48.3 per cent (2017: 52.2 per cent). Hazardous waste, if it arises, is disposed of as required by law.

## Transport

Deutsche Hypo seeks to keep the environmental impacts resulting from the transport of employees to a minimum. For instance, a video conferencing room was set up in the Bank's new premises. However, business trips remain a component of its business activities. Train travel remains the Bank's preferred form of transport.

### Overview of material environment impact caused by employee transport and travel

| in km        | 2018             | 2017             | 2016             |
|--------------|------------------|------------------|------------------|
| Air travel   | 235,892          | 377,031          | 301,492          |
| Rail travel  | 623,593          | 660,260          | 585,922          |
| Car travel   | 697,594          | 766,015          | 707,978          |
| <b>Total</b> | <b>1,557,079</b> | <b>1,803,306</b> | <b>1,595,392</b> |

The mileage travelled varies from year to year, depending on where sales activities were particularly strong. Overall, however, a constant fall can be observed.

# SUPPLIER MANAGEMENT

## General

UNCG  
102-9  
102-10  
Z: 204-1  
Z: 414-1

Deutsche Hypo is a services company. Its core business is the sale and brokering of banking products and consultancy. This means that banks are not affected by the classic supply-chain risks of manufacturing companies, such as the supply of raw and auxiliary materials.

At the same time, the Bank relies on deliveries and suppliers in order to carry out its duties. Business relationships with service providers and suppliers are geared to the long term. For ecological reasons, Deutsche Hypo involves local and regional providers in the provision of services and deliveries as far as possible.

Procurement activities include:

- Building and office equipment
- Consumables and forms
- Electricity
- Heat, water (purchased from the landlord)
- Other technology

Deutsche Hypo has been buying green electricity since 2016. No other changes to the structure of the supply chain or significant changes of main suppliers and service providers have been made. No significant actual and potential negative effects have occurred and are not expected.

## Procurement process

Purchasing is performed decentrally by specific specialist departments based on the rules of a central purchasing policy. This not only facilitates a demand-driven and economical purchasing process, but it also ensures that all new service providers and suppliers can be selected based on the Bank's corporate principles. These requirements include compliance with ecological criteria, human rights criteria and working practices.

All procurement processes must also be carried out taking account of and in compliance with the following overriding documents:

- Fraud Prevention Management - Preventing Fraud
- Ethical principles
- Sustainability Guidelines
- Guidelines on Human Rights and Labour Standards
- Data Protection Policy

If requests for quotes exceed a certain value, comparative offers need to be obtained. The Bank uses standard and framework contracts for contract design. If the contracts differ from standard contracts, this will be reviewed by the legal department. The guideline "Avoiding criminal acts – Fraud Prevention Management" for which Compliance is responsible also provides for a separate integrity review for order volumes over € 500,000.

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102-55

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