



2020

NON-FINANCIAL REPORT

SOLIDARITY.
OUR STRENGTH.



MünchenerHyp

Münchener Hypothekbank eG

Non-Financial Report 2020

ABOUT THIS REPORT

Münchener Hypothekbank eG (hereinafter referred to as "MünchenerHyp" or the "Bank") has reported on non-financial aspects and the material economic, environmental and social impacts of its business activities since 2012. This non-financial report complies, in particular, with the legal requirements of the CSR Directive Implementation Act (CSR-Richtlinien-Umsetzungsgesetz, CSR-RUG) in accordance with section 340a para 1a of the German Commercial Code (Handelsgesetzbuch, HGB) and section 289b para 3 HGB. We accordingly disclose information on our business performance and business situation and address the impact of our business on the aspects of environmental, social and employee issues, respect for human rights and the fight against corruption and bribery (section 289c para 2 HGB). When identifying material topics for reporting within the meaning of section 289c para 3 HGB, MünchenerHyp also follows the guidelines of the Global Reporting Initiative (GRI) and the interdisciplinary expertise of internal and external stakeholders. In 2020, we updated the list of material sustainability topics accordingly.

The non-financial report is externally audited and published together with the management report in the electronic Federal Gazette (Bundesanzeiger) and on Münchener Hypothekbank's website.

NON-FINANCIAL ASPECTS AND MATERIAL SUSTAINABILITY TOPICS 2020

Non-financial aspect	Material topics	Subtopics
Environmental and social matters	Sustainable value creation & responsible corporate governance	<ul style="list-style-type: none"> ■ Business model ■ Business performance ■ Taxes ■ Risk management ■ Governance ■ Integration of ESG topics
	Responsible financing	<ul style="list-style-type: none"> ■ Lending ■ Customer relations (including customers with loans in arrears, financial difficulties) ■ Marketing and data protection ■ MHB's investments
	Environmental and social impact of our products	<ul style="list-style-type: none"> ■ Social and environmental value created through our financing and refinancing solutions
	Social engagement and environmental management in operations	<ul style="list-style-type: none"> ■ Supporting communities and charitable organisations ■ Resource consumption and CO₂ emissions in operations
	Employee matters	Responsible human resources
Diversity and equal opportunity		<ul style="list-style-type: none"> ■ Proportion of women
Health and safety at work		<ul style="list-style-type: none"> ■ Health & safety ■ Employee well-being
Respect for human rights	Respect for international human rights	<ul style="list-style-type: none"> ■ Employment practices (including non-discrimination, freedom of association and right to collective bargaining) ■ Human rights impact of customers and suppliers ■ Impact of financing / products
Anti-corruption and anti-bribery	Compliance & business ethics	<ul style="list-style-type: none"> ■ Combating corruption and bribery ■ Combating money laundering and terrorist financing ■ Internal & external (customers, suppliers, etc.) relationship management

Our business model

Münchener Hypothekenbank eG is a credit institution specialising in residential and commercial property financing for private and professional customers. It was founded in 1896 as "Bayerische Landwirtschaftsbank eGmbH" with the support of the Kingdom of Bavaria. Over the years, Bayerische Landwirtschaftsbank has evolved from its agrarian-oriented origins to become the Münchener Hypothekenbank of today, an organisation active in both national and international markets. The Bank is an independent financial institution with no majority shareholder and currently has around 64,000 members. The majority of the Bank's shareholders are credit unions and private individuals – in many cases customers. With assets totalling € 48.6 billion and 693 employees, MünchenerHyp is categorised as a significant financial institution and is therefore subject to direct supervision by the European Central Bank (ECB).

MünchenerHyp is part of the Genossenschaftliche Finanz-Gruppe (Cooperative Financial Network), which comprises some 800 Volksbanken, Raiffeisenbanken and other affiliated enterprises such as the Cooperative Financial Network's lead institution DZ BANK, the insurer R+V Versicherung, and the building society Bausparkasse Schwäbisch Hall.

The Bank operates in three business areas. Its core areas of business are residential and commercial property financing in Germany and abroad. Hence, the Bank is one of only a small number of providers offering property financing for retail customers as well as large-scale commercial lending. Lending to banks and the public sector forms the third area of business.

However, this activity is not part of the core business and has a supporting function only.

In the residential property financing segment, MünchenerHyp lends to private customers in Germany via its cooperation partners including the Volksbanken and Raiffeisenbanken, other cooperative credit institutions and independent financial advisers and brokers. MünchenerHyp also works with PostFinance in Switzerland and with selected brokers in Austria. Cooperation with the Volksbanken and Raiffeisenbanken is managed via eleven regional offices located in Augsburg, Berlin, Cologne, Dresden, Frankfurt am Main, Hamburg, Hannover, Munich, Münster, Nuremberg and Stuttgart.

In the commercial property segment, the Bank chiefly finances apartment blocks, office buildings, hotels and retail and logistics properties in Germany and abroad. The business comprises direct acquisition and syndicated business and, here too, is also partly arranged via the Volksbanken and Raiffeisenbanken. The Bank's commercial property lending business is managed centrally from Munich and from our offices in Frankfurt am Main, Hamburg, Cologne and Berlin. Internationally, MünchenerHyp works with partners in Madrid and Paris. Loan processing and management is carried out from the Munich head office.

Funding is mainly via Mortgage Pfandbriefe, which are rated Aaa, the highest possible rating, by Moody's. The Bank also issues unsecured bearer bonds on the capital market and

raises funds on the money market. Its customers are mainly institutional investors such as investment funds, pension funds, insurance companies and (central) banks, but also some private investors.

Sustainability at MünchenerHyp

As one of Germany's largest cooperative banks and one of the most important credit institutions in Europe, MünchenerHyp has an impact on our economy, society and environment. We see it as our responsibility to base our business activities on the cooperative values of solidarity, fairness, partnership, responsibility and proximity. Since 2011, the Bank has been pursuing a holistic sustainability approach that aims to create long-term social and environmental added value. The integration of sustainability aspects into our core business is at the heart of our activities. For example, ESG products for financing and for funding property loans form an integral part of MünchenerHyp's product portfolio. Sustainability management at MünchenerHyp is controlled from within the Corporate Development department. The Sustainability Officer works with the Board of Management and with contacts in relevant areas to continuously develop the Bank's sustainability activities.

MünchenerHyp regularly measures its sustainability performance by means of selected ratings. In 2020, the sustainability rating agency ISS ESG rated us "C+". Although this is a slight downgrade compared to the B- rating received in previous years, it still places us among the top performers in the Financials/Mortgage & Public Sector category. It means that ISS ESG has again awarded us "Prime Status". The imug rating agency slightly increased MünchenerHyp's rating within the rating category at the beginning of 2020. The sustainability rating remains "positive", while the Mortgage Pfandbriefe are also assessed as "positive" and Public Pfandbriefe "very positive". The Sustainalytics rating agency has introduced a new rating methodology. In addition to the management of sustainability issues, this also assesses specific sustainability risks for the enterprise concerned and its sector. A "risk score" of 0 to 40 replaces the previous scoring system of 0 to 100 points. While high scores used to indicate strong performance, a low risk score now denotes the strength of sustainability management. MünchenerHyp's current risk score is 17.4 (low risk).

Environmental and social matters

Responsible corporate governance and sustainable value creation

MünchenerHyp's lending and securities issues, the jobs we offer and the salaries and taxes we pay all contribute to the economic and social well-being of our country. We want to maximise this social added value and secure it for the long term. We are therefore committed to tax honesty and gear our business model towards long-term success and the avoidance of risks. For example, the Bank does not shift revenues to low-tax jurisdictions, nor does it establish special purpose entities for tax minimisation purposes in countries on Oxfam's tax haven list. Our business model largely avoids liquidity and interest rate risks. We are committed to responsible and risk-conscious lending and long-term-oriented refinancing, with maturities matched as closely as possible through our Pfandbriefe. Our primary strategic objective is the achievement of sustainable business performance.

MünchenerHyp's risk management system identifies and manages risks associated with our business activities, products, services and business relationships.

To address the coronavirus pandemic, in 2020 the Bank initiated specific analyses and processes to study the potential impact of the crisis on the Bank's loan portfolio and implement suitable countermeasures. A panel of experts consisting of commercial property experts from the front office, back office, valuation and corporate development/research departments discusses current market developments and property market forecasts in connection with the pandemic and the real and potential impacts on MünchenerHyp's commercial loan portfolio. Against this backdrop, the Bank identifies the worst affected customer segments and works with the borrowers concerned to avoid loan defaults. Based on these measures, the Bank has developed a strategy for managing the challenges posed by the pandemic and established a procedure for continuously monitoring the situation.

In line with increasing regulatory requirements, the Bank also initiated projects in 2020 to further integrate sustainability aspects, especially environmental and climate risks, into risk management. Among other things, the Bank is currently working to deepen understanding of sustainability issues and risks within the Bank, consolidate current activities and further embed sustainability in relevant specialist departments and in the strategy. To this end, for example, the sustainability strategy and reporting are being further developed and options for analysing climate risks in the property portfolio are being discussed.

MünchenerHyp also supports the Bank's long-term success through robust corporate governance that ensures the accountability and performance of the Board of Management, Supervisory Board and key employees. Guidelines and rules set standards concerning, for example, individual and collective knowledge, skills and experience, and the reliability, independence and time availability of members of the Board of Management and Supervisory Board. Diversity aspects, including gender, age, educational background and geographical origin, are also taken into account. Moreover, long-term succession planning for the Board of Management and Supervisory Board takes into account the business model, the strategic direction and the suitability assessment of the members of the management bodies. The Supervisory Board approved the long-term succession planning at the beginning of 2020. The Nomination Committee supports the Supervisory Board in the further implementation and preparation of succession at the level of the management bodies.

Responsible financing

When granting commercial and private loans, we consider not only risks for the Bank, but also potential negative impacts on our customers and on society. Therefore, when granting loans in the commercial property financing business, we exclude natural persons or legal entities operating in controversial business areas such as gambling, pornography, armaments or uranium mining (see also the section dealing with human rights).

In our retail property financing activities, working responsibly for our customers is a central concern. We take into account legal requirements around consumer protection, in particular the EU Consumer Rights Directive, the EU Mortgage Credit Directive, the German Consumer Dispute Resolution Act (Verbraucherstreitbeilegungsgesetz, VSBG) and the German Risk Limitation Act (Risikobegrenzungsgesetz). To prevent potential borrower over-indebtedness, we impose minimum budgetary requirements before granting a loan. The applicant's income and living expenses and the costs of any other loans are key factors here.

When dealing with loans in arrears in retail and commercial business, we support our customers wherever possible, for example through restructuring measures, payment breaks, referring them to an ombudsperson and government or public support measures. We also do not sell private property loans serviced in accordance with the contract. The foreclosure rate in 2020 stood at 0.05% of individual loans extended.

Against the background of the coronavirus pandemic, MünchenerHyp has also joined the moratorium for commercial property financing. This was developed under the leadership of the Association of German Pfandbrief Banks e.V. (vdp) and in accordance with EBA guidelines. Under the moratorium, participating credit institutions can offer a temporary deferral of repayment obligations to commercial customers in financial difficulty owing to the pandemic. In this way, the credit institutions wish to help their customers and the economy to recover from the crisis as quickly as possible.

In the course of the investments that MünchenerHyp itself makes, we also consider potential ethical and social consequences. Our sustainable investment policy defines exclusion criteria based on the Freedom House Index and the Democracy Index. For example, the Bank avoids investments in countries where human and civil rights and democratic structures do not exist or are systematically violated. We carry out an annual screening process to check the conformity of our investments with our policy criteria.

Responsibility for our marketing and data protection

MünchenerHyp maintains trusting, reliable and long-term relationships with its customers and is committed to truthfulness, clarity and transparency in its marketing. Therefore, we regularly review the statements made in our advertising and do not undertake any aggressive advertising measures. We also take into account the financial situation of the customer

target groups concerned and do not link advertising with inappropriate incentives – to encourage high borrowing, for example. In so doing, we comply with national and international requirements on marketing activities, and we set out our responsible marketing principles in a guideline. For the distribution of our products we work with our partners, the Volksbanken and Raiffeisenbanken, to ensure high-quality and responsible advisory services for customers. Advisers receive regular training on the features and risks of our products, and our variable remuneration systems do not incentivise excessive risk-taking.

To protect personal data, including customer data, MünchenerHyp complies with laws and regulations as well as our own rules on the processing and use of data. The Information Security and Data Protection Guideline defines processes and responsibilities for implementing the requirements and forms the basis for the Bank's "ISMS" (information security management system), which also includes data protection. Information security and data protection officers are responsible for monitoring and controlling the ISMS. All employees of the Bank are bound by data secrecy and complete training courses on information security and data protection. In addition, specialised training is conducted in departments that process personal data in particular.

Environmental and social impact of our products

Besides creating long-term and responsible value for our society, it is through our products and services that we can have the greatest impact on our environment and society. Accordingly, MünchenerHyp has developed a range of loans and funding products that focus on social and environmental objectives.

In retail business, sustainable loans account for around 20% of new business, which means that every fifth loan granted makes a positive contribution to our environment or society. The low-interest MünchenerHyp Family Loan helps low- and middle-income families to purchase their own home, while the Green Loan helps save CO₂ emissions by financing energy-efficient private properties. The energy standards of the properties are proven by means of an energy certificate or the KfW standard for energy-efficient construction. To further increase the positive impact of the Green Loan, in May 2020 we lowered the criterion of the maximum annual primary energy demand of financed properties from 70kWh/m² per year to 55 kWh. Our impact reporting, carried out in collaboration with the Wuppertal Institute for Climate, Environment and Energy, revealed the environmental added value of Green Loans for the first time in 2019. According to the report, 117,000 tonnes of CO₂ emissions were saved, or approximately 3.8 tonnes of CO₂ avoided, for every million euro lent by the Bank. Our impact report for 2020 will be published in Q2/2021. MünchenerHyp subsidises these loans to make them more attractive.

MünchenerHyp issues ESG financial products to fund sustainable loans and the commercial property in our portfolio that is certified as sustainable. In the 2020 reporting year, we revised our Green Bond Framework and again certified it with a positive second party opinion (SPO) from ISS-ESG. Overall, in 2020 the sustainable product range included ESG Pfandbriefe, unsecured senior bonds, commercial paper and term deposits. Approximately €0.5 billion was successfully placed in this segment in 2020.

Social commitment and environmental management in banking operations

As explained above, MünchenerHyp's most powerful levers for exerting a positive influence on society and the environment are our products and services, together with responsible management and long-term value creation. In keeping with our holistic approach to sustainability, we attach great importance to maintaining a broad social commitment and managing the environmental impact of our banking operations. For example, the Bank supports charitable initiatives on a voluntary basis and through regular fundraising campaigns. In the environmental sphere, resource conservation and climate protection are particularly high on the agenda. MünchenerHyp records data on water, energy and paper consumption, and steps are taken to reduce consumption. To save CO₂ emissions, for example, business trips are to be avoided as far as possible, and since 2019 the sending of contract documents and other correspondence has been completely climate-neutral.

MÜNCHENERHYP'S RESOURCE CONSUMPTION AT THE MUNICH LOCATION: 2018-2020

Annual consumption	2018	2019	2020
Energy (kWh)	1,730,969	1,583,056	1,575,869
Energy per employee (kWh)	3,031	2,557	2,509
Water (m ³)	14,635	10,366	14,036
Water per employee (m ³)	26	17	22
Paper (kg)	24,240	22,665	18,169
Paper per employee (kg)	42	37	29

Employee-related matters

The knowledge, skills and commitment of our employees are key factors in the success of MünchenerHyp. We therefore endeavour to recruit, promote and retain talent and ensure the well-being of our employees. The development, satisfaction, health and diversity of our employees consequently have the highest priority in our human resources policy. Our management approach is based on the following pillars:

- Corporate and management culture
- Securing and enhancing our attractiveness as an employer
- Human resources development
- Diversity and equal opportunity
- Work-life balance and family-friendly policies
- Health management and occupational health and safety

Corporate and management culture

The cooperative guiding principles of solidarity, subsidiarity, fairness and respect shape MünchenerHyp's corporate culture. This ensures a social and family-like working environment in which collegiality, supportive teamwork and interest in joint success are paramount. We have worked with our employees to formulate the following principles:

- 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.

MünchenerHyp's managers play a central role in the realisation of our values and principles as well as in the development of our employees. Through seminars and our "Leadership Days" management training programme, we foster our managers' skills and inform them about new company agreements, changes in the law and the human resource management tools available to MünchenerHyp. Fifteen managers took part in the two-day Leadership Days programme in 2020. The focus was on topics such as recruitment, onboarding, employee appraisals and feedback, motivation and support.

Employer attractiveness

In our sector too, qualified employees and managerial staff are increasingly sought after. As an attractive employer, MünchenerHyp aims to ensure employee satisfaction, retain staff and also attract new specialists and young talent. To this end, we offer future-proof jobs with attractive compensation, interesting challenges and extensive development opportunities. On the other hand, we provide extensive social benefits

and attach great importance to a positive working atmosphere, a spirit of partnership and a good work-life balance.

At MünchenerHyp, 97% of employees have permanent contracts of employment. The current dynamics of the labour market are reflected in a slight increase in our staff turnover rate to 9.2% (excluding retirements), with an average length of service of 10.4 years continuing to indicate broad employee satisfaction.

We are continuously expanding the opportunities we offer to employees. We strive to support them through every phase of their career and every stage of life and embrace new developments in the world of work. Below we describe our individual activities in more detail.

Talent and human resources development

Our markets and working environments are changing rapidly and are constantly placing new demands on our business and our employees. We take this into account and help our employees to develop the necessary skills. For example, we provide training in the areas of digitalisation, work organisation and agile project management and offer specialist seminars.

Our human resources policy also aims to promote talent and potential. Our employees can attend a variety of internal and external courses and training programmes for their professional and individual development. These include language courses in business English, seminars to develop soft skills (e.g. conflict management) and business management training. The Bank pays up to 50 per cent of the tuition fees and grants employees special leave to take exams.

An in-house trainee programme offers training and development opportunities to internal and external staff with high potential in our key business areas. Trainees gain an insight into the various specialist departments at MünchenerHyp and are individually supported by a mentor. Since October 2020, we also offer a dual study programme in "Business Administration with Specialisation in Banking, Finance and Risk Management" in partnership with the Munich University of Applied Sciences (Hochschule München). Moreover, in 2019 we independently developed a lateral entry programme for loan officers in property finance. The lateral entry programme runs for four months and includes theoretical and practical phases supported by external trainers and experienced colleagues. The programme is free of charge and participants are paid from the start according to the collective agreement for the banking sector. Ten lateral entrants successfully completed our programme in 2020.

MünchenerHyp has trained young people to become qualified bankers and office administrators for many years. We are also one of the few companies in our industry also to offer training on a part-time basis, opening up new career prospects for young parents, for example. The Bank took on five new trainees in 2020.

Diversity and equal opportunity

We firmly believe that the diversity of our employees enriches MünchenerHyp and contributes significantly to our success. We value every employee, regardless of origin, religion, skin colour, age, gender, sexual orientation or disability. We do not tolerate any form of discrimination and are committed to equal opportunities at all levels. This is expressed in our Policy on Human Rights and Diversity and in our signing of the German Diversity Charter. In addition, we report on the composition of our workforce by age and gender (see table below) and by management level (gender quota).

COMPOSITION OF STAFF BY GENDER AND AGE

Diversity category	Number of employees	Proportion of employees (in %)
Total workforce	693*	100%
By gender		
Female	348	50.2%
Male	345	49.8%
Age group		
< 30 years	74	10.7%
30–50 years	389	56.1%
> 50 years	230	33.2%

* Total number of employees as of the reporting date 31 December 2020 (excluding Board of Management, temporary staff, student trainees and agency workers)

Overall, approximately 50% of the Bank's employees were women in the 2020 reporting year. Women comprised 0% of Board of Management members, just under 16% of executives at the level immediately below the Board of Management, 20% at the second level and just under 37% at the third level. The 2020 quota for women on the Supervisory Board was 17%. MünchenerHyp has set itself the goal of increasing the proportion of women in leadership positions. The Bank's aim is to ensure that women occupy 20 per cent of positions on the Supervisory Board and in the two executive levels below the Board of Management and 33 per cent of positions on the Board of Management. In December 2020, the Nomination Committee of the Supervisory Board discussed the proportion of women on the Board of Management and the Supervisory Board. It resolved to adhere to the target quotas previously set and to strive to achieve them by 2026 through upcoming successions.

Fair compensation

MünchenerHyp's compensation systems are in compliance with the German Financial Institutions Compensation Regulations (Institutsvergütungsverordnung, InstitutsVergV) and are published annually in MünchenerHyp's Disclosure Report as required under Section 16 of the Regulations. The pay of almost 57% of the Bank's employees is determined by collective agreement, the remainder outside of collective agreements. The Bank's compensation strategy and compensation principles define the framework for appropriate compensation. MünchenerHyp also attaches particular importance to ensuring that employees are not incentivised to engage in excessive risk-taking behaviour.

Work-life balance and family-friendly policies

A good work-life balance and the reconciliation of family life with work have high priority at MünchenerHyp. If private life and work are kept in harmony, employees are more likely to perform well and take pleasure in their work over the long term. We therefore offer our employees various solutions and working time models depending on their phase of life. These include flexible working time models, working from home and sabbaticals, for example to support re-entry after parental leave or caring for relatives, and partial retirement. Being based in Munich, we also offer parents our own childcare service on the Day of Repentance and Prayer, which is a school holiday in Bavaria.

In the 2020 reporting year, the coronavirus pandemic and in particular the closure of schools and day-care centres posed new challenges for our employees' work-life balance. To help parents manage their daily work alongside looking after children, the Bank broadened the arrangements for working from home and flexible working, thus allowing staff to work outside core business hours, on Saturdays and, in exceptional cases, on Sundays.

Health management and occupational health and safety

MünchenerHyp employs its 693 staff exclusively in Germany and complies with the strict provisions of German employment and occupational health and safety law. MünchenerHyp's central Health and Safety Committee is responsible for identifying and preventing risks to health and safety in everyday work. The committee meets four times a year and establishes processes and measures to protect occupational safety and health as part of its duties. For example, the Bank regularly conducts fire safety inspections and workplace hazard assessments, and also monitors psychological stress in the workplace. The Committee is chaired by the relevant member of the Board of Management and discusses occupational health and safety and health protection issues with the Works Council, the relevant specialist department and the HR department. A safety officer is appointed as required by the German Occupational Health and Safety Act (Arbeitssicherheitsgesetz, ASiG) and supports the Health and Safety Committee in implementing processes and measures.

In 2020, health and safety activities were focused on protecting employees during the coronavirus pandemic. The Bank's crisis team was convened to monitor the situation continuously and initiate appropriate measures. To prevent infection, the Bank extended its arrangements allowing employees to work from home. To protect employees in the workplace, disinfectant dispensers were installed, the use of meeting rooms was limited and canteen operations were restricted. Specific rules of conduct and information about the rights and obligations of employees were communicated to managers and employees through various channels online and on site.

In addition to complying with legal requirements relating to occupational health and safety, MünchenerHyp aims to support and protect the mental and physical well-being of its employees in a holistic manner. Besides company healthcare, including preventive medical examinations, we offer sports and relaxation courses and information sessions on topics such as nutrition, mental balance and stress management. Due to contact restrictions during the coronavirus pandemic, we were not able to carry out our programme as planned during the 2020 reporting year. Nevertheless, 150 employees received skin cancer screening and flu vaccinations. In addition, employees working at computer workstations were given precautionary eye examinations. To help employees manage their stress levels, the Bank organised a series of 'mindfulness' training events. Thirteen managers and forty staff members attended lectures on 'Self-leadership through mindfulness' and ten completed an 8-week mindfulness course.

Respect for human rights

MünchenerHyp is committed to the United Nations Universal Declaration of Human Rights and the conventions of the International Labour Organisation (ILO). We take seriously our responsibility to act in an ethically and socially responsible way in our corporate governance and to comply with internationally recognised standards on human rights, environmental protection and decent working conditions, including the prohibition of child labour. Our Code of Conduct and our Policy on Human Rights and Diversity reflect this stance and define what we expect of our employees, business partners and service providers.

MünchenerHyp operates as an employer exclusively in Germany, and we comply with the stringent regulations and standards on working conditions and equality that apply in this country. Comprehensive guidelines ensure that the regulations are implemented within the organisation and clear processes are followed in the event of violations or abuses, for

example in the case of discrimination. Freedom of association and the right to collective pay bargaining are also protected at the Bank. An internally elected Works Council works in partnership with the management to represent employees' interests. The Bank is also a member of the Arbeitgeberverband des privaten Bankgewerbes, the employers' association for the private banking industry, and applies the collective pay agreements negotiated with the relevant trade unions.

MünchenerHyp's private real estate business is confined to Germany, Austria and Switzerland. In commercial real estate financing, we are also mainly active in Germany and the European market (Austria, the Netherlands, Luxembourg, France, Spain and the UK), as well as in the United States. Here we finance existing properties with a focus on residential, office, retail and logistics properties. These markets are already subject to extensive legal requirements that serve to protect hu-

man rights and which we adhere to. For commercial real estate financing, we have also defined controversial business that could have negative human rights impacts. If potential clients are suspected of disregarding human rights, the Bank orders a review and may decline the business.

In the case of our own investments, MünchenerHyp's Sustainable Investment Policy regulates the protection of human rights. Under the Policy, the Bank does not invest, for example, in countries that violate human and civil rights according to the Democracy House and Freedom House Index (see also section on responsible financing).

Compliance and combating corruption and bribery

MünchenerHyp does 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 the Bank's behalf. In order to live up to this principle, we consistently comply with regulations and laws at local, national and international level and impose such obligations on our Board of Management, Supervisory Board and staff. Our Code of Conduct defines concrete expectations for cooperation with colleagues, customers, cooperative members, suppliers and public institutions and for dealing with conflicts of interest, corruption and confidential information. Furthermore, specific guidelines lay down a framework of action for employees to follow. For example, the policy on donations contains binding guidelines for the acceptance and granting of gifts, hospitality and invitations. The Bank's procurement policy ensures transparent and fair awarding of contracts to third parties by clearly defining the processes for soliciting bids, inviting tenders, selecting bidders and approving and concluding contracts.

Employees are informed promptly about changes to the requirements contained in the Code of Conduct and the respective guidelines. They are also made aware of current topics and trained as necessary. Organisational processes and responsibilities are clearly defined in the event of rule breaches or suspected criminal offences, and employees can report incidents anonymously via MünchenerHyp's whistleblowing system. No cases of corruption or fraud were recorded under the whistleblowing system in 2020.

As a credit institution for real estate financing, MünchenerHyp is also expressly committed to combating money laundering and the financing of terrorism. Our anti-money laundering risk management system complies with national and international requirements, is based on the three lines of defence model and, in accordance with the German Anti-Money Laundering Act (GwG), includes a risk analysis as well as internal safeguards. The risk analysis identifies institution-specific risks for the Bank and is prepared at least annually by the money laundering officer with the assistance of the opera-

tional units. Based on the analysis, measures to reduce money laundering risks are determined and their implementation is monitored by the money laundering officer. At Board of Management level, responsibility for anti-money laundering risk management rests with a member of the Board of Management. The money laundering officer and their deputy report to the Board of Management member in charge of back office operations. All employees of the Bank are sensitised to the Bank's anti-money laundering risk management and the prevention of money laundering and terrorist financing in a mandatory training course. In addition, user-oriented training courses are held that focus on typical money laundering offences connected with real estate transactions and financing. The technical reports of the Financial Action Task Force on Money Laundering (FATF) and other domestic and foreign specialist studies are taken into account in this respect.

In the Bank's business operations, clear processes and due diligence obligations are also defined in accordance with the GwG and the EU anti-money laundering directives.

For example, under these requirements, all new business relationships are rated according to risk classes. All persons relevant to the business relationship undergo an identification and screening process. Suspicious activity reports can be submitted internally to the money laundering officer via the whistleblowing system. Reporting of suspicious cases to the Financial Intelligence Unit (FIU) is the sole responsibility of the money laundering officer, who is not subject to the Board of Management's instructions in this respect. If the money laundering officer – for whatever reason – does not submit a report, employees can use the Bank's whistleblowing system or the system put in place by the German Federal Financial Supervisory Authority (BaFin) to notify incorrect handling of the report.

The following table provides an overview of money laundering and fraud cases in 2020.

CASES OF MONEY LAUNDERING AND FRAUD IN 2020

Number of suspected money laundering cases in 2020	0
Number of confirmed money laundering cases in 2020	0
Number of cases of fraud in 2020	0
Number of money laundering training sessions completed in 2020	299

The Bank has established a compliance function to counteract risks that may arise from non-compliance with legal and regulatory requirements, including in the area of corruption and bribery, money laundering and terrorist financing. By means of comprehensive legal monitoring, relevant regulatory changes are identified and implementation processes are initiated in a timely manner. The department works with the Board of Management and relevant business units to counter compliance risks with appropriate measures and to develop relevant guidelines. In 2020, for example, the Code of Conduct, the procurement policy and the management directive on handling donations were updated. The department also monitors sustainability issues. Accordingly, in 2020 it highlighted changes to the EU Disclosure Regulation as well as ECB and EBA requirements on ESG risk integration and disclosure. The department issues an annual report internally documenting the most important activities, innovations and corresponding data in this area.

Auditor's Report

Independent auditor's report on the audit to obtain limited assurance on the non-financial reporting

To Münchener Hypothekbank eG, Munich

We have conducted a limited assurance audit of the separate non-financial report pursuant to section 340a para 1a in conjunction with section 289b para 3 HGB (hereinafter: "non-financial report") of Münchener Hypothekbank eG, Munich (hereinafter: "the cooperative") for the period from 1 January 2020 to 31 December 2020.

Responsibility of the legal representatives

The cooperative's legal representatives are responsible for preparing the non-financial report in compliance with section 340a para 1a in conjunction with sections 289c to 289e HGB.

This responsibility of the cooperative's legal representatives includes selecting and applying appropriate non-financial reporting methods and making assumptions and estimates regarding individual non-financial disclosures that are appropriate given the circumstances. Furthermore, the legal representatives are responsible for the internal controls that they have deemed necessary to enable preparation of the non-financial report that is free from material misstatement, whether due to fraud or error.

Statements by the auditor regarding independence and quality assurance

We are independent of the cooperative as required under German commercial law and the standards governing our profession and have fulfilled our other professional duties in compliance with these requirements.

Our auditing association applies the national statutory regulations and professional statements on quality assurance, in particular the Professional Charter for Professional Accountants in Public Practice and the IDW Standards on Assurance: Quality Control Requirements for Audit Firms (IDW QS 1).

Auditor's responsibility

It is our responsibility to express an audit opinion with limited assurance on the disclosures in the non-financial report based on our audit.

We conducted our audit in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, published by the IAASB.

This standard requires that we plan and perform the audit so as to obtain limited assurance as to whether any matters have come to our attention that lead us to believe that the non-financial report of the cooperative for the period from 1 January 2020 to 31 December 2020 has not been prepared, in all material respects, in accordance with section 340a para 1a in conjunction with sections 289c to 289e HGB.

In a limited assurance engagement, the audit procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a significantly lower level of assurance is obtained. The audit procedures selected depend on the auditor's judgement.

As part of our audit, which was conducted primarily in February and March 2021, we carried out, among other things, the following audit procedures and other activities:

- Gaining an understanding of the structure of the sustainability organisation
- Interviewing staff involved in the preparation of the non-financial report about the preparation process, about the internal control system related to this process and about disclosures in the non-financial report

- Identifying probable risks of material misstatement in the non-financial report
- Making an analytical assessment of disclosures in the non-financial report
- Comparing disclosures with corresponding information in the annual financial statements and management report
- Assessing the presentation of disclosures in the non-financial report.

Audit opinion

Based on the audit procedures performed and the audit evidence obtained, nothing has come to our attention that leads us to believe that the cooperative's non-financial report for the period from 1 January 2020 to 31 December 2020 has not been prepared, in all material respects, in accordance with section 340a para 1a in conjunction with sections 289c to 289e HGB.

Restriction of use

We issue this report on the basis of the engagement agreed with the cooperative. The audit was performed for the purposes of the cooperative and the report is only intended to inform the cooperative about the result of the audit.

Conditions of the engagement and limitation of liability

This report is not intended to enable third parties to make (financial) decisions based upon it. Our responsibility is solely to the cooperative and is limited in accordance with the General Conditions of Contract of the DGRV – German Cooperative and Raiffeisen Association e. V. dated 1 August 2017 agreed with the cooperative. We do not, on the other hand, accept any liability in relation to third parties.

Bonn, 15 March 2021

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V.
(German Cooperative and Raiffeisen Confederation – reg. assoc.)

On behalf of Peter Krüper
German Public Auditor

On behalf of Dorothee Mende
German Public Auditor

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www.mpm.de



Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10 | 80539 Munich
PO Box 22 13 51 | 80503 Munich

☎ +49 89 5387-0

🔒 +49 89 5387-770

✉ info@muenchenerhyp.de

www.muenchenerhyp.de