



MünchenerHyp

ACTING RESPONSIBLY.

Sustainability Report 2017
Münchener Hypothekenbank eG

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INTRODUCTION

GRI 102-14 STATEMENT FROM SENIOR DECISION-MAKER



The Board of Management of MünchenerHyp (from left to right): Bernhard Heinlein, Dr. Louis Hagen (Chairman), Michael Jung

DEAR READER

Sustainability is now a central issue in society. Within companies too, its importance is growing year on year. We at MünchenerHyp have long felt that more intensive engagement with this subject is vital. There are a variety of reasons for this.

As one of Germany's largest cooperative banks, we are particularly committed to the cooperative values of solidarity, fairness, partnership, responsibility and proximity. These are also key elements in the modern concept of sustainability. They are also the foundation on which the basic pillars of our business model rest: responsible, low-risk lending and long-term-oriented refinancing with maturities as closely matched as possible through issue of our Pfandbriefe. Our primary strategic objective is the achievement of sustainable business performance.

Our stakeholders – e.g. our customers, sales partners and investors, but also the supervisory authorities – also expect us to assume social responsibility. Above all, our responsibility relates to the

properties we finance: Buildings are responsible for approximately 40 percent of EU CO₂ emissions – so energy efficiency measures in the building sector make a vital contribution to climate protection. However, a company's responsibility also extends to its own employees, who expect sustainable values to play a central role in their day-to-day relations with one another.

To fulfil our own aspirations, as well as to meet external expectations, we focus in particular on our core business, property financing and refinancing; in 2014, for example, we issued the world's first ESG Pfandbrief. The basis for this is our sustainability management work, which is embedded into the organisation in the form of our Sustainability Committee, which comprises twelve staff members from various departments within of the Bank. We are committed to playing a pioneering role in the field of sustainable property financing in Germany.

Our understanding of sustainability is broad. So, on the one hand, we offer our private customers "green" loans, which provide

financial support for energy-efficient buildings by means of an interest rebate. Today every tenth loan we extend is a green loan. On the other hand, the social dimension is also important to us. This is why, in early 2018, we launched the Family Loan, designed to help middle-income families achieve the dream of owning their own home. In our understanding of sustainability, economic, environmental and social aspects all have equal importance. We want to systematically embed all of these aspects into our core business of private and commercial property financing, and refinance these loans equally sustainably. You can see how far we have come in our endeavours in our Sustainability Report and the full GRI Report.



Dr Louis Hagen,
Chairman of the Board of Management
of Münchener Hypothekenbank

SUSTAINABILITY REPORT.

CR STRATEGY

OUR KEY ACTION AREAS

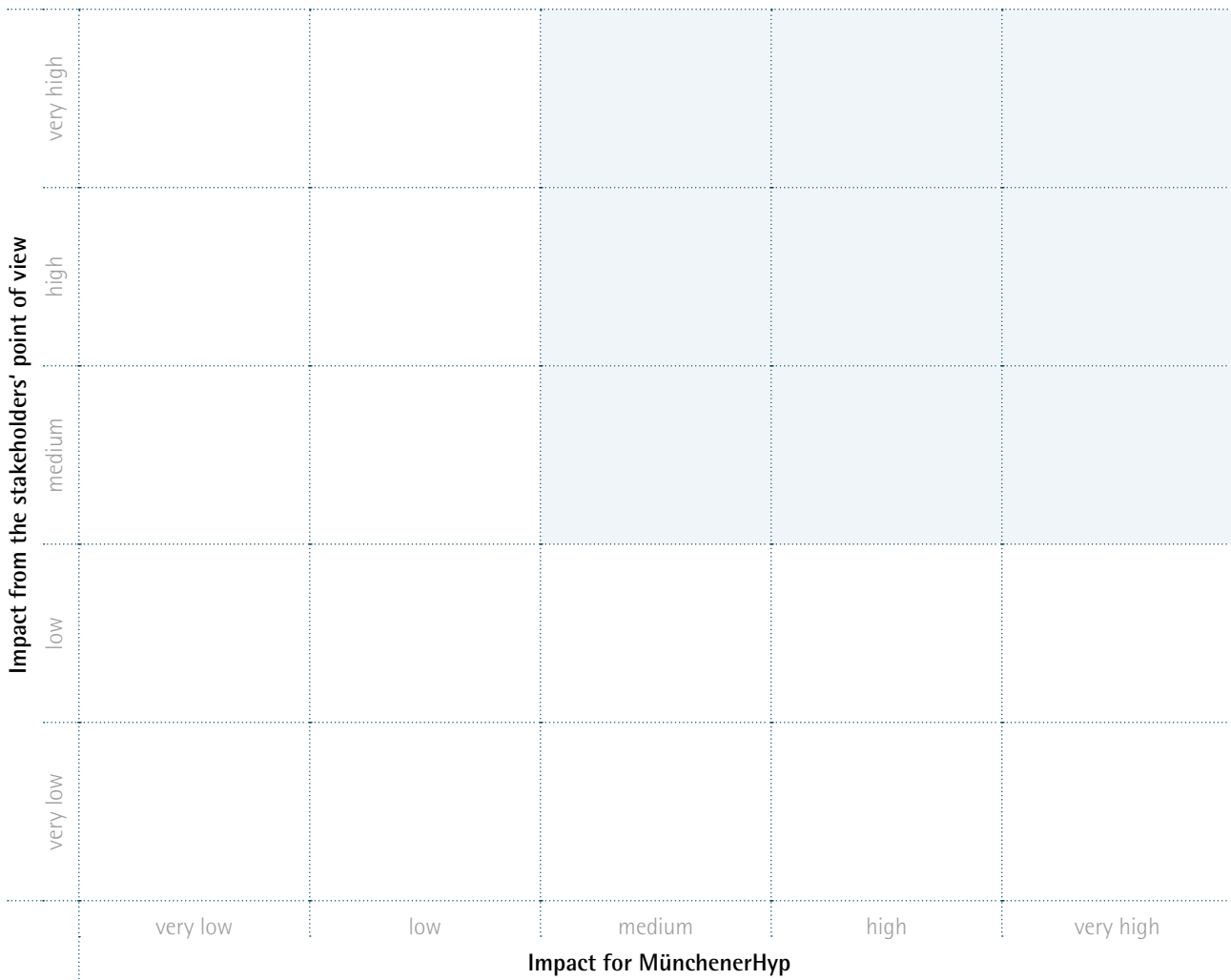
Münchener Hypothekenbank has been systematically implementing its corporate responsibility (CR) strategy since 2011. Targeted and proactive dialogue with our stakeholders is a key element of our sustainability management work. We see it as part of responsible corporate governance to include the interests of our stakeholders and the impact of our business activities on those stakeholder groups in our decision-making.

As a result of this dialogue, we have identified four key action areas that define our basic understanding of our responsibility as a company:

- Responsibility towards employees
- Responsibility for society
- Responsibility for the environment
- Responsibility in business activities

Within these key action areas, our sustainability management work is focussed on the topics which are material for MünchenerHyp, as shown in our materiality matrix. When assessing materiality, we considered the relevance of a topic for our business model in relation to the assessment of the social, environmental and economic impacts of MünchenerHyp for stakeholders (for more details see GRI 102-46).

MATERIALITY MATRIX



HOW WE UNDERSTAND AND MANAGE SUSTAINABILITY

As a cooperative bank, MünchenerHyp is committed to supporting the sustainable development of the economy, the environment and society. For us, sustainability is a business model oriented towards the long term. As a result, we place the highest priority on being fully aware of our risks and responsibilities when we agree to finance property. It also means that we pay particular attention to the environmental and social aspects of property financing. Accordingly, we have a holistic understanding of sustainability.

The process of embedding sustainability into our business activities is guided by the Bank's Sustainability Committee. This cross-departmental steering group comprises twelve employees from different sections of the organisation who generate new ideas, define the Bank's sustainability strategy and objectives in collaboration with the Board of Management, manage the entire sustainability process, and implement sustainability measures in coordination with departments.

RESPONSIBILITY IN BUSINESS ACTIVITIES

MATERIAL TOPIC: LOW-RISK, LONG-TERM-ORIENTED BUSINESS MODEL

103-1/2/3 Management Approach (GRI 201 Economic Performance, GRI 203 Indirect Economic Impacts)

MünchenerHyp wants to maintain and continually expand its position as a specialist provider of Pfandbrief-funded property financing for private individuals and commercial borrowers inside and outside the Cooperative Financial Network. This applies in particular to our position as a subsidiary financing partner to the cooperative banks. Our business relationships with these banks are central to our identity.

The MünchenerHyp's business strategy is guided by considerations of sustainable business practices. The focus of the strategy is a low-risk business model oriented towards the long-term. This includes social and environmental responsibility. We strive to consistently embed sustainability into our core business. In particular, this involves providing property loans with environmental and/or social aspects and refinancing those loans sustainably through the issue of sustainable Pfandbriefe (ESG Pfandbriefe).

MünchenerHyp's business policy is determined by means of an annual strategy and planning process. This is done in compliance with regulatory requirements and the risk strategy decided by the Board of Management.

Strategic planning takes account of both external factors (e.g. market developments, the competitive situation and the regulatory environment) and internal factors (e.g. risk bearing capacity, liquidity, earnings situation, staffing levels, and technical and organisational resources). As well as addressing fundamental business policy issues, it also involves setting strategic priorities and objectives.

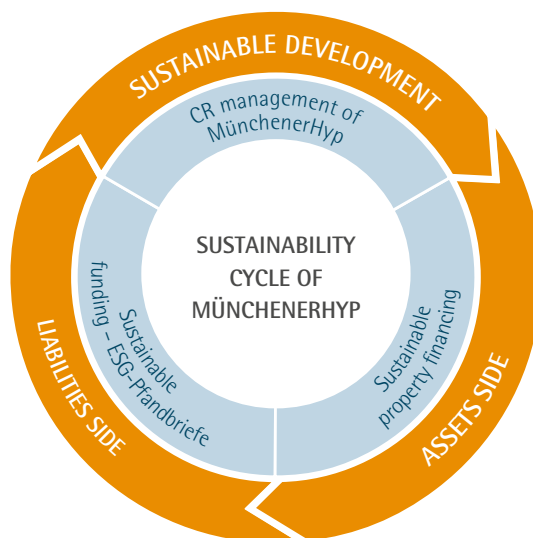
Quantitative performance indicators for the year ahead are derived from those priorities and objectives and binding targets are agreed during the annual operational planning process. Measures and projects are defined to meet the goals set. Project portfolio management involves prioritising projects in terms of their strategic contribution, operational urgency and risk if not implemented.

Implementation of strategy is monitored by means of a strategy assessment. The priorities set out in the business strategy are worded in such a way as to enable variances to be identified by analysing actual performance against targets set. The income statement is a key instrument in this regard, as is the sales report, which contains detailed information on current performance against budgeted volumes and margins. The root causes of any underperformance are analysed and relevant countermeasures are implemented if required.

The risk strategy describes how MünchenerHyp deals with, or intends to deal with, the risks resulting from its business activities. For this purpose, quantitative and qualitative guidelines describing how all material risks are addressed are determined for each risk type, and measures are designed to ensure compliance with these guiding principles. The risk strategy is described in a separate document.

MATERIAL TOPIC: EMBEDDING SUSTAINABILITY IN OUR CORE BUSINESS

Our sustainability management activities are focussed on our core business, as it is here that the greatest leverage for achievement of sustainable development objectives can be found. We see our sustainability activities in relation to our core business as a loop: we make sustainable property loans on the assets side which in turn are refinanced sustainably on the liabilities side. This loop is controlled by MünchenerHyp's sustainability management activities.



With our holistic understanding of sustainability in mind, MünchenerHyp has developed various sustainable loans for its private customers which address both environmental and social aspects.

The MünchenerHyp Green Loan can be used to finance any property with low primary energy requirements, meaning that they protect the environment, at low interest rates. This means that the focus with regard to the property to be financed is on ecological aspects. Today every ninth loan we extend is a Green Loan (for more details see GRI 302-5).

The MünchenerHyp Green Loan was certified by the renowned sustainability ratings agency oekom in 2015.



The MünchenerHyp Family Loan was developed in 2017. Owning a home has a special significance, particularly for families. Families need space for their children – but given the shortage of properties in many regions of Germany, getting it is anything but easy. There are other obstacles too: Aside from government-sponsored promotional loans, which are limited in terms of their amount, there are currently no property financing products designed for families.

This is where the MünchenerHyp Family Loan comes in. It is aimed at parents with at least one child, whether they are married, lone parents, or a blended family. We want to enable middle-income families to create prosperity for themselves and their children and secure it across generations.

Child-related expenses weigh particularly heavily on middle-income families. We want to help these families achieve the dream of owning their own home.

Therefore, the Family Loan is subject to three conditions:

- The borrower must have at least one child for which he/she receives child benefit.
- Household net income must be less than EUR 40,000 per annum. The income threshold rises by EUR 5,000 for each additional child.
- Loans may only be used for owner-occupied properties.

We see this example of sustainable lending as being in line with the central cooperative tenet of helping people to help themselves. Helping families acquire a home of their own is an investment in the future of our society. In this way, the MünchenerHyp Family Loan addresses the social dimension of a holistic understanding of sustainability.

Sustainability ratings agency oekom research has confirmed this: "The MünchenerHyp Family Loan is explicitly aimed at families looking to buy a home of their own and offers favourable conditions in the form of an interest rebate. The income required to access the loan is clearly below the average net household income for families with children* reported by German Federal Statistical Office for 2015. The Family Loan thus contributes to the creation and securing of intergenerational prosperity and takes account of aspects such as equality of opportunity, participation and quality of life and the developments brought about by demographic change."

* For families with up to four children; average figures taken from the Statistische Jahrbuch 2015 published by the Federal Statistical Office.



Responsible lending is also a focus of our commercial property financing activities. This means setting stringent lending criteria, including long-term rental agreements with tenants with good credit ratings, sustainably achievable rents which comfortably cover interest and principal payments, and the application of very cautious valuation criteria when valuing properties. The world's first ESG Pfandbrief, issued by MünchenerHyp in 2014, is backed by a cover pool comprising commercial properties chosen via a strict selection process. This meant that German housing cooperatives were sustainably refinanced. In 2017 the Bank focussed on building a sustainable cover pool for further sustainable Pfandbrief issues.

MATERIAL TOPIC: WORKING RESPONSIBLY FOR OUR CUSTOMERS

103-1/2/3 Management Approach (GRI 417 Marketing and Labelling, GRI 418 Customer Privacy)

As a sustainable property financier, we take our responsibilities toward our customers very seriously. There are three key elements to this:

- a sales approach which involves providing accurate, intelligible and transparent information to the customer,
- offering maximum security over the entire term of a property loan and dealing responsibly with customers experiencing repayment difficulties, and
- protecting our customers' data.

The customer relationship begins with the sales approach: It is of key importance to MünchenerHyp that its marketing and advertising measures are aimed at creditworthy customers, i.e. no one should be enticed to overextend themselves financially by taking out a loan.

So in the interests of our customers and members we have committed ourselves to marketing our services responsibly, and have laid down the relevant principles in our [guideline](#). To ensure that our sales partners also abide by these principles when marketing and selling our finance solutions, employees of those sales partners receive regular training and information. We also analyse the content of our advertising and the claims made in it for compliance with the law and with our principles. If the assessment of content, claims and risks shows that a change is necessary, we implement this accordingly.

We sell our financial solutions in collaboration with subsidiary partners in property financing – the Volksbanken and Raiffeisenbanken – who excel with their close proximity to customers and high quality standards. Together with our business associates, we value accurate, high-quality advice. We have put in place the following measures to ensure that we work responsibly for our private customers:

- No variable compensation systems that would encourage excessive risk-taking, i.e. no incentive systems for advisers (commission goes to the bank, not individual advisers).
- Regular process and product training for advisers.

We deal responsibly with customers experiencing repayment difficulties. Current consumer protection legislation in this regard is applied in full. Key legislation includes the Consumer Rights Directive, the Mortgage Credit Directive, the German Consumer Dispute Resolution Act (Verbraucherstreitbeilegungsgesetz) and Risk Limitation Act (Risikobegrenzungsgesetz). The legal options available in the current regulatory environment are applied in the customer's favour. The aim of our workout management activities when dealing with loans in arrears is to support the customer wherever possible and avoid compulsory measures. Examples of such support measures include agreements on instalments, temporary standstill agreements and notification of the ombudsperson.

In addition, we have always guaranteed that customer loans serviced in accordance with the contract will not be sold. This gives customers additional security at no extra charge.

MATERIAL TOPIC: INFORMATION SECURITY AND DATA PROTECTION

103-1/2/3 Management Approach (GRI 418 Customer Privacy)

To keep customer data safe, MünchenerHyp's data protection officer works to ensure compliance with the Federal Data Protection Act and other data protection legislation. He/she monitors the data processing applications used to process personal data (e.g. employee data in the HR department, data on customers and prospective customers) and verifies that they are properly used. In addition, individuals working with personal data are trained and briefed on the provisions of the Federal Data Protection Act and other data protection requirements. New employees undertake to observe confidentiality. Training on data protection and information security is given to all employees throughout the Bank. Control processes have also been introduced to verify data protection in new projects. Various measures have been put in place to ensure that the Bank meets the requirements of the international IEC/ISO 27000 series of standards.

The key instrument is MünchenerHyp's IT security policy, which forms the basis for development of a framework of rules and measures in relation to information security when using IT and which is mandatory for all internal and external staff.

RESPONSIBILITY TOWARDS EMPLOYEES

MATERIAL TOPICS: SUSTAINABLE HR WORK, ATTRACTIVENESS AS AN EMPLOYER AND HUMAN RIGHTS

103-1/2/3 Management Approach (GRI 401 Employment, GRI 402 Labour/Management Relations, GRI 403 Occupational Health and Safety, GRI 404 Training and Education, GRI 405 Diversity and Equal Opportunity, GRI 406 Non-discrimination, GRI 407 Freedom of Association and Collective Bargaining)

Long-term business success is based on the commitment and expertise of our employees. As an employer, we believe that it is our responsibility to offer employees a secure job for every phase of their career and every stage of life and an environment that they enjoy working in as this will ensure our success in the long term. Accordingly, our management approach for employees rests on a number of pillars:

- Corporate and management culture
- Personnel development
- Securing and enhancing our attractiveness as an employer
- Health management and occupational health and safety
- Non-discrimination, diversity and equal opportunities
- Work-life balance and family-friendly policies

MünchenerHyp has always had a social and familial corporate culture based on cooperative principles such as solidarity, subsidiarity, fairness and respect. Supportive teamwork and an interest in our joint success are paramount. We believe that diversity enriches the Bank and contributes towards our success. So we value every employee, regardless of their origin, religion, skin colour, age, sex, sexual orientation or disability. There is zero tolerance for any kind of discrimination within MünchenerHyp, and we are committed to equal opportunities at all levels. To underscore this stance we have, among other things, signed the German Diversity Charter (Charta der Vielfalt).



charta der vielfalt



This stance is also expressed in our guideline on "Human Rights and Diversity at MünchenerHyp", which lays down the ethical framework for our dealings with employees, customers, business associates and suppliers. We expect all our employees to comply with this guideline in letter and in spirit. An internal complaints mechanism is available to employees who feel that they experienced discrimination.

As part of our stakeholder dialogue, we worked with our employees to formulate a mission statement containing the following principles:

- We want to be the number one in cooperative real estate finance.
- Quality determines our actions.
- We are committed to our brand.
- Everything we do is focused on stability and sustainability.
- Our employees make the difference.
- Systematic employee development and effective leadership are a matter of course for us.
- We all make a contribution to the whole.
- We work together for our customers and the future of MünchenerHyp.

To foster leadership skills, we have introduced an internal management programme under the title "Leadership Days" which comprises training in leadership tools and situational exercises for managers. Managers are also trained on values, rules, responsibilities and capabilities to enable them to implement the management-related aspects of the MünchenerHyp mission statement. To bring more women into leadership positions, the Supervisory Board has introduced a gender quota. The goal is to ensure that women occupy 20 percent of positions on the Supervisory Board and in the two executive levels below the Board of Management and 33 percent of positions on the Board of Management. In the year under review, women comprised 18 percent of executives at the two levels below the Board of Management, 8 percent of Supervisory Board members, and 0 percent of Board of Management members. In the year under review, the nominations committee of the MünchenerHyp Supervisory Board has recommended that these targets should be achieved by the end of October 2021.

Percentage of women at each level of hierarchy

Level	% of women 2017	% of women 2016
Board of Management	0.0%	0.0%
1st executive level	16.7%	11.1%
2nd executive level	18.9%	15.8%
3rd executive level	23.3%	32.0%
Other employees	51.4%	52.7%
Total	46.5%	47.7%

For information on staff composition at each hierarchical level by gender and age, see also GRI 405-1.

Personnel development at MünchenerHyp means systematically designing HR processes to identify and maintain employees' potential and skills and to foster these based on operational requirements. The satisfaction of our employees is a key priority here.

Employee satisfaction: 84.8 points (out of 100)

Long tenures among our employees are reflective of high levels of employee satisfaction (see also GRI 401-1).

So that we can continue to retain staff and profitably deploy their qualifications for the development of the company, we offer employees the opportunity to develop their skills (see also GRI 404-1, 2, 3). Our human resources strategy comprises a wide variety of individual training opportunities, as well as the opportunity to access continuing professional development and non-vocational training with financial support and study leave allowed by the Bank. For example, the Bank can pay up to 50 per cent of the fees for a course or grant an employee exam leave.

The advancement of young talent from within the company ranks is addressed by an in-house trainee programme for key business areas. Alongside training courses, trainees are also offered a mentoring programme, in which they are assigned a mentor separate from their manager to provide support and advice.

Our responsibility for younger employees in particular is also apparent from the fact that MünchenerHyp has for many years been one of the few companies to offer vocational training on a part-time basis, offering young mothers in particular a path into a self-determined and independent future.

Years of employment	2012	2013	2014	2015	2016	2017
< 2 years	21.1%	23.1%	20.3%	16.1%	11.6%	16.4%
2–5 years	17.1%	11.4%	16.8%	23.4%	25.2%	18.9%
5–10 years	16.5%	23.3%	20.9%	20.3%	21.0%	22.6%
10–20 years	26.5%	22.2%	21.5%	21.6%	23.1%	23.5%
> 20 years	18.7%	20.0%	20.5%	18.6%	19.1%	18.7%
Average years employed	10.8 years	10.6 years	10.5 years	10.4 years	11.4 years	11.3 years
Average age	41.6 years	41.8 years	41.5 years	41.8 years	42.9 years	43.4 years

To address our employees' need to unwind from work and enable them to balance work and family, we offer various full-time and part-time working models, flexible working times and home office concepts. The variety of working time models available also helps promote equal opportunities and equality.

Another focal point of our HR work is occupational health and safety and health promotion. Formally, the occupational health and safety committee is responsible for both of these areas. We undertake risk assessments to identify adverse physical and psychological factors in the workplace and prevent or reduce them from the outset.

For employees with long-term illnesses, we offer a return-to-work management programme intended to facilitate a phased return to work after a period of incapacity. The Bank also provides financial support for external measures such as medical services and vocational qualification activities.

Facilities and activities around nutrition, stress management and exercise and sport are also available. For example, there is a MünchenerHyp football team, a lunchtime back strengthening class, occupational physiotherapy advice and the opportunity for employees to improve their fitness on an individual basis.

Key employee figures

Employees	31 Dec. 2012	31 Dec. 2013	31 Dec. 2014	31 Dec. 2015	31 Dec. 2016	31 Dec. 2017
MünchenerHyp employees	412	444	485	497	497	526
M-Wert employees	18	20	20	21	25	24
Total	430	464	505	518	522	550
Apprentices	17	19	21	22	15	12
Total	447	483	526	540	537	562
Parental leave	10	15	12	10	14	16
Early retirement	1	1	1	1	1	0
Partial retirement	11	10	6	3	7	15
Long-term sick leave	4	1	2	1	0	0
Total	473	510	547	555	559	593
Board of Management	3	3	3	3	3	3
Total	476	513	550	562	562	596

SOCIAL RESPONSIBILITY

MATERIAL TOPIC: CORPORATE GOVERNANCE

103-1/2/3 Management Approach (GRI 205 Anti-corruption, GRI 206 Anti-competitive Behaviour, GRI 307 Environmental Compliance, GRI 412 Human Rights Assessment, GRI 415 Public Policy, GRI 419 Socio-economic Compliance)

As a responsible company, MünchenerHyp sees it as its task to make a contribution to society. It does this principally in its capacity as an employer and through the positive economic effects of its financial services. We also contribute to the common good through various cooperation and sponsorship projects, by supporting employees' voluntary commitments, and through charitable donations.

We fulfil our role as a responsible company in a democratic society by, among other things, exercising no direct influence over political decision-making processes. Indirectly we participate in the shaping of public opinion through our membership of various business associations, as is customary in the industry (see also 102-13). These associations help shape political and public opinion within the limits imposed by their publicly accessible by-laws and their remits.

We view proper and law-abiding action in all parts of our business as the indispensable foundation of our corporate responsibility. In addition, various voluntary undertakings, work instructions and regulations (for more details see 102-16), which apply to the Bank's staff and management and serve as a guide to ethical and legally correct conduct, are in force. Together with MünchenerHyp's sustainability mission statement, they provide a reference framework for employees with a view to securing business value for the long term.

The Compliance unit, which reports directly to the Board of Management member with responsibility for the Management division, assists the Board of Management and the business areas in identifying and preventing staff infringements of rules and regulations. In particular, MünchenerHyp will not tolerate corruption, bribery or unfair business practices of any kind by employees, the Board of Management, the Supervisory Board or third parties working on behalf of the Bank. To this end there are binding rules governing the acceptance and giving of gifts, benefits, and invitations to events.

Employees are made aware of potential corruption risks and employee briefings and training sessions on new fraudulent practices and ways of preventing them take place as necessary.

The code of conduct on this subject requires employees to avoid conflicts of interest and to contact Compliance if they have any suspicions. Whistleblowers with evidence of criminal conduct have the option of reporting confidentially to a central point of contact within MünchenerHyp.

Whistleblowers' identities are protected – they remain anonymous until they themselves agree to disclose their identity. Various measures and rules aimed at preventing money laundering and terrorist financing are in place. These are intended to enable possible money laundering cases to be identified at an early stage and countered as appropriate. For example, all business associate data are checked daily against current sanctions lists. The basis for assessing and minimising potential risks from money laundering, terrorism and other crimes (including blackmail, fraud, annually, reviewed regularly by the Bank and expanded to include measures identified as a result.

Due diligence checks of the compliance rules comprise various procedures. Among other things, documentation on benefits is kept by employees and monitored by Compliance personnel. There is also an internal control system (ICS) with the aim of implementing effective procedures for working in line with regulations. This is based on the three-lines-of-defence principle:

1. the double-check principle,
2. the materiality and risk analysis to review whether procedures are suitable for preventing infringements, and
3. monitoring, complaint management and evaluation of the ICS by Compliance.

Documentation and monitoring are carried out for all three lines of defence. An annual compliance report is prepared for management.

MATERIAL TOPIC: HUMAN RIGHTS DUE DILIGENCE

103-1/2/3 Management Approach (GRI 412 Human Rights Assessment)



We explicitly recognise our social responsibility to comply with international human rights standards, particularly the UN Universal Declaration of Human Rights, the Covenant on Economic, Social and Cultural Rights, the Covenant on Civil and Political Rights and the core labour standards of the International Labour Organisation (ILO).

This recognition, which goes beyond the statutory requirements, is expressed in our [guideline on "Human Rights and Diversity at MünchenerHyp"](#).

To identify potential adverse impacts on human rights, we have carried out an internal risk analysis. This involved identifying possible human rights risks to individuals potentially affected by our corporate activities. Various departments contributed to the analysis, for which we carried out our own documentary research and consulted external experts. As a result of the risk analysis, the possible impacts on our employees on the one hand (whom we influence directly) and on customers and their assets on the other (which we can influence indirectly) were rated. Accordingly our policy statement focusses on both these groups.

We have implemented an internal complaints mechanism for employees who feel that they have experienced discrimination. Due to our low-risk business model focussing on private portfolio properties in Germany, the risk of human rights impacts for customers was assessed as being low. In the commercial property financing field, there are various criteria excluding controversial business areas which could indirectly have negative human rights impacts. If MünchenerHyp has any evidence of human rights infringements or discrimination on the part of a potential business associate, this may, after investigation, result in the business being declined.

RESPONSIBILITY FOR THE ENVIRONMENT

MATERIAL TOPIC: OWN ENERGY AND RESOURCE CONSUMPTION

103-1/2/3 Management Approach (GRI 302 Energy, GRI 303 Water, GRI 305 Emissions)

Buildings consume more than 40 percent of the energy used in the European Union and thus have an important role to play in environmental protection and tackling climate change. For us as a property financier, this is both a responsibility and an opportunity. With our actions, we can make a contribution to protecting the climate.

There are therefore two pillars to our climate strategy: we can help tackle climate change through our core business on the one hand and through our own environmental actions on the other.

Over recent years we have added environmentally sustainable offerings to our range of financial solutions. With the MünchenerHyp Green Loan we make a contribution to climate protection and the efficient use of energy and resources.

Our customers can also access the KfW's housing subsidy programmes to finance their homes. The KfW promotes home ownership, energy-efficient building renovation, modernisation of residential property, the construction of energy-efficient buildings and solar power installations.

At our headquarters in Munich we committed to sustainable and resource-efficient business practices at an early stage. Our environmental management activities help us to identify and assess the environmental impacts of our operations systematically and consistently. We use the information we gather to ensure that our consumption is as green possible and to continually improve our performance. The key indicator used to measure and assess our environmental performance is the CO₂ footprint of our business activities.



- Daily commute
- Electricity
- Business trips air travel
- Heat
- Vehicle fleet

Each year we determine our consumption of electricity, heat, paper and water, and the CO₂ emissions resulting from business trips and generated by our corporate vehicle fleet in a standardised format.

Environmental indicators

	2012	2013	2014	2015	2016	2017
Business travel	Air travel					
	Total kilometres	910,168	788,571	814,872	857,406	1,036,639
	Kilometres per employee	1,912	1,537	1,482	1,537	1,845
	Total CO ₂ emissions in tonnes	203	177	174	132	225
	CO ₂ emissions per employee in kg	426	346	316	236	401
	Vehicle fleet					
	Total kilometres	2,114,000	2,050,000	2,064,958	2,520,330	2,104,243
	Kilometres per employee	4,441	3,996	3,754	4,517	3,744
	Total CO ₂ emissions in tonnes	452	486	441	520	479
	CO ₂ emissions per employee in kg	950	947	802	933	853
	Daily commute to work					
	Total kilometres		510,840	510,840*	510,840*	2,087,736
	Kilometres per employee		996	996*	996*	3,503
	Total CO ₂ emissions in tonnes		106	106*	106*	420
	CO ₂ emissions per employee in kg		207	207*	207*	705
Consumption of energy and resources in the bank building	Paper					
	Total kg	17,290	19,000	20,800	21,600	22,220
	kg per employee**	33.1	33.5	33.5	33.8	35.0
	Water					
	m ³ total	7,958	8,585	9,147	9,410	8,557
	m ³ per employee**	15.2	15.1	14.7	14.7	13.5
	Electricity					
	kWh total	1,593,316	1,658,576	1,645,270	1,732,345	1,763,864
	kWh per employee	3,046	2,920	2,649	2,697	2,778
	CO ₂ emissions in tonnes	63.7	66.3	65.8	68.9	70.6
	CO ₂ emissions per employee in kg	122	66.3	106	108	111
	Heat					
	kWh total	2,295,299	2,228,418	1,970,855	1,583,799	1,828,555
	kWh per employee**	4,389	3,923	3,174	2,479	2,880
	CO ₂ emissions in tonnes	226	219	194	156	180
	CO ₂ emissions per employee in kg	432	386	312	244	283

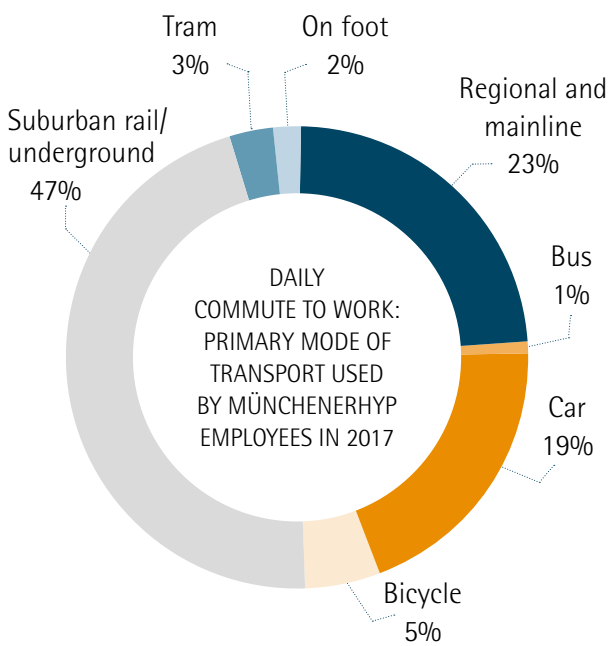
* No new survey carried out.

** Employees in the MünchenerHyp building, including external staff.

*** Other printed materials were included for the first time in 2017.

Emissions generated by our corporate vehicle fleet and employees' daily commutes and resulting from electricity and district heating consumption were calculated using the emissions factors for diesel, petrol, electricity and district heating given in the 2009 guidelines published by the Bavarian Environment Agency (LfU) as specified in the LfU's current CO₂ calculator. Flight emissions were calculated using the VDR methodology.

Thanks to the central location of our Munich headquarters, the CO₂ emissions resulting from staff commutes are low, because more than three quarters of staff travel to work using public transport.



Every single employee has a role to play in reducing consumption of resources, whether energy, paper or water. For this reason we engage in open dialogue and provide regular information on environmental activities. For example, we raise employees' awareness via newsletters on our environmental footprint and through general training sessions.

SUSTAINABILITY PROGRAMME 2018/19

Area	Objective	Measures	Deadline	Target achievement
Responsibility in business activities	Laying technical foundations	Definition of sustainability KPIs for reporting	Ongoing	Implementation under way
		Expansion of technical options for gathering sustainability data	Ongoing	Not yet started
	Embedding sustainability in private real estate financing	Development of new social and environmental financing products: Family Loan milestone	January 2018	Implemented
	Embedding sustainability in commercial real estate financing	Incorporating sustainability criteria into the commercial loan processing process	June 2018	Implementation under way
		Increased financing of commercial property certified for sustainability	Ongoing	Implementation under way
	Sustainable refinancing	Preparing ESG Pfandbrief for issue	December 2018	Implementation under way
		Expansion of MünchenerHyp ESG cover pool	Annually	Implementation under way
		Development of a policy for MünchenerHyp's own sustainable investments	September 2018	Implementation under way
Responsibility for society	Human rights due diligence	Preparation of a human rights policy	December 2017	Implemented
	Corporate governance	Further development of compliance management systems; Milestone: Revision of internal guidelines	December 2018	Implementation under way
Sustainability Communications	Publication of a sustainability report in accordance with the CSR Directive Implementation Act	Further professionalisation of CSR data management by way of a reporting tool	September 2017	Implemented
		Preparation of Sustainability Report in accordance with GRI Standards: Core	April 2018	Implemented
		Preparation of Sustainability Report in accordance with GRI Standards: Core	April 2019	Not yet started
	Stepping up external communications on sustainability	Consolidation of stakeholder dialogue	Annually as part of a two-year cycle	Implementation under way
		Milestone: Structured stakeholder dialogue with external stakeholders	December 2018	Implementation under way
		Communication and publications in newspapers/other press; Milestone: at least one publication or presentation showcasing our sustainability commitment to interested members of the public	Ongoing	Implementation under way

Area	Objective	Measures	Deadline	Target achievement
Responsibility towards employees	Stepping up internal communications on sustainability	Publication of at least three newsletters on sustainability issues	December 2018	Implementation under way
		Networking event for new employees with information on sustainability management at MünchenerHyp	December 2018	Not yet started
	Regular information on the topic of sustainability	Sustainability week for employees with lectures and information on the topic of sustainability	July 2018	Not yet started
		Regular employee surveys and implementation of the resulting measures	December 2018	Partially implemented (qualitative employee survey completed, quantitative employee survey and measures currently being implemented)
	Employee loyalty	Further development of home office options	Ongoing	Implementation under way
		Further training event for all employees on sustainability	February 2018	Implemented
Responsibility for the environment	Reduction of energy and resource consumption in the building	Employee awareness raising for environmentally friendly working Milestone: Information on the topic of standby devices and ecological footprint	June 2018	Implementation under way
	Reduction of indirect CO ₂ emissions	Move to electricity from renewable energy sources in the 11 regional offices	December 2018	Implementation under way

MünchenerHyp accepts responsibility for its employees. It offers them the freedom to be personally responsible for their work, their individual area of work within the Bank and their working hours. Florian Lang, Deputy Head of the Business Process Optimisation department and two employees describe their daily routines and how they balance the professional and personal sides of their lives.

[Click here to access the video.](#)



"FOR ME, A COOPERATIVE MEANS ROLLING UP MY SLEEVES TO GET THINGS DONE FOR THE GOOD OF OUR COMMUNITY."

GRI-DISCLOSURES.

GENERAL DISCLOSURES

ORGANISATIONAL PROFILE

102-1 NAME OF THE ORGANISATION

Münchener Hypothekbank eG

102-2 ACTIVITIES, BRANDS, PRODUCTS AND SERVICES

Münchener Hypothekbank operates in three business areas. The core areas of business are private and commercial property finance. Lending to banks and the public sector forms the third area of business. We are refinanced primarily via Mortgage Pfandbriefe. In addition, we issue unsecured issues, such as bearer bonds and promissory notes, as well as various money market products on the capital market. Our customers can be private investors, funds, pension funds, insurance companies and (central) banks.

In the residential property financing segment, we grant loans to private customers in Germany via our cooperation partners, in particular the cooperative Volksbanken and Raiffeisenbanken. In addition, we work with independent financial intermediaries/brokers in Germany and with PostFinance in Switzerland.

In the commercial segment, we provide financing primarily for office buildings, retail properties and multi-family houses in Germany and abroad. Once again, part of this business is arranged via the Volksbanken and Raiffeisenbanken. The majority, however, comprises direct acquisition and syndicated business.

The lending business with banks and the public sector plays a supporting role as a non-core business area, and is divided into the securities business with public-sector debtors and the securities business with banks. Our business model is clearly explained [here](#).

PRIMARY PRODUCTS AND SERVICES

Product / Service	Description
Residential property financing for private customers	Our construction financing products are flexible in structure. Starting from a basic product, additional components such as capital repayment and unscheduled repayment options can be combined with each other and bundled to form individual financing solutions.
MünchenerHyp Reverse	The Reverse product option allows our customers to have unscheduled capital repayments that have already been made paid back out to them if they need funds during the term of the loan.
Forward loans	Forward loans enable customers to secure rollover financing up to five years before the current term of fixed interest ends.
Green loans	With this loan, a financial incentive in the form of an interest rate discount is offered for energy-efficient properties with a maximum annual primary energy requirement of 70 kWh. Customers can use the loan for their entire property financing, because it is not limited to any specific loan amount.
Family loans	Family loans provide support to families with at least one child and up to a certain income limit by providing an interest rate discount when the family purchases an owner-occupied property.
Property financing for commercial customers	MünchenerHyp grants loans for finished properties in locations that offer good future prospects. The loans are first ranking, mortgage-backed loans with a volume of up to EUR 75 million. The loan-to-value ratio must not exceed 75 percent.

Our organisation does not sell any products or services that are prohibited or controversial on markets in which it operates.

102-3 LOCATION OF HEADQUARTERS

Karl-Scharnagl-Ring 10, 80539 Munich, Germany

102-4 LOCATION OF OPERATIONS

MünchenerHyp's head office is in Munich. In addition, the Bank is represented by eleven regional offices in Germany. In the private property finance segment, we grant loans in Germany and Switzerland.

102-5 OWNERSHIP AND LEGAL FORM

The organisation has the legal form of a registered cooperative. The approximately 70,000 members are at the centre of the cooperative as providers of capital, co-owners and profit-sharers.

OWNER STRUCTURE (structure of paid-up capital of remaining members as at 31 December 2017)

Owner	Share (in %)
Cooperative primary banks	74.60%
Other firms within the Cooperative Financial Network	4.80%
Customers and other members	20.60%

102-6 MARKETS SERVED

MünchenerHyp's business activities focus on Germany. In the private customer business, we operate exclusively in Germany and Switzerland, while in the commercial property finance segment, we operate in ten different markets, focusing on the German market. Commercial customers that have their registered office outside of Germany are supported by customer advisors at the main office in Munich or by cooperation partners in Great Britain, France, Spain, the Benelux countries, Austria, Switzerland and, since 2017, in the USA.

102-7 SCALE OF THE ORGANISATION

Detailed information on the scale of the organisation and operating profit can be found in the 2017 Annual Report. For a breakdown by countries/regions, reference is made to the annex to annual financial statements pursuant Art. 26a para. 1 sentence 2 of the German Banking Act (KWG) as at 31 December 2017 ("country by country reporting").

Selected key corporate figures (as at 31 December 2017)	
Total assets	EUR 38,905,026 thou.
Equity	EUR 1,343,867 thou.
Result from ordinary activities (before tax)	EUR 85,068 thou.
Profit before tax	EUR 80,068 thou.
Earnings after taxes and allocation to the fund for general banking risks (net income for the year)	EUR 46,252 thou.
Revenues	EUR 184,082 thou.*
Number of employees	
a) Average number of employees in 2017 expressed as full-time equivalents	467.65
b) Average in accordance with section 267 (5) HGB	509.25

* Defined as the sum of the following components of the Income statement pursuant to the rules of the German Commercial Code (HGB): interest income, interest expense, current income from participating interests and shares in cooperatives and investments in affiliated companies, income from profit-pooling, profit transfer or partial profit transfer agreements, commission income, commission expenses and other operating income.

102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS

Category	Number of employees	Full time	Part time
Female	245	147	98
Male	264	246	18
Total number of employees	509	393	116

The average number of employees is calculated in accordance with section 267 (5) HGB and includes all employees, excluding the Board of Management, trainees, employees on parental leave, in early retirement, in the passive phase of phased-in early retirement, and employees on leave of absence.

Type of employment contract	Permanent	Temporary	Total number
Female	251	31	282
Male	293	21	314
Total number	544	52	596

When calculating the temporary and permanent employees, the workforce figures on the cut-off date of 31 December 2017 were used. Temporary employees include employees whose remuneration is governed by the collective bargaining agreement and employees not covered by the collective bargaining agreement on temporary employment contracts, as well as trainees. The latter account for 2 percent of employment contracts, while the former account for almost 7 percent.

The lion's share of the organisation's activities is carried out by permanent employees. There are no significant seasonal fluctuations in the employment figures.

102-9 SUPPLY CHAIN

Our procurement activities focus on local suppliers and service providers. This allows us to reduce transport and cut CO₂ emissions. Our procurement relates, in particular, to our office equipment, as well as office supplies. These primarily include desks, office chairs, office materials, laptops, PCs and printers. When we select and evaluate our suppliers, we obtain information on their sustainability activities. Almost all companies from which we purchase products are actively engaged in sustainability/CSR/environmental protection and also provide transparent information about this on their websites. We also purchase auditing, consultancy, expert and rating services, in particular.

102-10 SIGNIFICANT CHANGES TO THE ORGANISATION AND ITS SUPPLY CHAIN

There were no significant changes in the organisation's scale, structure, ownership structure or supply chain during the reporting period.

102-11 PRECAUTIONARY PRINCIPLE OR APPROACH

The ability to control and monitor risks at all times is essential for the purposes of ensuring the successful management of the Bank's business development. As a result, risk management is a top priority in the context of overall bank management. The business and risk strategy sets out the framework for the business activities. The full Board of Management of MünchenerHyp is responsible for this strategy, which is reviewed at regular intervals in terms of target achievement, is enhanced where appropriate and is communicated to the Supervisory Board at least once a year.

In the context of its monitoring function, the Supervisory Board is informed of the Bank's risk profile at least on a quarterly basis and additionally if required. This is achieved by way of the reports on risk-bearing capacity and credit risk, the OpRisk (operational risk) reports, as well as the risk report in accordance with the German Minimum Requirements for Risk Management (MaRisk).

The basis of risk management consists of, on the one hand, the analysis and presentation of existing risks, and, on the other, comparing these risks with the risk cover potential (ability to bear risk). Furthermore, a series of additional relevant analyses are in place and only when they are viewed as a whole do they permit the Bank to be managed appropriately. This objective is achieved by employing appropriate monitoring processes involving internal process-dependent supervision measures. Our internal audit department, as a process-independent unit, plays an additional monitoring role within the Bank.

When analysing and presenting the existing risks, a distinction is made, in particular, between counterparty default, market price, credit spread, liquidity, equity holding, model and operational risks. Other risks, such as the placement risk, reputational risk, business risk, etc. are seen as part of the abovementioned risks, and are included in the corresponding calculations at an appropriate point.

102-12 EXTERNAL INITIATIVES

Our organisation endorses and supports the Diversity Charter of German Companies (Charta der Vielfalt), as well as the Voluntary European Code of Conduct on pre-contractual information for home loans.

102-13 MEMBERSHIP OF ASSOCIATIONS

Our organisation is a member of the associations and interest groups listed in the table, among others:

Name of association	Commitment of your organisation
vdp – Verband deutscher Pfandbriefbanken e.V.	Position at management level
GVB – Genossenschaftsverband Bayern	Membership is considered strategic
DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V.	Membership is considered strategic
VfU – Verein für Umweltmanagement e.V.	Membership
ADG – Akademie Deutscher Genossenschaft ADG e.V.	Membership is considered strategic
Aktive Bürgerschaft e.V.	Membership is considered strategic
Baden-Württembergischer Genossenschaftsverband e.V.	Membership is considered strategic
Bayerische Börse AG	Membership is considered strategic
Bayerischer Bankenverband e.V.	Membership
BVR – Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V.	Membership is considered strategic
European Mortgage Federation AISBL	Membership
Genossenschaftsverband Weser-Ems e.V.	Membership is considered strategic
Industrie- und Handelskammer für München und Oberbayern	Membership
Industrie- und Handelskammer zu Berlin	Membership
Genossenschaftsverband e.V.	Membership is considered strategic
VdW – Bayern Verband bayerischer Wohnungsunternehmen e.V.	Membership
HypZert	Membership is considered strategic
RICS – Royal Institution of Chartered Surveyors	Membership

We aim to use the exchange of experience and expertise in several institutions, including those set out above, to ensure that trends and market developments are taken into account at an early stage, and that we adhere to the latest industry standards and maintain dialogue with the stakeholders represented by the associations and institutions.

STRATEGY

102-14 STATEMENT FROM SENIOR DECISION-MAKER

See [foreword](#)

102-15 KEY IMPACTS, RISKS AND OPPORTUNITIES

The opportunities identified by MünchenerHyp with regard to our sustainability activities are as follows:

Properties account for more than one third of EU greenhouse gas emissions. This generally provides market opportunities for all of those involved in the industry, e.g. with regard to offering and financing energy-efficient properties. The growing environmental awareness among the population at large, as well as the uncertain development of energy prices are also driving this development.

The growing demand for financing for age-appropriate, accessible properties as a result of demographic change presents a considerable market opportunity for financing with a social focus.

In the commercial property finance segment, sustainable building certification standards, such as DGNB, LEED, BREAM, are becoming increasingly important. Once again, growing health awareness is playing a key role in this respect. Aspects such as buildings that are low in harmful substances, effective ventilation systems, etc. are becoming increasingly important for investors in commercial real estate.

On the liabilities side, new sustainable refinancing potential is currently emerging (e.g. in cases involving foundations, churches, pension funds). Investment decisions on the capital market are increasingly being made dependent on sustainability activities.

Finally, sustainability has the potential, and is intended, to result in employees identifying more with their employer. This plays a key role both when it comes to recruiting new employees and with regard to their long-term retention. However, it is not only among employees, but also in the public domain at large and among customers that trust can be built using sustainability activities.

On the other hand, there are specific risks respectively challenges with regard to our sustainability activities:

A scenario in which the topic is neglected, for example, could result in a loss of reputation, e.g. vis-à-vis cooperative partner banks, customers and investors who are specifically interested in MünchenerHyp's commitment to sustainability. For example, negative consequences could include competitive disadvantages compared with "more sustainable" competitors, for example if no financing is provided for certified buildings, low-energy houses, age-appropriate housing, etc. More difficult refinancing conditions are another possibility, e.g. in the form of investor potential that is not exploited if sustainability ratings are poor. Another challenge is the accusation of "greenwashing" if the topic of sustainability is not handled correctly, for example, if the sustainability commitment is used primarily for advertising and marketing purposes.

Employers that are not considered "sustainable" also face difficulties in recruiting new employees and miss out on the potential relating to employee motivation and retention. Finally, the number of new statutory provisions (e.g. more stringent regulations with regard to energy consumption, CO₂ emissions, disclosure requirements) is rising considerably. A failure to address these developments early on is also associated with risks.

ETHICS AND INTEGRITY

102-16 VALUES, PRINCIPLES, STANDARDS AND NORMS OF BEHAVIOUR

As well as complying with applicable laws and external regulations, we have implemented a number of internal guidelines in order to execute the sustainability strategy of Münchener Hypothekbank. These are intended to serve as a guide for employees and provide them with a code of conduct. These guidelines include, but are not limited to:

Name	Description of how the values and principles, standards and norms of behaviour were developed, approved and implemented
MünchenerHyp's Sustainability Mission Statement	The Sustainability Mission Statement was developed by MünchenerHyp's Sustainability Committee.
"Code of Conduct" management instructions	The Code of Conduct was prepared by the Compliance department and approved by the Board of Management. It is implemented via the Bank's written regulations, which are binding for all employees.
General organisational directive "Dealing with reputational risks in the lending business"	The organisational directive was prepared by the Board of Management member responsible for the "Front Office" division. It is implemented via the Bank's written regulations, which are binding for all employees.
"Prevention of other criminal offences" management instructions	The management instructions were prepared by the Compliance department and approved by the full Board of Management. They form part of the written regulations, which are binding for all employees of the Bank.
Management instructions on the German Money Laundering Act (Geldwäschegesetz)	The management instructions were prepared by the Compliance department and approved by the full Board of Management. They form part of the written regulations, which are binding for all employees of the Bank.
Standard operating procedure on money laundering for the daily screening of partner base for entries in sanctions lists	The Compliance department is responsible for the standard operating procedure. It forms part of the written regulations, which are binding for all employees of the Bank.
Standard operating procedure on money laundering for the monitoring of cross-border credit transfers	The Compliance department is responsible for the standard operating procedure. It forms part of the written regulations, which are binding for all employees of the Bank.
General organisational directive on authorisation checks for money laundering	The organisational directive was prepared by the Compliance department. It is implemented via the Bank's written regulations, which are binding for all employees.
Organisational directive on the recording of business partners to prevent money laundering	The organisational directive was prepared by the Compliance department. It is implemented via the Bank's written regulations, which are binding for all employees.
General organisational directive on the automated retrieval of account information to prevent money laundering	The organisational directive was prepared by the Compliance department. It is implemented via the Bank's written regulations, which are binding for all employees.
Management instructions on the handling of data mishaps and information security incidents	The management instructions were prepared by the information security officer/data protection officer of MünchenerHyp and were approved by the full Board of Management. They are implemented via the Bank's written regulations.

Name	Description of how the values and principles, standards and norms of behaviour were developed, approved and implemented
Information security policy	The policy was prepared by the information security officer/data protection officer of MünchenerHyp. It is implemented via the Bank's written regulations.
Policy "Responsible marketing in private property financing"	These principles set out our commitment to the responsible treatment of our customers and members and the guiding principles defined within this context. Implementation is ensured by measures such as regular training or analyses.
MünchenerHyp Policy on human rights and diversity	In these principles, we make an explicit commitment to respect for human rights. In accordance with the Bank's own risk analysis, the focus is on two groups: employees and customers respectively their financing objects.

GOVERNANCE

102-18 GOVERNANCE STRUCTURE

Our organisation has the following executive bodies, committees and other bodies in the management structure:

The members are at the centre of MünchenerHyp. As providers of capital, co-owners and profit-sharers, they are at the heart of our cooperative. The principle of "one man, one vote" is extremely important: each shareholder has one vote, regardless of the number of shares held, and thus an equal say in decisions. MünchenerHyp has some 70,000 members who are represented at the annual Delegates Meeting by 80 delegates. Fundamental decisions regarding the development of the cooperative are taken during the Delegates Meeting.

Delegates are elected for five-year terms. They, in turn, elect the Supervisory Board members, who are each elected for five years. The duties of the Supervisory Board (over and above those set out in the statutory provisions) include approving the granting of loans and the annual investment plan. In addition, the Supervisory Board appoints the Board of Management of MünchenerHyp. The Board of Management is composed of the Chairman, Dr Louis Hagen, who is responsible for the "Management" division, Bernhard Heinlein, who is responsible for "Front Office" and Michael Jung, who is responsible for "Transaction Management".

Finally, MünchenerHyp has a Cooperative Advisory Council, which serves as a platform for sharing views with business groups, public figures and business associates. The Advisory Council therefore acts as a central, institutionally embedded platform for dialogue with cooperative partner banks.

The following bodies are responsible for decision-making on economic, environmental and social impacts:

The central decision-making body at MünchenerHyp is the Board of Management. It promotes sustainability issues within the Bank, supports sustainability measures and is involved in all strategic decisions on sustainability, i.e. in decisions that have a significant economic, ecological and social impact.

The Bank's central sustainability body is the Sustainability Committee. It currently consists of twelve employees from different departments of MünchenerHyp. One of the main tasks of the Committee is to define the sustainability mission statement, sustainability strategy and sustainability objectives in collaboration with Board of Management. It also provides impetus for new ideas and is responsible for managing the entire sustainability process, coordinating dialogue with partners and implementing sustainability measures in collaboration with the departments involved.

102-22 COMPOSITION OF THE HIGHEST GOVERNANCE BODY AND ITS COMMITTEES

The Supervisory Board is the highest-ranking governance body of Münchener Hypothekenbank. The Supervisory Board is elected by the Delegates Meeting in accordance with the provisions set out in the German Cooperatives Act (Genossenschaftsgesetz) and the Articles of Association. The Supervisory Board appoints an Audit Committee, a Risk Committee, a Nomination Committee, and a Remuneration Committee from among its members. In this respect, at least one member of each committee should also be a member of another committee. The Supervisory Board must adhere to the applicable legal regulations and requirements when performing its duties and exercising its powers. In its working environment, it must act in an upright and fair manner, showing decency and integrity.

Information on the composition of the Supervisory Board can be found in the 2017 Annual Report on page 26. As stakeholders, representatives of the cooperative partner banks/the German Cooperative Financial Services Network (genossenschaftlicher Verbund), representatives of the members and employees are members of the Supervisory Board. At the moment, there is one woman on the Supervisory Board, which corresponds to a share of 8 percent. We have set ourselves the target of having 20 percent women on the Supervisory Board by 2021.

102-23 CHAIR OF THE HIGHEST GOVERNANCE BODY

The Chairman of the Supervisory Board is Mr Wolfhard Binder (see 2017 Annual Report, page 26).

102-24 NOMINATING AND SELECTING THE HIGHEST GOVERNANCE BODY

The highest-ranking governance body of MünchenerHyp, the Supervisory Board, is elected by the General Meeting for a de facto term of five years. The Delegates Meeting exercises the rights of the members in matters relating to the cooperative and consists of approximately 80 representatives, who are each elected for five years. Out of the members of the Supervisory Board, two-thirds are elected by the General Meeting (members of the Supervisory Board), and one-third by the employees with voting rights in accordance with sections 4 and 5 of the German One-Third Participation Act (DrittelbG) (employee representatives on the Supervisory Board). The Supervisory Board elects the Chairman and Deputy Chairman from among its members under the chairmanship of the oldest member.

STAKEHOLDER ENGAGEMENT

102-40 LIST OF STAKEHOLDER GROUPS

In the reporting period, we involved a variety of different stakeholders in sustainability issues. We maintain regular contact with our major stakeholder groups. These essentially include:

- Customers
- Intermediary brokers
- Members
- Salaried employees and workers who are not salaried employees
- Representatives of the capital market
- Rating agencies
- Competitors
- Associations
- Policymakers and the legislator
- Consultants and
- The media

102-41 COLLECTIVE BARGAINING AGREEMENTS

Number of employees covered by collective bargaining agreements	
Total number of employees	593
Total number of employees covered by collective bargaining agreements	346
Percentage of employees covered by collective bargaining agreements (in %).	58%

The collective bargaining agreement also applies to salaried employees whose remuneration is not covered by the collective bargaining agreement with regard to working hours, social benefits, time off work, annual leave, tax-free employer grants for capital formation purposes (vermögenswirksame Leistungen). It is only the salary that is not covered by the collective bargaining agreement.

102-42 IDENTIFYING AND SELECTING STAKEHOLDERS

During the reporting period, the organisation's stakeholders were involved in sustainability issues. Stakeholders are identified and selected in accordance with the following principles and procedures:

The groups that are particularly relevant to MünchenerHyp are those that have a legitimate interest in the results and development of our business activities. These stakeholders, who are affected either directly or indirectly by our business activities, are surveyed at regular intervals to find out how they assess material topics for Münchener Hypothekbank. The relevance and assessments of these topics are analysed by the sustainability management team and documented in a matrix based on the impact of our business activity on the one hand, and based on the influence on/relevance for our business model on the other.

102-43 APPROACH TO STAKEHOLDER ENGAGEMENT

Our organisation understands stakeholder involvement as a strategically important component and has embedded it in the management process accordingly. During the reporting period, our organisation's stakeholders were involved in sustainability issues. The table below shows the methods used for stakeholder involvement.

Procedure	Stakeholders	Frequency of involvement
In a transparent and continuous dialogue process	Internal stakeholders	Every 2 years
Regularly in various formats	External stakeholders	Annually

Stakeholders were involved not only during the period in which the reporting was prepared, but also independently of this.

In 2017, stakeholder dialogue focused on the internal stakeholders, i.e. the management and employees. These two groups were surveyed in their entirety on their views and how relevant they considered material topics to be. Their responses were added to a scale ranging from 1 (very low relevance) to 10 (very high relevance) and were weighted based on a ratio of 1:1 (management to employees).

The internal stakeholder analysis is used by MünchenerHyp to document the importance of material aspects and the extent to which they can be influenced by MünchenerHyp. These aspects are merged in the materiality matrix with the views of external stakeholders, producing an overview of the key topics that are disclosed in this Sustainability Report and that define the focus of our sustainability management activities.

Formats for dialogue with stakeholders include:

- Representative survey of all employees
- E-mail inbox of the Sustainability Committee
- Introductory events for new employees, including a presentation on our sustainability management
- Customer satisfaction analyses
- Customer and intermediary broker events
- Complaints management
- Investor roadshows
- Committee and association work
- Informal meetings and conference visits.

102-44 KEY TOPICS AND CONCERNS RAISED

In particular, three concerns were raised with us by our stakeholders in 2017: the issue of human rights due diligence by sustainability rating agencies and the legislator (in the form of the National Action Plan of the federal government), the social pillar of sustainability by interested members of the public, investors and representatives of cooperative associations, and the intensification of internal communication on sustainability by the employees.

The legislator and the sustainability rating agencies raised the question with us as to how we make sure that we respect human rights and comply with our human rights due diligence duties. In order to address this key issue in a structured manner, we performed a risk analysis regarding the potential human rights-related impact of our business activities. Based on this analysis, we adopted guidelines on human rights and diversity at MünchenerHyp.

The public debate often only focuses on the ecological pillar of sustainability. As a cooperative, however, we have a holistic understanding of sustainability which explicitly also includes the social component of sustainability. The response to this broad interpretation of sustainability is very positive. We have taken this as a cue to continue pursuing our holistic sustainability strategy. As a result, we have launched, among other things, a new sustainability loan on the market that explicitly also includes social components, the MünchenerHyp Family Loan.

As part of the internal stakeholder dialogue with employees, the latter requested more information on the topic of sustainability. This concern has been incorporated into the objectives for 2018, the plan being to provide employees with more comprehensive information using different channels.

REPORTING PRACTICE

102-45 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Information on the consolidated entities can be found in the 2017 Annual Report, on page 56.

102-46 DEFINING REPORT CONTENT AND TOPIC BOUNDARIES

The structure of this report is based on our material areas of action: Responsibility towards employees, responsibility for society, responsibility for the environment and responsibility in business activities.

These chapters focus on the main social, ecological and economic topics for us, which were defined with the help of a materiality analysis. The recommendations of the Global Reporting Initiative have been taken as a basis for the preparation of these chapters.

First of all, an extensive list of CSR issues was prepared based on the previous materiality analysis conducted in 2014, as well as on relevant standards and guidelines such as the Global Reporting Initiative and the German CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz). We also analysed relevant studies and sustainability reports of competitors, used the results of our sustainability rating for last year and conducted a survey among the top management level and all employees.

The topics were then clustered and aggregated to create overarching topic areas. An impact and relevance assessment was performed on the individual topic areas, and the individual topics were prioritised in terms of their materiality. In this respect, a topic's relevance for our business model was assessed within the context of our stakeholders' impact assessment with regard to MünchenerHyp's social, ecological and economic impact.

An overview of the result of this process is shown in the materiality matrix.

The issues identified as being material not only form the basis for the content of this Sustainability Report, but will also be incorporated into the further development of our sustainability management system.

102-47 LIST OF MATERIAL TOPICS

For detailed information see our [materiality matrix](#)

102-48 RESTATEMENTS OF INFORMATION

Our organisation has already reported on sustainability issues in the past. In contrast to previous sustainability reports, this Sustainability Report has been prepared in accordance with the new standards of the GRI for the first time.

In addition, the emissions calculation within the context of the GRI disclosures was performed for the first time using the emissions factors of the DEFRA (Department for Environment, Food & Rural Affairs) in order to allow for international comparability and to report both location-based and market-based emissions. In order to still show the development in the environmental indicators compared with the previous years, however, the values calculated in accordance with the emission factors of the State Agency for the Environment (LfU) are also published ([see calculated values](#)).

102-49 CHANGES IN REPORTING

The boundaries of the report are unchanged as against the previous Sustainability Report. The only thing that has changed is the assessment of the materiality of a number of topics, because the stakeholder assessments have developed further. For example, corporate governance has become more important from the perspective of both internal and external stakeholders.

102-50 REPORTING PERIOD

The information contained in the report covers the financial year from 1 January 2017 to 31 December 2017.

102-51 DATE OF MOST RECENT REPORT

The last Sustainability Report was published in July 2017.

102-52 REPORTING CYCLE

The report is published on an annual basis.

102-53 CONTACT POINT FOR QUESTIONS REGARDING THE REPORT

Salutation	First name and surname	Department	E-mail	Phone
Dr	Johanna Dichtl	Board of Management Staff Organisation HR	Johanna.Dichtl@muenchenerhyp.de	+49 89 5387-577
Dr	Phil Zundel	Board of Management Staff Organisation HR	Phil.Zundel@muenchenerhyp.de	+49 89 5387-319

102-54 CLAIMS OF REPORTING IN ACCORDANCE WITH THE GRI STANDARDS

This report was prepared in accordance with the GRI standards "Core" option.

102-55 GRI CONTENT INDEX

These GRI disclosures provide an overview in the form of a table. A detailed overview of the GRI indicators covered and omitted by this Report can be found as of [page 51](#).

102-56 INDEPENDENT ASSURANCE REPORT

The report was not subjected to an external audit. Formally, we are not yet subject to a CSR reporting obligation according to the further specification of the non-financial statement under the CSR Directive Implementation Act for 2017 set out in the amended version of the German Accounting Standard no. 8 (DRÄS 8), as the number of employees in 2016 pursuant to section 267 (5) HGB is less than 500 (see 2016 Annual Report, page 27). Apart from the assessment performed by the Supervisory Board, however, we already fulfil the requirements associated with mandatory CSR reporting.

TOPIC-SPECIFIC STANDARDS – ECONOMIC TOPICS

ECONOMIC PERFORMANCE

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility in business activities](#)

201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Information on the annual balance sheet, profit and loss statement, statement of changes in equity and cash flow statement can be found in the Annual Report on pages 42 et seqq.

In 2017, MünchenerHyp donated EUR 34,410 to various non-profit organisations.

201-2 FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE

We have not yet assessed the risk of natural disasters caused by climate change for our business activities. Our organisation does not yet have a systematic and database-based analysis of the financial consequences of climate change. There are, however, plans to introduce this in the long term.

201-3 DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS

Our organisation has a company pension scheme. It is based on defined benefit pension plans. For MünchenerHyp as an employer, pension provision is a key component of the additional benefits provided to employees. There are various occupational pension systems that provide benefits in old age and in the event of invalidity and death. Detailed information on the liabilities can be found in the Annual Report on page 45.

201-4 FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

We did not receive any financial assistance from governments during the reporting period.

INDIRECT ECONOMIC IMPACTS

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility in business activities](#)

203-1 INFRASTRUCTURE INVESTMENTS AND SERVICES SUPPORTED

Our core business, property financing, contributes to the creation and preservation of liveable and efficient infrastructure in our core market of Germany and in our foreign markets. This also includes, among other things, financing housing associations and housing cooperatives in the commercial segment, allowing us to promote housing construction focused on social sustainability aspects, as well as the modernisation of social housing. As the demand for reasonably priced homes has been increasing for years now, but the supply of property is scarce in many regions across Germany, we have launched a loan on the market that is tailored to meet the needs of middle-income families in the private customer business, the MünchenerHyp family loan.

As far as the impact of our investments is concerned, it is important to note that our core business in the commercial segment is largely limited to the financing of residential, office, retail, hotel and logistics properties and to European countries such as Germany, the Netherlands, Luxembourg, France and Spain, as well as the USA. These countries tend to have legal frameworks on environmental, social and governance (ESG) requirements at a high to very high level.

We try to use our own standards to go beyond merely complying with these requirements.

In addition to the importance for the real estate sector, MünchenerHyp's business activities are relevant to the financial sector in the sense that we offer investors the opportunity to invest capital securely in the form of various products. We also offer explicitly sustainable investments, such as the world's first ESG Pfandbrief.

203-2 SIGNIFICANT INDIRECT ECONOMIC IMPACTS

Münchener Hypothekenbank is a member and sponsor of around 70 associations from the fields of business, education, environmental protection, culture and social affairs. Our social commitment focuses on three topic areas: firstly, supporting civil social commitment, such as active citizenship, secondly, initiatives relating to sustainability that match our sustainability priorities (e.g. supporting the Stiftung Ambulantes Kinderhospiz children's hospice foundation in Munich, which supports families with terminally or seriously ill children), and third, making ad hoc donations at the request of individual employees.

Our employees have opportunities to take unpaid leave of absence for voluntary work.

In addition to our commitment to society, we have a positive impact on economic development as an employer and a client. As a cooperative bank, we are especially committed to the regional and social environment. By cooperating with our partner banks in the Cooperative Financial Group (genossenschaftliche Finanzgruppe), we contribute to support their members based in the region. This regional principle has been proven to help stabilise the financial markets.

ANTI-CORRUPTION

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility in business activities](#)

205-1 OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION

The operations of MünchenerHyp, i.e. the head office in Munich and the eleven regional offices, are subject to continuous monitoring by the Compliance Office of Münchener Hypothekenbank. No significant corruption risks and no irregularities were identified for 2017 within the context of the risk assessment.

Number of operations	Value
Total number of operations	11
Operations assessed	11
Share of operations assessed (in %)	100%

205-2 COMMUNICATION AND TRAINING ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES

When they are recruited, all employees receive information on the Code of Conduct of MünchenerHyp, which states that the Bank does not tolerate corruption and also sets out provisions relating to how to deal with donations and what to do in the event of conflicts of interest. The rules of procedure for the Board of Management apply to the latter and state that the Board of Management must not tolerate any form of corruption or bribery within the company.

205-3 CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN

There are no known cases of corruption at MünchenerHyp for 2017.

ANTI-COMPETITIVE BEHAVIOUR

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility in business activities](#)

206-1 LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOUR, ANTI-TRUST AND MONOPOLY PRACTICES

We were not involved in any court proceedings due to anti-competitive behaviour or anti-trust and monopoly practices in 2017.

TOPIC-SPECIFIC STANDARDS – ENVIRONMENTAL TOPICS

MATERIALS

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility for the environment](#)

301-1 MATERIALS USED BY WEIGHT OR VOLUME

Paper, in particular, is a material used that is relevant to our business operations.

Auxiliary material	Quantity	Unit	Origin	Renewability	Measurement method
Copying paper	23,451.00	kg	external	Renewable	Estimate
Other printed matter (including mailing bags, envelopes, etc.)	2,436.00	kg	external	Partially renewable	Estimate

Our organisation uses the following estimate methods: The consumption of copy paper is projected on the basis of the weekly paper consumption. The paper consumption from other printed matter is calculated using the quantities ordered.

The fact that other printed matter is recorded for the first time meant that paper consumption per employee rose to 38.9kg.

301-2 RECYCLED INPUT MATERIALS USED

The paper we use for office and customer communications is obtained from responsible sources. We only use paper certified by the Forest Stewardship Council® (FSC®) or with the EU Ecolabel. This also includes paper with components from waste paper. At present, the percentage of waste paper is not calculated. Other recycled products are not relevant for MünchenerHyp's business activities.

ENERGY

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility for the environment](#)

302-1/3 ENERGY CONSUMPTION WITHIN THE ORGANISATION AND ENERGY INTENSITY

Our organisation purchased energy during the reporting period. At our head office in Munich, we purchase 100% of our electricity from renewable energy sources.

Energy source	Energy (GJ)	Energy intensity (in GJ/employee)
Energy consumption in the form of fuel	6,620.07	11.11*
- thereof renewable energy sources	331.00	
- thereof non-renewable energy sources	6,289.07	
Indirect energy consumption in the form of electricity and district heating	14,310.39	21.49**
- thereof renewable energy sources	13,898.26	
- thereof non-renewable energy sources	412.13	
Total energy consumption within the organisation	20,930.46	31.43**
- thereof renewable energy sources	14,229.26	
- thereof non-renewable energy sources	6,701.20	

* based on the number of employees as at 31 December 2017 = 596

** based on the number of employees as at 31 December 2017 = 596 plus externals (estimated)

302-4 REDUCTION OF ENERGY CONSUMPTION

We are committed to keeping our energy and resource consumption to a minimum. To date, we have not managed to save paper by introducing electronic files. The electricity consumption per employee, however, has fallen to the lowest value since we started collecting this data in 2011 (from 3,187 to 2,531kWh per employee). This means that electricity-related CO₂ emissions have fallen by 9 percent as against 2016 and by a total of 20 percent since 2011.

302-5 REDUCTIONS IN ENERGY REQUIREMENTS OF PRODUCTS AND SERVICES

The MünchenerHyp "Green Loan" is linked to energy-efficiency criteria that the property to be financed has to meet. The loan can be used to finance all properties with low primary energy requirements, meaning that they protect the environment, at low interest rates. This means that the focus with regard to the property to be financed is on ecological aspects relating to environmental protection. We grant loans based on preferential conditions for energy-efficient residential buildings provided that the following criteria are met:

- The annual primary energy requirements of the residential property to be financed amount to less than or equal to 70 kWh/m²a.
- The energetic quality of the building envelope (H'TW/m²K) needs to be quoted.
- The energy class is to be verified either by an energy consultant or through confirmation that the conditions from the respectively applicable KfW (German development bank) for energy-efficient construction or renovation programmes are fulfilled.

The mortgage loans can be granted for new builds, as well as for purchases, modernisation and follow-up financing.

The environmental benefits of the MünchenerHyp Green Mortgage Loan Programme comprise climate protection and the efficient use of energy and resources. The energy saving is equivalent to preventing around 330 tonnes of CO₂ emissions per m² per year.

WATER

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility for the environment](#)

303-1 WATER WITHDRAWAL BY SOURCE

Water consumption at our main office at Karl-Schornagl-Ring in 2017 amounted to 11,901m³, which corresponds to a value of 17.9m³ per employee. The water consumption value is based on internal measurements.

303-2 WATER SOURCES SIGNIFICANTLY AFFECTED BY WITHDRAWAL OF WATER

The withdrawal of water within our organisation does not significantly affect water sources.

303-3 WATER RECYCLED AND REUSED

Our organisation does not process any industrial water and wastewater in another cycle before the water is sent for final treatment/fed back into the environment.

EMISSIONS

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility for the environment](#)

305-1/2/3/4 DIRECT, ENERGY INDIRECT AND OTHER INDIRECT GHG EMISSIONS (SCOPE 1, 2 AND 3) AND GHG EMISSIONS INTENSITY

Emissions source	Total	GHG emissions intensity (CO ₂ e (t)/employee)*
Scope 1 emissions	440.87	0.74
Scope 2 emissions (market-based)	357.18	0.54
	Thereof electricity: 0	
	Thereof district heating: 357.18	
Scope 2 emissions (location-based)	1,250.24	1.88
	Thereof electricity: 798.25	
	Thereof district heating: 451.99	
Scope 3 emissions	1,252.25	2.10
	Thereof employees' travel to work: 750.10	
	Thereof business trips: 176.50	
	Thereof paper: 22.95	
	Thereof Water: 4.09	
	Thereof indirect emissions due to fuel and energy consumption in scope 1 and 2: 298.61	

* The employee base for the scope 1 and 3 emissions refers to the workforce of 596 employees as at 31 December 2017, while the employee base for the Scope 2 emissions is based on the number of employees as at 31 December 2017 plus externals (estimated) at our main office at Karl-Schönagel-Ring. Since externals that are also in the building were not included in the scope 3 emissions, the actual value is lower than the calculated value set out above (conservative approach).

In Münchener Hypothekbank's case, the direct GHG emissions (scope 1) result from the CO₂ emissions from the corporate fleet. The indirect GHG emissions (scope 2) result from the CO₂ emissions arising from the provision of electricity and district heating by the energy supply company. The other indirect GHG emissions (scope 3) result from the CO₂ emissions which are associated with business activities. In Münchener Hypothekbank's case, these include greenhouse gas emissions associated with business travel or commuting employees, as well as those resulting from the consumption of paper and water. Data is not collected on emissions from waste or materials.

Our organisation calculates all emissions using the sustainability software 360report. The emissions factors on which 360report is based come mainly from DEFRA (Department for Environment, Food & Rural Affairs), but also from GEMIS (Global Emission Model for Integrated Systems) and the IFEU Institute.

305-5 REDUCTION OF GHG EMISSIONS

We have launched initiatives to reduce GHG emissions. These include calling upon employees to use resources sparingly (especially paper), to save electricity by switching off standby devices or by switching to environmentally friendly means of transport for business travel. As far as our company fleet is concerned, we only use cars with petrol, hybrid or natural gas engines. New diesel vehicles are no longer leased.

ENVIRONMENTAL COMPLIANCE

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility for the environment](#)

307-1 NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

There were no administrative fines or sanctions in 2017.

TOPIC-SPECIFIC STANDARDS – SOCIAL TOPICS

EMPLOYMENT

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility towards employees](#)

401-1 NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

Characteristic	Number of employees	Number of new hires	New hire rate (in %)	Number of leavers	Turnover rate (in%)
Total number of employees	593	74	13%	40	7%
By gender					
Female	282	31	11%	17	6%
Male	311	43	14%	23	7%
Age group					
< 30 years	77	21	29%	12	16%
30 – 50 years	347	40	12%	17	5%
> 50 years	169	13	8%	11	7%

The number of employees used to calculate staff turnover is based on the reference date of 31 December 2017. On this date, the headcount was 593. There were more new hires than employees leaving the company in 2017, with a ratio of 74 to 40. Staff turnover increased to 6.7 percent (previous year: 5.9 percent) – excluding retirement, the increase came to 6.0 percent (previous year: 5.4 percent). Compared with the sector average (2016: 7.0 percent; 2015: 6.7 percent), staff turnover is still below average.

The average length of service is 11.3 years and the average age of the workforce is 43.4 years.

Staff turnover is not recorded with regard to region, as this information is not relevant for management purposes.

401-2 BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES

We provide our full-time employees with the following company benefits:

- Health check-ups
- Occupational incapacity and invalidity protection
- Parental leave
- Retirement provision
- Participation in the cooperative
- Severance pay
- Additional compensation for incapacity for work
- Additional paid annual leave
- Travel cost subsidy
- Long-term service bonuses paid for the 10th, 25th, 40th and 50th year of service
- Childbirth allowance
- Occupational retirement provision via the insurance association for the banking industry (BVV)
- Supplementary health insurance/insurance for civil servants
- Special conditions for property loans, insurance policies and investments with firms within the Cooperative Financial Network
- Subsidised social activities e.g. the Cooperative Winter Games, company runs, company excursions
- Generously subsidised meals available in the company restaurant

The occupational pension also includes occupational incapacity and surviving dependants' benefits. In general, all part-time employees are entitled to the same company benefits as full-time employees. The only exception relates to participation in cooperative shares, where the shares offered to part-time employees are staggered based on their working hours. Employees on temporary contracts cannot register for civil servants' insurance, the occupational pension scheme via the BVV or for occupational incapacity and invalidity protection.

401-3 PARENTAL LEAVE

Category	Number of employees	thereof female	thereof male
Employees entitled to parental leave	38	23	15
Employees who took parental leave in the reporting period	36	23	13
Employees who returned to their jobs after parental leave in the reporting period	19	6	13
Employees who were still employed 12 months after returning from parental leave	13	6	7

Based on the data, this results in the following rate of employees remaining in the company after taking parental leave shown in the table. The rate of employees remaining in the company is calculated as follows: (number of employees who were still employed twelve months after returning to work after parental leave) / (number of employees who returned to work after parental leave in the previous reporting period) x 100.

Employees	Rate remaining in the company (%)
Total	93%
Female	86%
Male	100%

LABOUR/MANAGEMENT RELATIONS

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility towards employees](#)

402-1 MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES

The period within which employees and their elected representatives have to be informed of significant operational changes which could have a fundamental impact on employees is four weeks. Employees are, however, notified of significant operational changes (as defined in section 90 of the German Works Constitution Act (Betriebsverfassungsgesetz)) as soon as possible, i.e. up to one year beforehand, so that the employees can be involved early on. Co-determination of our employees within the company is not governed by collective bargaining agreements. At the moment, there are no plans to introduce collective bargaining agreements on co-determination in our organisation.

OCCUPATIONAL HEALTH AND SAFETY

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility towards employees](#)

403-1 WORKERS REPRESENTATION IN FORMAL JOINT MANAGEMENT-WORKER HEALTH AND SAFETY COMMITTEES

Our organisation has a formal management-worker committee that is responsible for occupational health and safety.

The Occupational Health and Safety Committee is composed of representatives from the employer side, namely the Board of Management member responsible for safety and a representative of the executive staff and, on the employee side, the safety officer, the company doctor, the fire protection officer, first aiders, a representative from the HR department and members of the Works Council. This means that 100 percent of the employees are represented on the Occupational Health and Safety Committee.

403-2 TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES

	No. female	No. male	Total
Number of accidents	4	3	7
thereof accidents at work (number)	3	1	4
thereof commuting accidents (number)	1	2	3
thereof fatalities	0	0	0
Sick days (from one day of absence)	2.714	2.370	5.084
Reintegration measures (gradually after a prolonged illness)	69	72	141
Sick days without continued salary payment	686	589	1.275

The sickness rate in 2017 amounted to 3.8 percent.

It was not possible to obtain data on private accidents as these are recorded as illnesses. The illness figures are currently not recorded with regard to region.

403-3 WORKERS WITH HIGH INCIDENCE OR HIGH RISK OF DISEASES RELATED TO THEIR OCCUPATION

There are no activities at MünchenerHyp associated with a high sickness rate or risk of sickness.

403-4 HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENTS WITH TRADE UNIONS

MünchenerHyp negotiates topics relating to occupational health and safety in accordance with the statutory requirements with the company's Works Council.

TRAINING AND EDUCATION

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility towards employees](#)

404-1 AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

Gender	Number of employees	Number of hours for training	Average number of hours per gender
Total workforce	548	8,778	16.0
Female	255	3,026	11.9
Male	293	5,752	19.6

Grade	Number of employees per grade	Number of hours for training	Average number of hours per grade and employee
Board of Management and F1 level	21	884	42.1
F2 level	37	727	19.6
F3 level	30	1,182	39.4
Employees	463	5,986	12.9
Total	551	8,779	

The calculation of the number of hours for training is based on the number of employees without members of the Board of Management, employees on long-term sick leave, employees on parental leave, in early retirement or in phased-in early retirement, or apprenticed trainees.

404-2 PROGRAMS FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMS

We offer our employees (further) training programmes so that they can improve their skills and knowledge. The programmes we offer include:

- Internal training courses
- Financial support for external (further) training courses
- Sabbatical arrangements featuring job guarantees

We offer transitional assistance programmes for our employees who are retiring or leaving the company. These programmes include:

- Severance payments
- Severance payments taking into account the age of the employees
- Severance payments taking into account the length of service
- Severance payments taking into account the age of the employees and the length of service
- Support in finding a new job

Responsibility for sustainable HR management internally and externally is demonstrated by the wide range of (further) training opportunities on offer at MünchenerHyp. There is a transparent range of individual (professional) further training opportunities for all employees and executives. These include, in particular, programmes that employees can complete outside of work, in respect of which we customise employees' working hours and provide subsidies to help cover the costs, as well as our in-house trainee programmes to produce the next generation of employees from our own ranks. Since 2016, a feedback tool has been in place for reflecting on and evaluating training measures immediately after the event in question, and again after 3 to 6 months, allowing any further requirements to be identified.

MünchenerHyp offers training for individuals who want to qualify as bank clerks and office management specialists. For many years now, MünchenerHyp has been one of the few companies offering part-time vocational training, allowing young mothers, in particular, a way to ensure a self-sufficient and independent future. The exact individual working hours are always set with the apprenticed trainees at the beginning of the programme and are adjusted if necessary.

In addition to the Chamber of Industry and Commerce (IHK) vocational training and conventional further education seminars both in-house and externally, we also offer internal training, also in the form of general training on topics such as decision-making, negotiation tactics, presentation techniques, mindfulness, and in-house training on project management, compliance, employment law, language courses, MS Office and much more.

Sabbaticals are possible in principle, depending on the department and work situation. In general, we offer transitional assistance programs for a pleasant transition into retirement. We also make severance payments and provide employees with support in finding a new job if this has been agreed upon in the termination agreement.

404-3 PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

100 percent of our employees receive an annual performance appraisal. We use employee appraisals to identify strengths, potentials and opportunities for development, as well as individual training needs, and to set targets for the individual employee. These appraisals are held at least once a year with all employees of MünchenerHyp. This process does not include employees who are on parental leave, in the passive phase of phased-in early retirement or on long-term sick leave, for example.

DIVERSITY AND EQUAL OPPORTUNITY

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility towards employees](#)

405-1 DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

The following section provides a breakdown of employees and of members of the management body by diversity categories.

Diversity category	Number of employees	Proportion of employees (in %)
Total workforce	593	100%
By gender		
Female	282	48%
Male	311	52%
Age group		
< 30 years	77	13%
30 - 50 years	347	59%
> 50 years	169	28%

Diversity category	Number of members of the management body	Proportion of members of the management body (in %)
Total workforce	21	100%
By gender		
Female	3	14%
Male	18	86%
Age group		
< 30 years	0	0%
30 - 50 years	7	33%
> 50 years	14	67%

The total number of employees as at 31 December 2017 amounts to 593. The diversity information on the management level set out in the table above relates to the first management level and the Board of Management. At the first management level, the proportion of women comes to 16.7 percent, with a proportion of 18.9 percent at the second management level and 25.8 percent at the third. The proportion of women in the Bank as a whole is 47.7 percent.

405-2 RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN

The calculation of the differences in the basic salaries of men and women is based on those employees who were receiving a salary, i.e. excluding employees in phased-in early retirement, on parental leave or whose employment relationships have been suspended. Data on the differences was collected from the second management level and relates to employees' fixed salary. Salary differences cannot be disclosed for the first management level because the sample size is too small.

In percentage terms, the difference in fixed salaries between women and men is

- -1.3% at the second level of management
- +0.9% at the second level of management
- -0.65% for employees whose salaries are not based on collective bargaining agreements
- -5.9% for employees whose salaries are based on collective bargaining agreements

The salary difference for employees whose salaries are based on collective bargaining agreements is due to structural differences in function and the associated assignment to a collective pay scale level. Allocation to collective pay scale groups is not gender-specific.

NON-DISCRIMINATION

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility towards employees](#)

406-1 INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

No discrimination incidents were reported at MünchenerHyp in the reporting period.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility towards employees](#)

407-1 OPERATIONS AND SUPPLIERS IN WHICH THE RIGHT TO FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE AT RISK

In our organisation, there are no operations and suppliers in which employees' right to freedom of association and collective bargaining is being breached, or may be considerably at risk.

MünchenerHyp has its headquarters in Munich, as well as eleven regional offices throughout Germany, where freedom of association is protected by law. In the reporting year, there were no reported cases of breaches of, or a risk to, freedom of association.

HUMAN RIGHTS ASSESSMENT

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility for society](#)

412-1 OPERATIONS THAT HAVE BEEN SUBJECT TO HUMAN RIGHTS REVIEWS OR IMPACT ASSESSMENTS

Private customer business

Our business activities in the private customer segment focus on Germany. We maintain eleven regional offices throughout Germany to support our ongoing business relationships with the Volksbanken and Raiffeisenbanken. In addition, we also offer private property financing through our cooperation partner PostFinance in Switzerland. In this regard, an internal risk analysis has shown that the risk of any human rights impact is considered low.

Commercial lending business

The national and international commercial lending business is managed centrally from Munich. In Germany, there are also offices in Frankfurt am Main, Hamburg and Berlin. At an international level, we receive support from cooperation partners in Madrid, Paris and Vienna. We do not have any operations outside of Europe. The commercial property financing segment is limited to transactions on the European market (Germany, Austria, the Netherlands, Luxembourg, France and Spain) with a focus on Germany, as well as in the USA. In this regard, we adhere to internationally recognised standards on environmental and social impacts. It is mainly residential, office, retail, hotel and logistics properties that are financed. Once again, violations of human rights in relation to the financing object are unlikely.

Employees

As far as own employees are concerned, we do not tolerate any form of discrimination as a general principle, and we show appreciation and respect for each and every employee regardless of diversity aspects. In the reporting period, there were no reported incidents of discrimination (cf. 206-1).

412-2 EMPLOYEE TRAINING ON HUMAN RIGHTS POLICIES OR PROCEDURES

Some of our employees have undergone training on the human rights impact of the corporate sector and relevant human rights aspects. In the context of an external training session conducted by the UN Global Compact, one employee underwent extensive training on the issue of corporate human rights due diligence. Seven other employees completed a one-and-a-half hour internal training session organised as a workshop on the subject of human rights and human rights risk analysis. This means that 1 to 20 percent of employees have been trained on human rights.

412-3 SIGNIFICANT INVESTMENT AGREEMENTS AND CONTRACTS THAT INCLUDE HUMAN RIGHTS CLAUSES OR THAT UNDERWENT HUMAN RIGHTS SCREENING

MünchenerHyp has excluded business activities relating to certain critical sectors that could have an indirect impact on human rights. These include controversial fields of business such as gambling, pornography, armaments, tobacco, alcohol or uranium mining.

PUBLIC POLICY

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility for society](#)

415-1 POLITICAL CONTRIBUTIONS

In the reporting year, our organisation did not make any direct or indirect monetary or non-monetary donations to political parties or individuals.

Our compliance guidelines ban the granting of monetary perquisites and other gifts to public officials, as well as political donations.

MARKETING AND LABELLING

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility for society](#)

417-1 REQUIREMENTS FOR PRODUCT AND SERVICE INFORMATION AND LABELLING

Our marketing is committed to the interests of our customers and adheres to the cooperative principle of promoting the financial independence and well-being of the members:

- Information and statements about our financing products are accurate, clear and transparent. This ensures that customers recognise and understand the nature and risks of the desired financing product.
- Promotional messages by MünchenerHyp are consistent across all communication and marketing channels.
- We take into account the financial situation of the target customer groups and do not offer any incentives to take on excessive debt.
- We do not engage in aggressive promotional activities or link advertising to inappropriate incentives.

417-2 INCIDENTS OF NON-COMPLIANCE CONCERNING PRODUCT AND SERVICE INFORMATION AND LABELLING

In 2017, there were no known breaches of provisions or voluntary codes of conduct with regard to the information on, and the labelling of, products and services.

417-3 INCIDENTS OF NON-COMPLIANCE CONCERNING MARKETING COMMUNICATIONS

In the reporting period, our organisation adhered to all provisions or voluntary codes of conduct with regard to advertising, including advertisements, promotions and sponsorship.

CUSTOMER PRIVACY

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility in business activities](#)

418-1 SUBSTANTIATED COMPLAINTS CONCERNING BREACHES OF CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA

In the reporting period, no complaints were lodged with our organisation concerning breaches of customer privacy or the loss of customer data.

SOCIO-ECONOMIC COMPLIANCE

103-1/2/3 MANAGEMENT APPROACH

For further information cf. [Responsibility for society](#)

419-1 NON-COMPLIANCE WITH LAWS AND REGULATIONS IN THE SOCIAL AND ECONOMIC AREA

No administrative fines or non-monetary sanctions were levied against our organisation due to non-compliance with social and business-related laws and/or provisions.

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TOPIC-SPECIFIC DISCLOSURES

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GRI 202: Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	Not material, as the business of Münchener Hypothekenbank focuses on Germany. In Switzerland, property financing is distributed via the cooperation partner PostFinance. Other than that, MünchenerHyp has no operations in other markets.
202-2	Proportion of senior management hired from the local community	-	Not material, as the business of Münchener Hypothekenbank focuses on Germany. In Switzerland, property financing is distributed via the cooperation partner PostFinance. Other than that, MünchenerHyp has no operations in other markets.
GRI 203: Indirect Economic Impacts			
103-1/2/3	Management Approach	36	
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GRI Standard	Description	Page	Omissions
GRI 204: : Procurement Practices			
204-1	Proportion of spending on local suppliers	–	<p>Not material. Our organisation does not yet have any corporate policy stating that preference is to be given to local suppliers. At the moment, there are no plans to introduce this sort of policy. Even without this sort of explicit policy, we already give preference to local providers. We understand the term "local supplier" as referring to suppliers in the same country or in neighbouring countries.</p> <p>We focus on local suppliers and service providers, enabling short transport routes and helping us to save CO₂ emissions. Procurement primarily relates to office equipment and supplies: desks, chairs, stationery, laptops, PCs and printers.</p>
GRI 205: Anti-Corruption			
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GRI Standard	Description	Page	Omissions
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GRI 304: Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	–	Not material, as we do not own or lease sites in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.
304-2	Significant impacts of activities, products, and services on biodiversity	–	Not material
304-3	Habitats protected or restored	–	Not material, as our organisation did not restore, renaturalise or protect any areas in the reporting period.
GRI 305: Emissions			
103-1/2/3	Management Approach	40	
305-1	Direct (Scope 1) GHG emissions	40	
305-2	Energy indirect (Scope 2) GHG emissions	41	
305-3	Other indirect (Scope 3) GHG emissions	41	
305-4	GHG emissions intensity	41	
305-5	Reduction of GHG emissions	41	
305-6	Emissions of ozone-depleting substances (ODS)	–	Not material.
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions	–	Not material.
GRI 306: Effluents and Waste			
306-1	Water discharge by quality and destination	–	Not material.
306-2	Waste by type and disposal method	–	Not material.
306-3	Significant spills	–	Not material.
306-4	Transport of hazardous waste	–	Not material, as our organisation did not transport, import, export or treat any waste classified as hazardous in accordance with the provisions set out in the Basel Convention Annex I, II, III and VIII in the reporting period.
306-5	Water bodies affected by water discharges and/or runoff	–	Not material.

GRI Standard	Description	Page	Omissions
GRI 307: Environmental compliance			
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GRI 308: Supplier environmental assessment			
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308-2	Negative environmental impacts in the supply chain and actions taken	–	Not material.
GRI 400: Social topics			
GRI 401: Employment			
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405-1	Diversity of governance bodies and employees	46	
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GRI 408: Child labour			
408-1	Operations and suppliers at significant risk for incidents of child labour	–	Not material, as there are no operations or suppliers in our organisation that are classed as risky regarding child and youth labour.
GRI 409: Forced or Compulsory Labour			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	–	Not material, as there are no operations or suppliers in our organisation that are classed as risky regarding forced or compulsory labour.
GRI 410: Security Practices			
410-1	Security personnel trained in human rights policies or procedures	–	Not material.
GRI 411: Rights of Indigenous Peoples			
411-1	Incidents of violations involving rights of indigenous peoples	–	Not material.
GRI 412: Human Rights Assessment			
103-1/2/3	Management Approach	48	
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GRI Standard	Description	Page	Omissions
GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	–	Not material because MünchenerHyp's business activities focus primarily on Europe.
413-2	Operations with significant actual and potential negative impacts on local communities	–	Not material because MünchenerHyp's business activities focus primarily on Europe.
GRI 414: Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	–	Not material.
414-2	Negative social impacts in the supply chain and actions taken	–	Not material.
GRI 415: Public Policy			
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GRI 416: Customer Health and Safety			
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These GRI disclosures provide an overview in the form of a table.

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