



TRADITION ON  
THE MOVE

# Münchener Hypothekbank eG

## Non-Financial Report 2021

### 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). We have not used a framework for sustainability reporting when preparing the non-financial report. The European Union (EU) published a proposal in April 2021 for a revision of the Non-Financial Reporting Directive (NFRD). The European Financial Reporting Advisory Group (EFRAG) is in the process of drawing up a uniform reporting standard. This new reporting standard will be applied to MünchenerHyp's non-financial report in future.

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V. was tasked with conducting a limited assurance audit of the non-financial report. The non-financial report is published together with the management report in the electronic Federal Gazette (Bundesanzeiger) and on Münchener Hypothekbank's website.

In this report, we publish information for the first time on our sustainability activities with reference to the EU Taxonomy in accordance with the EU Disclosure Regulation.

#### Materiality analysis

In 2021, we conducted a materiality analysis to determine which sustainability topics are relevant to the Bank, as well as the associated opportunities and risks, and to rank these in order of priority. The topics we identified serve as the basis for developing our sustainability strategy and will be incorporated into both our business strategy and our risk strategy. This non-financial report is structured on the basis of these topics.

The materiality analysis began with data collection and research. We devised a questionnaire and used it to conduct interviews

both with external experts and internally with all heads of department. In addition, we evaluated external sources that provide information on current requirements and expectations of regulators, legislators, competitors, associations, investors, customers and the general public. The topics that were recorded in this way were presented to the Staff Corporate Development (S-UE) and Risk Controlling-Regulation (RCR-GR) departments in workshops, and potential risks and opportunities were added. After that, the topics were assessed and ranked in order of priority. To do this, we evaluated the interests and expectations of stakeholders with respect to sustainability topics and the impact on business activities both from a financial viewpoint and with regard to reputation. Our company's influence on sustainability topics was also analysed as a third dimension.

The topics identified in this way were then presented to the Board of Management and discussed with it before a final agreement was reached. The following seven topics have been defined as material to MünchenerHyp: sustainable business model, responsible corporate governance, climate change and CO<sub>2</sub> emissions, risk management, social responsibility, customers and business partners, employees.

## OVERVIEW OF MATERIAL TOPICS AND NON-FINANCIAL ASPECTS IN 2021

Material topic	Subtopics	Non-financial aspects
Sustainable business model	<ul style="list-style-type: none"> <li>■ Business model</li> <li>■ Sustainability approach</li> <li>■ Rating</li> </ul>	<ul style="list-style-type: none"> <li>■ Environmental and social matters</li> </ul>
Responsible corporate governance	<ul style="list-style-type: none"> <li>■ Governance</li> <li>■ Compliance</li> <li>■ Combating corruption and bribery</li> <li>■ Combating money laundering and terrorist financing</li> <li>■ Transparency and reporting</li> <li>■ Taxonomy – disclosure</li> </ul>	<ul style="list-style-type: none"> <li>■ Anti-corruption and anti-bribery</li> <li>■ Respect for human rights</li> </ul>
Climate change and CO <sub>2</sub> emissions	<ul style="list-style-type: none"> <li>■ Climate protection</li> <li>■ Environmental management on-site</li> </ul>	<ul style="list-style-type: none"> <li>■ Environmental matters</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>■ ESG risks</li> <li>■ ESG risks and credit risk</li> <li>■ ESG risks and market risk</li> <li>■ ESG risks and liquidity risk</li> <li>■ ESG risks and operational risk</li> </ul>	<ul style="list-style-type: none"> <li>■ Environmental and social matters</li> </ul>
Social responsibility	<ul style="list-style-type: none"> <li>■ Social impact in property financing</li> <li>■ Engagement in the sector</li> <li>■ Social engagement</li> <li>■ Health management and occupational health and safety</li> <li>■ Human rights</li> </ul>	<ul style="list-style-type: none"> <li>■ Social matters</li> <li>■ Respect for human rights</li> </ul>
Customers and business partners	<ul style="list-style-type: none"> <li>■ Relations with customers and business partners</li> <li>■ Data protection</li> <li>■ Outsourcing and service providers</li> </ul>	<ul style="list-style-type: none"> <li>■ Environmental and social matters</li> <li>■ Respect for human rights</li> </ul>
Employees	<ul style="list-style-type: none"> <li>■ Fair working conditions</li> <li>■ Gender-neutral and fair pay</li> <li>■ Diversity</li> <li>■ Family and work</li> <li>■ Recruitment</li> </ul>	<ul style="list-style-type: none"> <li>■ Employee matters</li> <li>■ Respect for human rights</li> </ul>

# Sustainable business model

## Business model

Münchener Hypothekenbank eG is a credit institution specialising in residential and commercial property financing for private and commercial 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 eG 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 63,000 members. The majority of the Bank's shareholders are credit unions and private individuals – in many cases customers. With assets totalling EUR 52.5 billion as at 31 December 2021 and 715<sup>1</sup> employees, MünchenerHyp is categorised as a significant financial institution and is therefore subject to direct supervision by the European Central Bank (ECB).

MünchenerHyp belongs to the Genossenschaftliche Finanz-Gruppe (Cooperative Financial Network), which comprises some 800 Volksbanken, Raiffeisenbanken and other affiliated cooperative enterprises such as the Cooperative Financial Network's lead institution DZ BANK, the insurer R+V Versicherung, Union Investment 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 private residential property financing as well as large-scale financing for commercial properties. 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 Post-Finance 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, Hanover, 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 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. All funding products are also available in a green format. Our investors are predominantly institutional investors such as asset managers and investment funds, pension funds, insurance companies and (central) banks, but also include some private investors.

<sup>1</sup> Total number of employees including M-Wert and M-Service, excluding board members, temporary staff, working students or agency workers

## Sustainability approach

MünchenerHyp's sustainability strategy is a fundamental part of its business strategy. Our activities are based on our cooperative values: solidarity, fairness, partnership, responsibility and proximity. Our business model takes a long-term view and is based on responsible, risk-conscious property financing, and our goal is to evolve into a sustainable bank. We want our business activities to contribute to the achievement of the targets set by the Paris Agreement, and we want to use our expertise in property financing to generate added value for society. To this end, we systematically integrate sustainability issues into our core business, for example by developing sustainable loans for private individuals and ESG funding products. ESG stands for Environmental, Social and sustainable corporate Governance. Details of our products can be found in the sections on climate change and CO<sub>2</sub> emissions and social responsibility.

In our commercial property financing business, which is classified as sustainable, we refuse to grant loans to natural persons or legal entities that achieve a significant proportion of their sales in controversial sectors such as fossil fuels, gambling, tobacco or banned weapons (see also the section on human rights).

## Rating

MünchenerHyp's sustainability performance is measured using 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 ESG ratings of the rating agency Sustainalytics also measure the extent to which MünchenerHyp takes into account the environmental, social and governance topics that are most relevant to its business. Sustainalytics' ratings are based on a scoring system of 0 to 40+. The lower this risk score, the stronger the company's sustainability management. MünchenerHyp's risk score in 2021 was 18.5, indicating low risk and putting the Bank in 5th place in the subindustry sector Thrifts and Mortgages.<sup>1</sup>

In addition, DZ Bank has awarded us its quality seal for sustainability. This sustainability rating is based on an integrated analysis approach that incorporates the economic aspects of sustainability as well as the classic ESG perspective.

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# Responsible corporate governance

## Governance

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.

The Bank is therefore committed to tax honesty and gears its business model towards long-term success and the avoidance of risks. For example, it 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 limits liquidity and interest rate risks. We are committed to responsible and risk-conscious lending and to funding that is geared towards the long term, with maturities matched as closely as possible through our Pfandbriefe. At the same time, we continue to pursue an ambitious growth strategy.

MünchenerHyp also helps to further its long-term success through robust corporate governance that ensures the accountability and performance of the Board of Management, Supervisory Board and 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 and key employees. Aspects of diversity, including gender, age, educational background and geographical origin, are also taken into account. Moreover, long-term succession planning for the Board of Man-

agement and Supervisory Board bears in mind the business model, the strategic direction and suitability assessments of the members of the management bodies. The Supervisory Board last approved the long-term succession planning in December 2021. The Nomination Committee supports the Supervisory Board in the further implementation of succession planning and oversees the onboarding of new members at the level of the management bodies.

The Supervisory Board is regularly updated on sustainability topics. In December 2021, the Supervisory Board received training from an external provider in new regulatory requirements focusing on sustainability.

To ensure that sustainability is incorporated into the organisation, the Bank set up an ESG framework in 2021 that stipulates structures and responsibilities for all sustainability topics, including ESG risk management topics. Responsibility for the topic of sustainability lies with the CEO. At the level of the Board of Management, the Chief Risk Officer (CRO) is responsible for all risk topics, including ESG risks. Sustainability management is controlled from within the Corporate Development department. An ESG board was set up in December 2021 in order to consolidate sustainability activities at MünchenerHyp and ensure that they are incorporated in organisational terms. The ESG board is made up of the heads of all the departments concerned and advises the Board of Management on all matters relating to sustainability. It prepares decisions that are relevant to sustainability, particularly with regard to the development of the sustainability strategy, and

presents them to the Board of Management as a whole. The board generally meets once a month.

## Compliance

The aim of compliance is to ensure adherence to legal and regulatory guidelines as well as internal requirements. If the Bank is linked to any irregular conduct, whether or not it is intentional, this could lead to loss of reputation and cause significant economic damage.

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. The Bank's compliance officer, who also acts as the money laundering officer, is responsible for the continuous optimisation of compliance processes, is directly subordinate to management and reports to management.

By means of comprehensive legal monitoring, relevant regulatory changes are identified, and implementation processes are initiated in a timely manner. The compliance function works with the Board of Management and relevant business units to counter compliance risks with appropriate measures and to develop relevant guidelines. The compliance guidelines, which are geared towards the risk situation of the Bank and its subsidiaries, take into account the relevant legal and regulatory requirements that are material to the Bank.

In an annual report that is addressed to the Board of Management and forwarded by the latter to the Supervisory Board, the compliance function documents the most important activities and changes and the corresponding key figures internally for each area.

### Combating corruption and bribery

In view of the Bank's many and varied business relationships with national and international customers and business partners, combating all forms of corruption and bribery is given high priority within compliance management. The Bank 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.

A key component of compliance management is the Code of Conduct, which sets out binding regulations to ensure that all employees, managers and members of the Board of Management act ethically and within the law with respect to customers, business partners, cooperative members and colleagues.

Furthermore, specific guidelines lay down a framework of action for employees and members of bodies to follow.

For example, the policy on donations contains binding guidelines for the acceptance and granting of gifts, hospitality and invitations. The Bank also introduced a workflow-based tool for documenting and approving donations in 2021. Its launch was accompanied by training for multipliers and articles on the Bank's intranet to raise awareness of how to deal with donations and to help ensure compliance with guidelines.

The existing guidelines on dealing with conflicts of interest were supplemented by a guideline on handling conflicts of interest in connection with the granting of property loans and the valuation of property. The Bank's procurement policy ensures transparent and fair awarding of contracts to third parties by clearly defining differentiated processes for soliciting bids, inviting tenders, selecting bidders and approving and concluding contracts, depending on the volume of the contract.

All the Bank's compliance guidelines are subject to an annual update and review process, which is managed centrally. 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.

Compliance with the guidelines that have been drawn up is monitored on the basis of risk through checks stipulated in the compliance function's control and monitoring plan. Organisational processes and responsibilities are clearly defined in the event of rule breaches or suspected criminal offences.

Employees can submit reports of concrete suspicions of fraudulent or other illegal acts anonymously via MünchenerHyp's whistleblowing system. No reports were received in 2021, as in the previous year.

### Combating money laundering and terrorist financing

As a credit institution for property financing, MünchenerHyp is also expressly committed to combating money laundering and the financing of terrorism.

In line with legal requirements, the money laundering officer is responsible for the Bank's measures to combat money laundering and terrorist financing. Two deputy money laundering officers were appointed for the first time in 2021 to ensure that the money laundering officer is represented at all times in the context of increasing requirements and the expansion of the Bank's business activities. Our anti-money laundering risk management system complies with national and international requirements. It 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 updated at least annually by the money laundering officer with the assistance of the operational 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. 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 web-based training course. In 2021, we made participation in regular web-based follow-up training courses compulsory for employees in the front- and back-office departments. In addition, user-oriented training courses are held that focus on typical money laundering offences connected with real estate transactions and financing. The money laundering officer monitors participation in training sessions. 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.

Employees can submit internal reports of suspicious activity informally to the money laundering officer and her deputies by telephone or email. Reporting of suspicious cases to the Financial Intelligence Unit (FIU) is the sole responsibility of the money laundering officer (and her deputies), who are not subject to the Board of Management's instructions in this respect. The money laundering officer will inform employees who have submitted an internal report of suspicious activity of whether or not the money laundering officer has submitted a report of suspicious activity to the FIU, stating the reasons for her decision. 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 indicate that their report has not been dealt with correctly if they believe this to be the case.

The following table provides an overview of money laundering and fraud cases in 2021.

#### CASES OF MONEY LAUNDERING AND FRAUD IN 2021:

Number of potential suspected money laundering cases	19
Number of potential suspected money laundering cases reported to the FIU	15
Number of cases of fraud	0
Number of money laundering training sessions completed	227

### Transparency and reporting

MünchenerHyp reports on its activities, responsibilities, control mechanisms and processes in a transparent manner. General information is provided in the annual report, while information relating to sustainability can be found in this non-financial report and on our website. Here, we publish our ratings results, our Green Bond Framework and the second-party opinion (SPO) on our sustainable loans and green bonds. The impact report provides information on the reduction in greenhouse gas emissions achieved through the green mortgage loan scheme and the financing of certified commercial properties. On the investor side, we also publish reports on our sustainable bonds and our sustainable portfolio, both annually and during the year.

Regulatory requirements of our Bank in terms of sustainability increased significantly in the reporting year. The EU, the ECB, the European Banking Authority (EBA) and BaFin drew up various regulatory documents that have an impact on MünchenerHyp's core business, risk management and reporting in particular. The main regulatory topics are the EU Taxonomy, the Corporate Sustainability Reporting Directive (CSRD), the ECB Guide on Climate-Related and Environmental Risks, disclosures in accordance with CRR II and the Guidelines on Loan Origination and Monitoring (LOaM).

To ensure that the Bank can fulfil existing and future regulatory requirements, the Board of Management has set up a project with the aim of specifying responsibilities and tasks and creating structures and processes as well as compiling the necessary data that will serve as the basis for this. The project started in November 2021 and will run until May 2023. Almost all departments within the Bank are involved in this project, which has been commissioned by the CEO.

### Taxonomy – Disclosure

The Taxonomy Regulation (EU) 2020/852 aims to further sustainable development initiatives in Europe's finance industry and in doing so, also contributes to the achievement of climate targets. To this end, ESG aspects are being integrated into the regulation of the European financial system. Going forward, every corporation that is obliged to disclose a non-financial statement must indicate how and to what extent their activities are environmentally sustainable as per the conditions set out by the EU taxonomy.



The Disclosures Delegated Act (EU) 2021/2178 specifies the requirements laid down in Article 8 of the Taxonomy Regulation for transparency in non-financial statements of companies.

MünchenerHyp is obliged to publish a non-financial statement. Furthermore, it is subject to the supervision of the ECB and must therefore implement the Disclosure Delegated Act of the EU Commission.

For the reporting years 2021 and 2022, the following information must be disclosed pursuant to Article 10 paragraph 3 of the Delegated Regulation:

- the proportion in total assets of exposures to Taxonomy-eligible and Taxonomy non-eligible economic activities (KPI 1 und KPI 2)
- the proportion in total assets of the exposures referred to in Article 7, paragraphs 1 to 3
  - » the proportion in total assets of exposures to exposures to central governments, central banks and supranational issuers (KPI 3),
  - » the proportion in total assets of exposures to derivatives (KPI 4),
  - » the proportion in total assets of exposures to undertakings established in the Union that are not subject to an obligation to publish a non-financial statement pursuant to Articles 19a and 29a of Directive 2013/34/EU (KPI 5)
- the proportion of the trading portfolio (KPI 6) and on-demand interbank loans (KPI 7) in total assets
- the qualitative information referred to in Annex XI of the Delegated Act.

The following KPIs were derived as of 31 December 2021:

KPI 1	Proportion of Taxonomy-eligible assets in total assets	41.79 %
KPI 2	Proportion of Taxonomy non-eligible assets in total assets	20.20 %
KPI 3	Proportion of exposure to sovereigns, central banks and supranational issuers in total assets	6.84 %
KPI 4	Proportion of derivatives in total assets	0.69 %
KPI 5	Proportion of exposures to non-NFRD obligated undertakings in total assets	28.34 %
KPI 6	Proportion of exposures in the trading portfolio to total assets	n/a
KPI 7	Proportion of short-term interbank loans in total assets	1.64 %

Due to the new legislative framework, during the first year of implementation of the Taxonomy Regulation and all related delegated acts, the quantitative information presented above is based on some basic assumptions and simplifications. The seven KPIs will be calculated based on the requirements outlined in Annexes V and VI of the Disclosure Delegated Act on Article 8 of the Taxonomy Regulation so as to ensure the greatest possible consistency between the simplified reporting (as of 31 December 2021) and the more extensive reporting requirements (as of 31 December 2023). Existing definitions and reporting items from financial reporting (FINREP) or other regulatory frameworks will be used wherever they are applicable.

The FINREP (gross) carrying values as of the reporting date of 31 December 2021 form the basis for calculating the KPIs for both the numerator and the denominator.

MünchenerHyp takes into account the exposures that can be included in the numerator of the future Green Asset Ratio (GAR) in accordance with Annex V of the Disclosure Delegated Act. This includes exposures to undertakings (both financial and non-financial) that are obliged to publish a non-financial statement (NFRD) as well as private households and local

authorities. With reference to Article 7 paragraph 3 of the Disclosure Delegated Act, only clients from the European Monetary Area (EEA, i.e. EU including Liechtenstein, Iceland and Norway) need to be taken into consideration. Further restrictions regarding product and clients are not foreseen.

If an exposure is not already considered ineligible based on the previously defined criteria, the underlying purpose of the exposure is taken into account. Exposures that do not have a clear purpose or those whose purpose cannot be clearly derived are considered as Taxonomy-ineligible. In doing so, MünchenerHyp pursues a conservative definition.

Due to the business model of Münchener Hypothekenbank, the majority of loans in the commercial business are issued to special-purpose vehicles and non-listed property companies. Since companies that are not subject to the NFRD are excluded from the numerator of KPI 1 and KPI 2, these transactions are not considered taxonomy-eligible, although, in principle, sufficient information may be available or could be collected to check taxonomy alignment. Therefore, a large part of the commercial portfolio cannot be classified as taxonomy-eligible (see KPI 5).

Information on whether a company is subject to the NFRD or not is currently not available. External data providers, too, only have limited information on the NFRD status of companies. Therefore, MünchenerHyp defines the following assumption for KPI 1, KPI 2 and KPI 5 for the identification of undertakings subject to the NFRD: As an interim solution, these undertakings are identified by means of the marking as small or medium-sized enterprise (SME) in accordance to FINREP and the country allocation of the country of domicile to the EEA. If there is a classification as an SME or the country of domicile of the client is outside the EEA, the undertaking is deemed to be not subject to the NFRD.

When determining KPI 3, reference is made to the FINREP definitions, and it is assumed that the supranational issuers are included in the client group "government sector" or "general governments".

As there are no financial instruments in MünchenerHyp's trading portfolio (as of 31 December 2021), neither quantitative reporting (KPI 6) nor the publication of the accompanying qualitative information is carried out.

As part of the qualitative disclosures outlined in Annex XI of the Taxonomy Regulation, explanations of type and objectives of Taxonomy Compliance are to be published, however, this requirement explicitly refers to the second year of implementation, so that no disclosure is made at this point in MünchenerHyp's non-financial report for 2021.

MünchenerHyp has not yet integrated the Taxonomy Regulation and the importance of financing taxonomy-aligned economic activities as well as associated topics, such as the product design process and cooperation with clients and counterparties, into its business strategy. However, as part of the ESG regulatory project and the further development of the sustainability strategy, MünchenerHyp will analyse the significance of the Taxonomy Regulation for its business activities and take it into account appropriately. In principle, MünchenerHyp's business model, which focuses on financing residential and commercial real estate for private and commercial clients, allows the development of taxonomy-aligned products.

# Climate change and CO<sub>2</sub> emissions

## Climate protection

The property sector plays a key role in combating climate change. Europe-wide, 36 per cent of all greenhouse gas emissions come from buildings, with three-quarters of all buildings considered not to be energy-efficient. The EU Green Deal therefore includes a large number of initiatives for the building sector. In Germany, the Climate Change Act specifies binding climate targets for property. The financial industry plays a special part in the achievement of climate targets. Through the financing they provide, banks can contribute to a more sustainable and more climate-friendly economic system. As a provider of property financing, MünchenerHyp has supported energy-efficient construction for many years through its Green Loan for energy-efficient privately used residential property, which is subsidised through a reduced interest rate. The maximum annual primary energy requirements of the financed property must not exceed 55 kWh/m<sup>2</sup> per year. This is verified by means of an energy certificate or a certificate of compliance with KfW standards for energy-efficient construction. To supplement this, we also offer KfW loans, which promote energy efficiency through various renovation, retrofitting or new-build schemes. The sustainability quality of the Green Loan is verified by the external rating agency ISS ESG. The agency once again confirmed in 2021 that the Green Loan makes a visible contribution to sustainable construction financing and that the properties being financed rank among the best 15 per cent in the German housing market. The Green Loan accounted for 20.6 per cent of the volume of new business in 2021.

When financing commercial property, we place importance on properties with a recognised certificate such as DGNB, BREEAM, LEED or HQE. We classify these loans as sustainable if these certificates have a good to very good rating. In 2021, 8.3 per cent of all newly granted commercial loans had such a good to very good certificate.

In addition, we grant sustainable commercial loans only to customers that achieve no more than 30 per cent of their sales from coal mining or coal-based power generation or from the extraction of oil from oil sands.

We measure the concrete environmental added value of sustainable loans for both private and commercial property once a year in collaboration with the Wuppertal Institute for Climate, Environment and Energy and publish an impact report on this. The latest report shows that these loans led to a reduction of 200,000 tonnes in CO<sub>2</sub> emissions, or that approximately 3.5 tonnes of CO<sub>2</sub> was avoided for every million euros lent by the Bank, in 2021. The impact report for 2021 will be published in the second quarter of 2022.

MünchenerHyp issues ESG financial products to fund sustainable loans and the commercial property in our portfolio that is certified as sustainable. In the 2021 reporting year, we revised our Green Bond Framework, which ISS ESG once again awarded a positive second-party opinion. Overall, in 2021 the sustainable product range included ESG Pfandbriefe, unsecured senior preferred and non-preferred bonds, commercial paper and term deposits. Around EUR 875 million was successfully placed in this segment in 2021.

## Environmental management on-site

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 the environmental sphere, resource conservation and climate protection are particularly high on the agenda. MünchenerHyp records data on water, energy and paper consumption and takes steps to reduce consumption. Business trips should be avoided wherever possible, for example, to reduce CO<sub>2</sub> emissions. In addition, the sending of contract documents and other correspondence has been completely climate-neutral since 2019.

When categorising our carbon footprint, the classification of emissions in three "scopes" in line with the Greenhouse Gas (GHG) Protocol is relevant. This is a standard for measuring and communicating greenhouse gas emissions that takes into account the entire value chain.

Scope 1 emissions are caused directly by the organisation's own activities. MünchenerHyp does not cause any such emissions, as the main office is supplied with district heating from the municipal utilities of Munich. The Bank does not burn any fuels itself on-site.

Scope 2 emissions are generated indirectly through consumption of electricity and district heating. Cooling in the warm months is also ensured through electrically generated refrigeration. In order to keep consumption at a moderate level, cooling ceilings were installed when the building was con-

structured, which are naturally more passive than an air conditioning system, for example, and therefore also have a lower energy consumption. LED lighting was increasingly used when replacing lights in 2021, and we plan to replace all our lighting with LED lamps in 2022. During the planned renovations, we will choose the most environmentally friendly option where possible, as determined based on a classic cost-benefit analysis. Furthermore, most of our electricity has come from sustainable sources since 2016, predominantly hydroelectric power from Baden-Württemberg.

Scope 3 emissions comprise any other type of indirect CO<sub>2</sub> emissions not caused by energy consumption. That includes emissions from business trips, for instance, although these have fallen significantly as a result of the coronavirus pandemic. This is also leading to a change in thinking and is causing critical questions to be asked about which trips are absolutely necessary and which can be replaced by video conferences. We are also paying attention to our respective CO<sub>2</sub> consumption when purchasing goods and services. Products from the e-catalogue have been replaced with sustainable alternatives, for example.

The table below shows the main consumption figures compared with previous years.

MÜNCHENERHYP'S RESOURCE CONSUMPTION  
AT THE MUNICH SITE: 2018-2021

Annual consumption	2018	2019	2020	2021
Electricity (kWh)	1,730,969	1,583,056	1,575,869	1,637,942
Electricity per employee (kWh)	3,031	2,557	2,509	2,555
District heating (m <sup>3</sup> )	n/a	1,610	1,728	1,780
District heating per employee (m <sup>3</sup> )	n/a	2.60	2.75	2.78
Water (m <sup>3</sup> )	14,635	10,366	14,036	4,807*
Water per employee (m <sup>3</sup> )	26	17	22	7*
Paper waste (m <sup>3</sup> )	97	105	95	112
Paper waste per employee (m <sup>3</sup> )	0.17	0.17	0.15	0.18
Waste for recycling (m <sup>3</sup> )	239	257	273	259
Waste for recycling per employee (m <sup>3</sup> )	0.42	0.42	0.43	0.40

\* Decline in water consumption due to the predominance of working from home because of COVID-19

# Risk management

## ESG risks

MünchenerHyp's risk management system identifies and manages risks associated with our business activities, products, services and business relationships. The Risk Controlling division examines the potential impact on the Bank's own business and informs the management of current developments so that the necessary decisions can be made promptly. During the reporting year, risk management focused on further expanding our understanding of sustainability risks, including physical and transitory climate risks. The Bank will gradually implement the relevant requirements, such as the Taxonomy Regulation, the ECB Guide on Climate-Related and Environmental Risks, the BaFin Guidance Notice on Dealing with Sustainability Risks and the EBA Guidelines on Loan Origination and Monitoring, as part of the ESG regulation project launched in 2021. This aims to promote the integration of sustainability issues, especially environmental and climate risks, into risk management. As well as dealing with general sustainability topics, the newly created ESG board looks in particular at risk and credit topics that are linked to ESG risks.

As ESG risks are not a risk type in themselves, but instead influence existing risk types, we further subdivided the risk inventory, in which we look at any ESG risks included under each risk type. This assessment will gradually become more specific over the next few years as more data becomes available. In particular, environmental and climate risks are taken into account in the risk strategy.

### ESG risks and credit risk

Both physical and transitory risks can have a direct impact on the borrower or on properties serving as collateral for loans and thus on credit risk in turn. Transitory risks in the form of political measures may adversely affect the earnings situation of commercial customers operating in the property sector, for example. Acute physical risks in the form of extreme weather events may cause damage to properties serving as collateral and consequently lead to a decline in their value. Chronic physical risks such as a constant rise in sea levels can have a negative impact on the value of properties serving as collateral due to the fact that coastal regions will no longer be habitable in the long term, for example. Transitory risks in the form of political measures and customer preferences can also

adversely affect property values. Moreover, transitory risks in the form of political measures and technological change can lead to a reduction in disposable household income.

MünchenerHyp's macroeconomic stress scenario already quantifies the possible effects of climate risks by assuming losses in the value of property, rising unemployment rates or a drop in economic output in order to calculate the effects on liquidation or default rates.

### ESG risks and market risk

ESG risks, particularly environmental risks, can cause disruption to markets, due to both physical risk and transition risk. This may involve considerable fluctuation in interest rates, exchange rates and credit spreads, which in turn would lead to drops in bond prices.

With regard to interest rate changes, it is assumed that ESG risks lead to individual events or crises that could have a similar impact as the coronavirus pandemic, i.e. a short-term decline in interest rates, high levels of uncertainty on the market and possibly significant volatility as a result. Interest rate risks are already measured using various stress tests and sensitivities, for example by simulating a historical scenario relating to the coronavirus crisis and a scenario with a decline in interest rates and increased volatility. We also already calculate a macroeconomic, Bank-wide scenario that could arise due to ESG risks. Possible interest rate changes due to ESG risks are therefore adequately taken into account in existing interest rate risk management. ESG risks can also lead to changes in customer behaviour, such as a lower rate of unscheduled repayments or an increase in terminations due to property sales. This in turn would affect MünchenerHyp's option risk, i.e. the risk that customers exercise their right of termination. Possible changes in customer behaviour are already examined as part of annual validation and can therefore be identified in good time and taken into account accordingly.

### ESG risks and liquidity risk

ESG risks could have varying impacts when it comes to liquidity risk. General disruptions to the markets could lead to calls for collateral, while changes in credit spreads may lead to a drop in the value of liquid assets. In addition, we anticipate a rise in demand for Green Pfandbriefe and are closely monitoring developments in guidelines on Green Pfandbriefe, as these could give rise to funding risks for the Bank. Our aim is to be able to take appropriate action in good time to avoid or at least mitigate these effects.

### ESG risks and operational risk

Environmental and climate risks can lead to operational risks such as damage to or loss of tangible assets. This is the case if buildings need to be repaired and customers cannot afford payments. Such operational risks also include damage to important infrastructure for the Bank's business operations, such as leased buildings or the energy supply. The results from the risk scenarios for business continuity management are therefore taken into account in the self-assessment of operational risks.

# Social responsibility

## Social impact in property financing

We can achieve the greatest positive impact on society and the environment through our products and services. As a member of the Cooperative Financial Network, we are aware of our responsibility to society and play our part in ensuring the provision of affordable housing. With our holistic understanding of sustainability in mind, MünchenerHyp has developed various sustainable loans for its private customers that address both environmental and social issues. The Green Loan can be used to finance all properties with low primary energy requirements, meaning that they protect the environment, at low interest rates. Our low-interest MünchenerHyp Family Loan helps low- and middle-income families with at least one child to purchase their own home. This loan can also be combined with the Green Loan for particularly energy-efficient properties, making it even more attractive.

In commercial property financing, we are increasingly financing residential portfolios that, as rented housing, are making an important contribution to the supply of living space.

In doing this, we always bear in mind our customers' financial resources. Before granting a loan, we check the budget, including the applicant's income and living expenses and the costs of any other loans. Only if this budget meets our minimum requirements will we grant the loan. We also support our customers in private and commercial property financing

when dealing with loans in arrears, for example through restructuring measures or payment breaks, by referring them to an ombudsperson or through government or public support measures. The foreclosure rate in 2021 stood at 0.02 per cent of individual loans extended.

## Engagement in the sector

To ensure that we are aware of all current developments relating to sustainability topics and can thus further extend our positive influence on society, we maintain a dialogue with other financial institutions in the Cooperative Financial Network as well as with banks in other sectors and via various platforms. We are involved in associations such as the National Association of German Cooperative Banks (BVR), the regional cooperative associations, the Association of German Pfandbrief Banks (vdp), the European Covered Bond Council (ECBC) and the Association of Environmental Technology (VfU). Since December 2021, we have been a member of the ECORE initiative (ESG Circle of Real Estate), which is aiming to develop an ESG score for property. We take part in various working groups, participate in discussions and comment on regulatory documents for the supervisory authorities, the EU and the ECB in consultation processes. We contribute our knowledge to events and highlight the relevance of sustainability and ESG issues in publications and interviews.

## Social engagement

Although our social engagement is not regarded as material for the purposes of CSR reporting obligations, it is part of MünchenerHyp's holistic sustainability approach. Our Code of Conduct states that donations are permitted only for charitable, social, cultural, sporting and scientific purposes. The recipient of the donation must comply with our ethical values. Furthermore, MünchenerHyp does not make any political donations.

The Bank supports charitable initiatives on a voluntary basis and through regular fundraising campaigns, for example. When conducting customer surveys, MünchenerHyp makes donations to various regional and international not-for-profit organisations for each completed questionnaire. The projects we support focus in particular on social issues such as the distribution of surplus food. We also organised another Christmas donation in 2021 for the benefit of flood victims in Germany.



## Health management and occupational health and safety

MünchenerHyp employs its 715<sup>1</sup> 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 once a quarter. Among other things, it is in charge of establishing processes and measures to protect occupational safety and health. The Bank conducts regular fire safety inspections and workplace hazard assessments, for example. It also monitors and discusses psychological stress in the workplace and specific risks to pregnant employees. 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 HR department and the relevant specialist departments. Safety officers support the Health and Safety Committee in implementing processes and measures.

In 2021, 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. The "3G" rule regarding access control, requiring a COVID-19 vaccination, a negative test or recovery from a previous infection, was successfully implemented at the various entrances to the building.

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 unfortunately once again unable to carry out our programme as planned during the 2021 reporting year. Nevertheless, skin cancer screening was carried out, and 94 employees received flu vaccinations. In addition, employees working at computer workstations were given precautionary eye examinations. Our company doctor also administered first and second COVID-19 vaccinations to 254 employees beginning in summer 2021, and 82 employees received their third dose in December 2021. Administration of third vaccinations is continuing at the Bank in the new year.

We are particularly proud of our accident insurance scheme for employees, which we rolled out Bank-wide in 2021. That means that all employees, irrespective of hierarchy and salary, are now insured worldwide and around the clock, even outside working hours. Insurance cover will apply in the event of any secondary damage or disability following an accident.

To ensure that our employees stay physically fit and are motivated to exercise while working from home, the Bank subsidises gym and sports club memberships from January 2022. This helped compensate for the sports offers that were not available at the Bank due to the coronavirus pandemic. It also ensures that employees in remote locations can benefit from the services, too.

## Human rights

MünchenerHyp is committed to the United Nations Universal Declaration of Human Rights and the conventions of the International Labour Organisation (ILO). Acting in an ethically and socially responsible way has high priority within the Bank's corporate governance. The Bank also places importance on compliance with internationally recognised standards on human rights, environmental protection and decent working conditions and on 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.

<sup>1</sup> Total number of employees including M-Wert and M-Service, excluding board members, temporary staff, working students and agency workers

MünchenerHyp operates as an employer exclusively in Germany and complies with the stringent regulations and standards on working conditions and equality that apply in this country. Comprehensive guidelines ensure that the rules are implemented within the organisation, while clear processes are followed in the event of violations or abuses such as discrimination. The Bank also protects freedom of association and the right to collective pay bargaining. The 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 property financing business is confined to Germany, Austria and Switzerland. In commercial property 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 human rights, which we adhere to. In addition, the exclusion of business with sanctioned customers is ensured by established processes. Special audit obligations also apply to business that could entail reputational risks.

In addition, we have defined controversial areas of business that could have a negative impact on human rights. If the borrower, the beneficial owner or the tenant operates a business that is linked to banned weapons, controversial forms of gambling, pornography or prostitution, for example, we will not grant a sustainable loan. If potential customers are suspected of disregarding human rights, the Bank orders a review and may decline the business.

We also consider potential ethical and social consequences in connection with the investments that MünchenerHyp makes itself. 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.

# Customers and business partners

## Relations with customers and business partners

MünchenerHyp maintains trusting, reliable and long-term relationships with its customers and is committed to credibility and transparency in its marketing. We therefore 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 for 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 and independent financial brokers, 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.

In our private 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) 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.

Dealings with customers also play a key role when problems occur in connection with the servicing or repayment of a loan. Here it is the task of employees in Intensive Support to look for joint solutions in partnership with customers. Depending on the customer's individual situation, we work out possible ways to rectify payment problems and/or loans that are in arrears. If the customer has a contractually agreed option to reduce repayments, for example, this is usually the remedy of first choice. Realisation of collateral (liquidation) is the absolute last resort and will take place only if all other options (particularly a sale by the customer itself) have been exhausted in the Bank's view.

## Data protection

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

## Outsourcing and service providers

When choosing outsourcing providers, we focus on companies in Germany, the European Union or the European Economic Area. Based on the legal framework in these countries, we can assume compliance with recognised standards (e.g. on occupational health and safety or health protection, freedom to unionise and freedom of assembly, environmental protection). From the 2022 financial year, our regular risk assessment of outsourced activities will also take into account the issues of ensuring compliance with minimum social standards, assessment of physical risks for the provision of the service by the service provider (owing to the location or the business model) and assessment of transitory risks in relation to the service provider's business model. The procurement manual states that as well as the principles of cost efficiency, the principles of environmental protection and sustainability must be observed.

MünchenerHyp reports regularly on its activities relating to sustainability in reporting formats aimed at specific target groups. Details of this can be found in the section on transparency and reporting.

# Employees

## Fair working conditions

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. Our two-day Leadership Days programme had to be paused due to the pandemic. However, onboarding of new managers continued through webinars and one-on-one induction meetings regarding internal management tools as well as external training courses. We also decided in 2021 to launch a broad-based management training programme again in 2022 that will instil our guiding principles for management into the management team through several modules and coaching elements. The Leadership Days will continue in addition to this.

The knowledge, skills and commitment of our employees are key factors in the success of MünchenerHyp. That means that the development, satisfaction, health and diversity of our employees have the highest priority in our human resources policy. In regular formal and informal feedback sessions, employees and managers discuss their tasks, goals, perspectives and development opportunities and plans as well as cooperation and satisfaction. In particular, these meetings are intended to promote trust and cooperative, constructive collaboration and to highlight potential development opportunities and make it possible to pursue these in practice.

The Bank decided in 2021 not to conclude any more temporary employment contracts in future. Temporary staff brought in to support the specialist departments in situations where the workload is particularly high will now be offered more attractive conditions than before. MünchenerHyp does not use staff from temporary employment agencies.

## Gender-neutral and fair pay

MünchenerHyp's compensation systems are in compliance with the German Financial Institutions Compensation Regulations (Institutsvergütungsverordnung) and are published annually in MünchenerHyp's Disclosure Report as required under Section 16 of the Regulations. The pay of 55.7 per cent 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.

Just as we promote equal opportunities when it comes to recruitment and transfers, gender-neutral pay is also an expression of our equal and fair treatment of our employees in practice.

Total compensation for employees not covered by collective agreements includes a bonus that is based on the individual's achievement of their goals and the general performance of the Bank. In 2021, we carried out an extensive review of the calculation of this bonus based on the associated company agreements, helping to ensure greater transparency and traceability. We also calculate a performance-related bonus for employees who are covered by collective agreements based on their personal performance and that of the Bank. This is an additional, voluntary form of compensation that the Bank offers to particularly high-performing employees.

## Diversity

We firmly believe that the diversity of our employees enriches our work life and the Bank's performance by ensuring a variety of skills, experience and perspectives. Our goal with respect to diversity is to use the existing diversity at MünchenerHyp positively and productively and to expand it further. To us, inclusion means that our employees feel accepted and valued in their diversity. Everyone should have the same opportunities to develop freely, irrespective of their origin, religion, skin colour, age, gender, sexual identity or disability. If we treat each other with respect, this will help to ensure that everyone at the Bank feels comfortable and enjoys working in our teams and that we will be more motivated and efficient when

doing our jobs. We believe that equal opportunities means nurturing our employees' uniqueness in a way that allows everyone to reach their full potential.

Finding suitable candidates or talent for certain positions is frequently proving to be a major challenge. To relieve pressure as fast as possible on teams that have vacancies and are therefore having to do extra work, we aim to fill vacancies quickly. In order to do this, we seek to fully exploit the potential of the labour market by not ruling out anyone from the outset, but instead supporting people and encouraging them to gain specific skills or qualifications and giving them the chance to make an impression.

A culture of diversity, inclusion and equal opportunities cannot be established overnight. This requires an extensive process to bring about a long-term change in the structure of the company, the corporate culture and the mindset of managers and employees. A diversity team has been set up in order to develop and implement appropriate measures. This team informs employees and managers about diversity and inclusion as factors in the success of the business and about ideas relating to their implementation at the Bank. Employees are specifically included and act as multipliers. One of the next steps will be to raise awareness among managers regarding the recruitment of people with disabilities.

This position 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 %)
<b>Total workforce*</b>	<b>715</b>	<b>100 %</b>
<b>By gender</b>		
Female	357	49.93 %
Male	358	50.07 %
<b>Age group</b>		
< 30 years	73	10.21 %
30–50 years	413	57.76 %
> 50 years	229	32.03 %

\* Total number of employees as of the reporting date 31 December 2021 (excluding Board of Management, temporary staff, student trainees and agency workers, including M-Wert and M-Service)

Overall, approximately 50 per cent of the Bank's employees were women in the 2021 reporting year. Women comprised 0 per cent of Board of Management members, 22 per cent of executives at the level immediately below the Board of Management, 18 per cent at the second level and 31 per cent at the third level. The quota for women on the Supervisory Board was 17 per cent. 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.

#### Family and work

Qualified employees and managerial staff are increasingly in demand, including in our sector. 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. At the same time, we provide extensive social benefits and attach great importance to a positive working atmosphere, a spirit of partnership and a good work-life balance.

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. A good work-life balance and the reconciliation of family life with work have high priority at MünchenerHyp. To support employees and enhance our own human resources work, we are a member of the company network "Erfolgsfaktor Familie" ("Family as a Success Factor"). We use its content, such as recommendations for action, webinars and publications, to design our family-friendly human resources policy. We offer our employees various solutions and working time models depending on their phase of life. These currently include different flexible working time models, flexitime and time-off accounts, working from home and sabbaticals, for example to support re-entry after parental leave or caring for relatives. 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. We repeated this with great success in 2021.

In the 2021 reporting year, the coronavirus pandemic and in particular the closure of schools and day-care centres for weeks on end once again posed major challenges for our employees' work-life balance. To help parents manage their daily work alongside looking after children, the Bank significantly broadened the arrangements for working from home for several months. Over the last few months, we have seen "hybrid collaboration" between employees in the office and those working from home become normality. The teams have dealt extremely well with the new processes and challenges that this situation entails. The freedoms and extra time that employees have gained also contribute to their general satisfaction.

## Recruitment

At MünchenerHyp, 95 per cent of employees have permanent contracts of employment. Although the labour market is very dynamic, staff turnover fell slightly in 2021 to 6.3 per cent (excluding retirements and fixed-term contracts). The average length of service was just under 10 years, indicating broad employee satisfaction overall.

Our markets and working environments are subject to constant and significant change, affecting tasks, processes and ways of working. To provide our employees with optimum assistance, we offer support and training to help them acquire new skills and expertise so that they can cope with these new challenges. Along with internal and external specialist seminars, the programme includes methodological knowledge such as project management, process documentation and soft skills such as conflict resolution and feedback. To encourage all employees to look beyond their day-to-day workload, the Bank has set up an online learning platform that offers

training courses in technical and methodological expertise, and in particular in personal skills, in the form of videos and presentations. Although various face-to-face training courses were unable to take place in 2021, our online offerings enabled employees to further expand their knowledge and skills. Induction plans and training plans are drawn up not only when new employees are recruited, but also in the event of transfers, ensuring that employees are optimally prepared for their duties.

Our human resources policy 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 using the human resources development budget for each department. These include language courses in business English, seminars to develop soft skills and business management training. For professional training courses that involve more than just seminars and run for several months or even years, the Bank pays up to 50 per cent of the tuition fees and grants employees special leave to take exams.

In-house trainee programmes in various departments offer training and development opportunities to internal and external staff with high potential in our key business areas. Trainees gain an overview of the various specialist departments at MünchenerHyp and are individually supported by mentors. To secure young talent, we also offer a dual study programme in "Business Administration with Specialisation in Banking, Finance and Risk Management" in partnership with Munich University of Applied Sciences (Hochschule München). Moreover, two years ago we developed a lateral entry programme for loan officers in property finance. The lateral entry pro-

gramme 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. Eight lateral entrants successfully completed our programme in 2021.

As the lateral entry programme has developed so positively, we decided to create a further training opportunity for experienced loan officers as well and launched our in-house construction financing academy in 2021. This is organised in five modules and allows experienced employees to refresh their knowledge as well as learning new things. Employees are free to choose modules in consultation with their manager, and the modules were also available to our trainees. Over 130 participants attended one or more modules in the first year, and feedback has been positive.

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 to offer training on a part-time basis, which opens up career prospects for young parents, for example. The Bank took on 13 new trainees in 2021, including two trainee IT systems integration specialists. We have begun offering training in this skilled job to ensure an internal supply of young talent in IT in the long term.

# Report

## Report of the Independent Auditor on a Limited Assurance Engagement Regarding Non-financial Reporting

To Münchener Hypothekbank eG, Munich

We have performed a limited assurance engagement on the separate non-financial report in accordance with section 340a(1a) in conjunction with section 289b(3) of the Handelsgesetzbuch (German Commercial Code – HGB) of Münchener Hypothekbank eG, Munich (the 'Cooperative'), for the period from 1 January 2021 to 31 December 2021 (the 'Non-financial Report').

Our engagement does not extend to external sources of documentation or expert opinions referred to in the Non-financial Report.

### Management's responsibility

The Board of Management of the Cooperative is responsible for the preparation of the Non-financial Report in accordance with section 340a(1a) in conjunction with sections 289c to 289e of the HGB and Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (EU Taxonomy Regulation) and the delegated acts issued in respect of the Taxonomy Regulation as well as for its own interpretation of the wording and terms contained in the EU Taxonomy and the delegated acts issued in respect of the Taxonomy

Regulation presented in the section entitled 'Taxonomy – Disclosure' of the Non-financial Report.

This responsibility of the Board of Management of the Cooperative includes the selection and application of appropriate methods relating to non-financial reporting as well as making assumptions and estimates regarding individual non-financial disclosures that are reasonable in the prevailing circumstances. The Board of Management is also responsible for the internal controls that it believes are necessary to enable the preparation of a non-financial report that is free from material misstatements due to fraud (manipulation of the Non-financial Report) or error.

The EU Taxonomy Regulation and the delegated acts issued in respect of the Taxonomy Regulation contain wording and terms that are still subject to considerable uncertainty and for which clarifications have not yet been issued in each case. For this reason, the Board of Management has documented its interpretation of the EU Taxonomy Regulation and the delegated acts issued in respect of the Taxonomy Regulation in the section entitled 'Taxonomy – Disclosure' of the Non-financial Report. It is responsible for the viability of this interpretation. Because of the inherent risk that undefined legal concepts may be subject to differing interpretations, the legal compliance of the interpretation is subject to uncertainty.

## Independence of and quality assurance by the auditing association

We have complied with the German legal professional requirements relating to our independence and other professional ethical requirements.

Our auditing association applies the national statutory requirements and professional pronouncements – in particular the Professional Charter for German Public Auditors/German Sworn Auditors (BS WP/vBP) and the IDW Standard on Quality Management: Requirements for quality management in the audit firm (IDW QS 1) issued by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW) – and, accordingly, maintains a comprehensive quality assurance system that includes the documented policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable statutory and other legal requirements.

### Auditor's responsibility

Our responsibility is to express a conclusion on the Non-financial Report on the basis of the work performed in the limited assurance engagement.

We conducted the work we performed in the limited assurance engagement in compliance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the IAASB.



This requires us to plan and perform the assurance engagement in such a way that we can conclude with limited assurance whether any matters have come to our attention that cause us to believe that the Non-financial Report of the Cooperative for the period from 1 January 2021 to 31 December, with the exception of the external sources of documentation or expert opinions referred to in the Non-financial Report, has not been prepared by the Board of Management in all material respects in accordance with section 340a(1a) in conjunction with sections 289c to 289e of the HGB and the EU Taxonomy Regulation, and the legal acts issued in respect of the Taxonomy Regulation, as well as the interpretation by the Board of Management presented in the 'Taxonomy – Disclosure' section of the Non-financial Report.

The assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, with the result that a substantially lower level of assurance is obtained. The procedures are selected based on the auditor's judgement in accordance with professional standards.

During the course of our assurance engagement, we performed the following assurance procedures and other activities, among others:

- obtaining an understanding of the sustainability organisation,
- inquiries of personnel who were involved in the preparation of the Non-financial Report about the process for its preparation, about the internal control system relating to this process and about the disclosures in the Non-financial Report,
- identification of likely risks of material misstatements in the Non-financial Report,

- analytical assessment of selected disclosures in the Non-financial Report,
- comparison of selected disclosures with the corresponding data in the annual financial statements and the management report,
- assessment of the presentation of the Non-financial Report,
- assessment of the process of identifying taxonomy-eligible economic activities and the corresponding disclosures in the Non-financial Report.

The Board of Management is required to interpret undefined legal concepts to determine the disclosures required by Article 8 of the EU Taxonomy Regulation. Because of the inherent risk that uncertain legal terms may be subject to differing interpretations, the legal compliance of the interpretation, and hence of our assurance, is subject to uncertainty.

### Assurance Conclusion

Based on the assurance procedures we performed and the evidence obtained for the limited assurance engagement, no matters have come to our attention that cause us to believe that the Non-financial Report of the Cooperative for the period from 1 January 2021 to 31 December has not been prepared by the Board of Management in all material respects in accordance with section 340a(1a) in conjunction with sections 289c to 289e of the HGB and the EU Taxonomy Regulation, and the legal acts issued in respect of the Taxonomy Regulation, as well as the interpretation by the Board of Management presented in the 'Taxonomy – Disclosure' section of the Non-financial Report.

We have not expressed any conclusion on the external sources of documentation or expert opinions referred to in the Non-financial Report.

### Restriction on use of our report

We are issuing this report on the basis of our engagement by the Cooperative. We wish to draw attention to the fact that the limited assurance engagement was performed for the purposes of the Cooperative and that our report is solely intended to inform the Cooperative about the results of our limited assurance engagement. Consequently, it may not be suitable for any purposes other than the purpose referred to above.

Our report is thus not intended for third parties to take any (financial) decisions on the basis of the report. Our responsibility is solely to the Cooperative. We do not assume any responsibility to third parties.

Bonn, 21 March 2022

DGRV – Deutscher  
Genossenschafts- und Raiffeisenverband e.V.

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