

# 2016 Sustainability Report



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*“We firmly believe that our cooperative principles feed into our sustainability performance.”*

**Wolfgang Kirsch**  
Chief Executive Officer



*Dear Shareholders,*

The philosophy of meeting commercial and social challenges together is a fundamental principle of sustainability and also the foundation on which the cooperatives are based. We underlined our commitment to this approach with the merger of DZ BANK and WGZ BANK on August 1, 2016. The merger will play a key role in ensuring the entire cooperative financial network, with its 18.4 million members, is ready for the future. We are now even better placed to operate in the market from a position of strength.

At the end of 2016, the United Nations Educational, Scientific and Cultural Organization (UNESCO) provided further proof of the global significance of the cooperative movement by inscribing the cooperative principle in its list of Intangible Cultural Heritage of Humanity. Around 150 years after the first cooperatives were established, they are now more relevant than ever before.

We firmly believe that our cooperative principles feed into our sustainability performance. For some years now, the DZ BANK Group has been one of the leading financial institutions in terms of sustainability. The ratings agency oekom research once again confirmed this by maintaining the DZ BANK Group's C+ prime status rating after the merger of DZ BANK and WGZ BANK. Our long-established values are also standing us in good stead. As well as creating

economic wealth, we have a strong sense of responsibility to the environment, to society and to our fellow man. The results for 2016 demonstrate our commercial success: €2.2 billion in profit before taxes reflects the good performance of our group's customer business.

This report will give you an overview of the sustainability activities undertaken by DZ BANK AG in 2016, a year defined by its merger with WGZ BANK. We consolidated numerous sustainability initiatives and at the same time maintained the quality of the existing processes, building on a understanding of sustainability that is shared by both banks. A sustainable approach to lending that incorporates rejection criteria and an internal sustainability check is just one example of this.

At DZ BANK Group level, the work of the Group Corporate Responsibility Committee (CRC) continued as normal in the year of the merger and its membership was expanded. Since May 2017, all eleven group entities have been represented in this steering committee for sustainability. At the end of 2016, the Group CRC began developing a groupwide climate strategy based on the German government's national Climate Action Plan and the Sustainable Development Goals adopted by the United Nations.

The cooperative financial network continues to play a key role in funding the switch to renewable energy sources in Germany. Within this segment, the lending volume of DZ BANK alone has now reached approximately €4.7 billion. We also cater to investors with an interest in sustainability. Last year, DZ BANK Sustainable Investment Research broadened the scope of its comprehensive audit and consultancy service to cover the fixed income asset class. We will also be introducing a sustainability screening service for the own-account investments of banks in the cooperative financial network.

In 2016, we fulfilled our responsibility not only in our core business but also with regard to our employees, the environment, and society. On July 1, 2016, for example, a new DZ BANK daycare center for employees' children opened at our Frankfurt office. In addition, the DZ BANK Group arranged 50 job-shadowing placements and internships for refugees last year. Going forward, we also plan to offer apprenticeships to refugees.

In spring this year, we published a set of guidelines and held a workshop to inform the cooperative banks about the implementation of sustainability and about the new CSR reporting requirements. The positive feedback that we are receiving from our owners is encouraging us to continue the sustainability discussion and so we plan to offer the workshop formats in the coming years as well. We will also be commencing online training for sustainable lending by the end of this year.

I hope you enjoy reading about our sustainability activities. In a year's time, I'll once again be reporting here on the progress that we have made and our new initiatives in this field.



Wolfgang Kirsch

# A portrait of DZ BANK AG

DZ BANK AG functions as a central institution for around 1,000 cooperative banks in Germany. It also operates as a corporate bank in the corporates, capital markets, and transaction banking sectors and acts as the holding company for the entities of the DZ BANK Group.

**94%**  
of our owners  
are cooperative banks.

**94.2%**  
are local cooperative banks

**0.9%**  
are private individuals and  
other shareholders

**4.9%**  
are other cooperatives

The merger of DZ BANK and WGZ BANK into DZ BANK – Die Initiativbank was completed on August 1, 2016, bringing to an end the process of consolidating the cooperative central institutions. In its role as the central institution, DZ BANK is responsible for supporting the business of the independent cooperative banks in their regions and strengthening their competitiveness. The combination of providing customer support locally and product expertise centrally has proved to be highly effective.

## DZ BANK Group

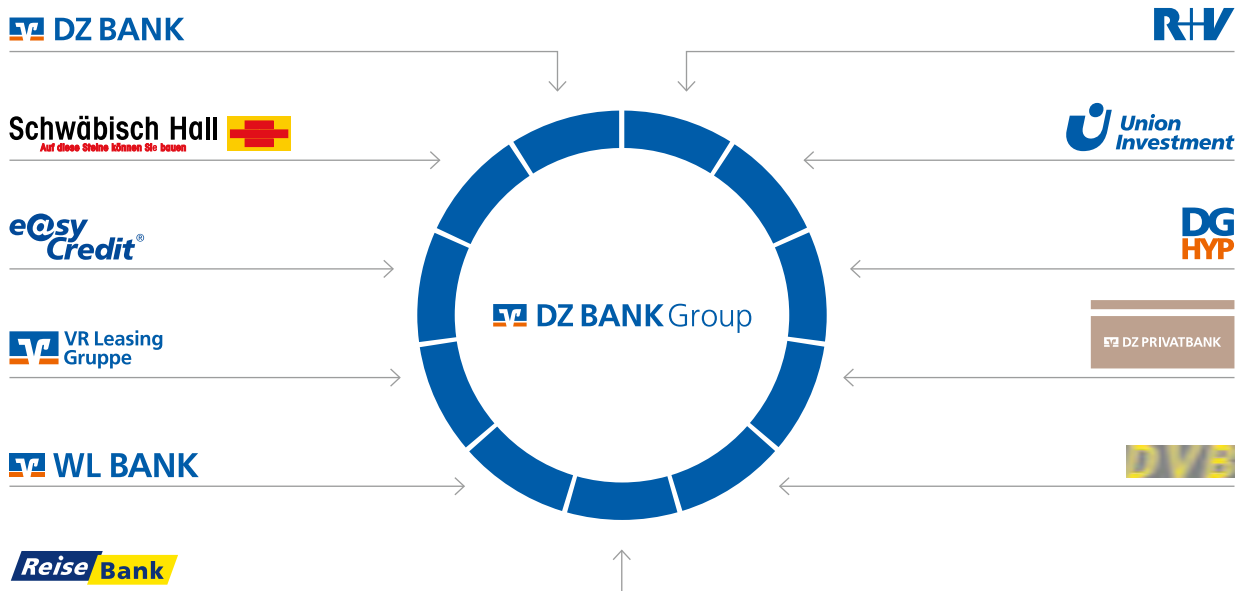
DZ BANK AG, Bausparkasse Schwäbisch Hall, DG HYP, the Union Investment Group, TeamBank, R+V Versicherung, DZ Privatbank, the VR LEASING

Group, WL BANK, and other specialist providers are the entities that make up the DZ BANK Group.

With their strong brands, they constitute key pillars in the range of financial products and services offered by the Volksbanken Raiffeisenbanken cooperative financial network. The entities in the DZ BANK Group support the cooperative banks by providing products and services on a decentralized basis for private customers, corporate customers, capital markets, and transaction banking. This ensures that the cooperative banks are able to offer their clients a comprehensive range of financial services. Approximately 30 million customers, 18.4 million of whom are members and therefore the owners of their cooperative bank, attest to the success of the cooperative financial network.



## The strong brands in the DZ BANK Group



The merger of DZ BANK and WGZ BANK represents an important step in ensuring the entire cooperative financial network is ready for the future. The merger means that the DZ BANK Group can now secure an even stronger position in the market. Our sound capital adequacy and liquidity are key factors here along with our good reputation, one of the best bank ratings in Europe and, following the merger, a complete range of products and services.

With total assets of €509.45 billion, the DZ BANK Group is one of Germany's largest financial service providers. Its profit before taxes amounted to €2.2 billion in 2016 (2015: €2.45 billion). This healthy level enabled the DZ BANK Group to further strengthen its capital situation and end the year with a common equity Tier 1 capital ratio of 14.5 percent (December 31, 2015: 13.9 percent). The results achieved in 2016 reflect the good performance of our group's customer business and, at the same time, the successful merger with WGZ BANK. The DZ BANK Group has made good progress in attracting new customers and expanding existing business relationships. At the end of 2016, the group employed approximately 30,000 people worldwide, of whom 28,100 worked in Germany.

## Sustainability in the DZ BANK Group

In 2014, to step up the dialog on sustainability, the entities in the DZ BANK Group founded the Group Corporate Responsibility Committee (CRC). The shared objective is to exploit market opportunities and avoid risk while enhancing corporate citizenship. The sustainability coordinators of the participating entities meet six times a year in the Group CRC to discuss current developments, share experiences, and plan new activities. In autumn 2016, WL BANK, formerly a subsidiary of WGZ BANK, and DVB BANK became permanent members of the committee (SR 16).

As part of their joint sustainability activities, the entities in the DZ BANK Group have introduced groupwide supplier standards, developed a common database structure, and together signed the UN Global Compact. In recent years, they also have increased the extent to which they collaborate on matters related to environmental protection and climate change. At the end of 2016, the Group CRC began developing the groupwide climate strategy. This strategy is based on the German government's national Climate Action Plan and the principles set out in the Sustainable Development Goals adopted by the United Nations (UN).

## DZ BANK AG – working locally and globally for our customers

5,549

## Employees in Germany

Frankfurt am Main 3,398

Berlin 30

Dresden 2

Düsseldorf 1,178

Hamburg 64

Hannover 193

Karlsruhe 24

Koblenz 16

Leipzig 9

Munich 192

Münster 81

Nuremberg 35

Oldenburg 17

Stuttgart 310

As well as its headquarters in Frankfurt, DZ BANK AG has 13 further offices in Germany. Outside Germany, DZ BANK AG has branches in London, New York, Hong Kong, and Singapore and six further representative offices in Asia, eastern Europe, and South America. DZ BANK AG employs 5,792 people around the world.



In 2016, the Group CRC also focused on the group-wide sustainability ratings, the implementation of sustainability in the core business, and sustainability reporting.

In 2017, the Group CRC is mainly working on improving supplier management, developing group-wide sustainability guidelines for the lending business, and setting up a common reporting system based on the UN Global Compact.

For some years now, the DZ BANK Group has been one of the leading financial institutions in terms of sustainability. This is regularly confirmed by the sustainability rating received from the sustainability ratings agency oekom research AG, which has awarded its prime status for particularly sustainable companies

to the DZ BANK Group since 2011. In particular, oekom cites the DZ BANK Group's strong commitment to environmental and social issues. Following the merger of DZ BANK and WGZ BANK and the consolidation of the two banks' ratings by oekom, the DZ BANK Group continues to hold prime status (C+).

This Sustainability Report relates to DZ BANK AG. The other entities in the DZ BANK Group report separately on their own sustainability activities.



Highlights  
Sustainable business

€10.9

BILLION

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*VOLUME OF DEVELOPMENT  
LENDING IN 2016*

64

---

cooperative banks received the  
DZ BANK development lending  
prize in 2016.

99

PERCENT

---

was the average rate  
of participation in  
compliance training.

827

*INSTITUTIONAL  
INVESTORS*

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WERE SIGNATORY INVESTORS  
AS AT FEBRUARY 1, 2016.

# Sustainable business

## Making banking sustainable

DZ BANK aims to operate responsibly and sustainably in all areas in which it does business. Acting responsibly is therefore firmly enshrined in our corporate philosophy. Overall responsibility for sustainability activities at DZ BANK lies directly with the Chief Executive Officer, Wolfgang Kirsch. Dr. Christian Brauckmann, member of the Board of Managing Directors responsible for IT and Organization, is in charge of environmental matters, while employee-related matters are the remit of Thomas Ullrich, member of the Board of Managing Directors responsible for Operations, Payments & Accounts, Transaction Management, and Group Human Resources.

### Sustainability management at DZ BANK

In 2008, to take account of the multi-faceted nature of this area, DZ BANK assigned the coordination of its sustainability activities to the Communication, Marketing, and Sustainability division. The head of the division reports regularly to the Chief Executive Officer on the progress being made in specific areas. Since August 1, 2016, the sustainability team has consisted of Delia Kaiser, who has been DZ BANK AG's sustainability coordinator since January 1, 2014, and Sabine Könner, formerly the sustainability coordinator at WGZ BANK AG. Together, they are responsible for sustainability management at the bank.

DZ BANK AG's existing sustainability working group, which was formed in 2009, supports the sustainability

team in its day-to-day management activities. This permanent committee consists of experts representing 13 different departments. They meet regularly to discuss the latest developments and to work on targets and proposals arising from discussions with entities in the DZ BANK Group and other stakeholders. In addition, they jointly formulate the objectives of the sustainability program (SR 52 et seq.) and provide input on how to implement sustainability projects in the departments.

The sustainability team is also responsible for producing DZ BANK's annual sustainability report. The 2014 publication came third in the CSR report category at last year's Econ Awards for corporate communications. These prestigious awards, organized by the Handelsblatt Group and Econ Verlag publishing houses, were presented for the tenth time at the end of 2016. The panel of judges praised DZ BANK's sustainability report for presenting the objectives and activities of the company in the field of sustainability in a credible and transparent manner.

DZ BANK's 2014 sustainability report also scored highly in a 2016 ranking published by the Institute for Ecological Economy Research (IÖW), finishing in ninth place. The IÖW assessed the sustainability reports of around 120 companies when compiling its ranking.

### Focal points, standards, and dialog processes

The merger of DZ BANK and WGZ BANK was very much the focus in 2016: We had to make preparations for consolidating and implementing the numerous sustainability initiatives as well as maintaining the quality of the existing processes.

In 2016, we also:

- » Continued to work with the Volksbanken Raiffeisenbanken – the local cooperative banks – to help them push ahead with sustainability within their organizations. Workshops, bilateral talks, and discussions with the cooperative associations (SR 14 et seq.) are the main tools that we use for this.
- » Developed an online training course focused on sustainable lending (SR 20 et seq.).
- » Provided advice and support for the new Pavillon Cityhaus II building in Frankfurt, which includes an inhouse daycare center (SR 40).
- » Expanded the level of collaboration within the DZ BANK Group, including via the Group Corporate Responsibility Committee (SR 7 and 16).
- » Broadened and intensified the dialog with sustainably minded investors, banks, and rating agencies.
- » Applied the DZ BANK Research seal of approval for sustainability to publications in the field of bond research.

For 2017 we have undertaken to:

- » Continue to provide advice and support to the cooperative banks, in particular through workshops.
- » Publish guidelines that will inform the cooperatives about the implementation of sustainability activities and about the CSR reporting requirements coming into force from 2017.
- » Invite further entities in the DZ BANK Group to work with the Corporate Responsibility Committee and to help the entities set up their own system for managing and reporting on sustainability.
- » Continue developing the DZ BANK Group's climate strategy.
- » Commence our online training in sustainable lending.

### Dialog with our stakeholders

#### G4-18, G4-24, G4-25, G4-26, G4-27

DZ BANK actively seeks to engage with its stakeholders and believes it is important to maintain an ongoing dialog that is based on trust. This enables their interests, expectations, and experiences to be incorporated into the way that we operate as a business. These stakeholders

include customers, employees, business partners, analysts, and investors as well as associations, the media, political decision makers, non-governmental organizations, and academia. The preferences of our stakeholders and the requirements that they have of DZ BANK are fundamental to our sustainability approach and strategy and also provide the framework for the content of this yearly report.

To effectively manage sustainability at DZ BANK, we need to have as deep an understanding as possible of our stakeholders' social, environmental, and economic interests as well as their experiences and expectations. In 2015, the first groupwide stakeholder survey on our sustainability activities provided us with key information in this regard. This online survey of the DZ BANK Group entities builds on the DZ BANK survey of external and internal stakeholders that we carried out for the first time in 2012. It was conducted in addition to the ongoing dialog that we engage in with our stakeholders.

The groupwide stakeholder survey was based on the guidelines of the Global Reporting Initiative (GRI). Our sustainability department used these guidelines to first establish the topics that were of relevance both to sustainability and to our stakeholders. We prioritized these topics in accordance with the principles of materiality and taking into account the results of the online survey and then validated them in internal workshops.

#### Consultation with a wide range of stakeholders

In choosing which stakeholders to survey, we took account of their diversity and their relevance for us as a company. The following key points emerged:

- » Among our most important stakeholders are the cooperative banks (which are both our customers and our owners), the corporate and retail customers of the group entities, and the employees of DZ BANK and the DZ BANK Group.
- » Suppliers and service providers as well as trade associations and investors are highly relevant to us from a commercial perspective.
- » We also listened to critical opinions from non-governmental organizations (NGOs) and rating agencies as well as from academia and politics.

The 2015 survey covered five areas of action, each broken down into various topics, and was based on analyses of the prevailing social sustainability trends. With a response rate of 46 percent, it provided valuable input for core areas of our work and reporting systems.

The materiality matrix below provides an overview of the topics and their weighting.

The individual entities then carried out their own analysis of the groupwide results. At DZ BANK AG this was done in a workshop organized by the sustainability working group, in which representatives of various departments discussed the stakeholders' answers and compared them with the company's own perspective. The result is a materiality matrix that shows how much relevance the internal and external stakeholders assign to the different areas of action.

### Implications for us as a business

#### G4-18, G4-25, G4-26, G4-27

Our stakeholders' opinions again underlined how important it is to strategically integrate sustainability into DZ BANK's core business across all the areas of action. The respondents assigned the greatest relevance to sustainable corporate management and to sustainable products and services. Within these areas, they gave the highest scores to 'cooperative principles and values' and 'corporate strategy and success'.

The results show that sustainable products and services, corporate social responsibility, and a business model that is based on cooperative values are particularly important for both employees and stakeholders. For DZ BANK, this means that we need to continue to integrate into our systems the principle of sustainability



The matrix indicates the relevance of each topic for DZ BANK and its stakeholders. The topics with the highest priority for both are situated in the upper right section of the matrix. The diagram is an excerpt that shows this section of the materiality matrix.

that lies at the core of the cooperative model. We will place it at the forefront of our business activities and continually align it with the cooperative values in order to meet our stakeholders' expectations in terms of sustainability. We will also use the results of the survey as guiding principles when selecting the topics for our future sustainability reporting. The next stakeholder survey is planned for 2018. (G4-18, G4-25, G4-26)

## Customer dialog

For DZ BANK, customer satisfaction is of the utmost priority. Our most important customer group comprises the cooperative banks. As they are also the owners of DZ BANK, we feel particular solidarity and a sense of partnership with them. At the same time, we want to meet the needs of institutional investors and customers of the cooperative banks to the greatest possible degree. To this end, we actively engage in dialog with them.

We gauge our customers' satisfaction and the trends affecting small and medium-sized enterprises (SMEs) by conducting regular surveys of our partner banks and companies. In addition, we ensure customer satisfaction by arranging events that traditionally provide opportunity for dialog and by using a quality management

system (SR 16). Like the awards we receive from independent organizations, these help our customers to build trust in the quality of our services.

### Regular customer satisfaction survey

DZ BANK periodically surveys the Volksbanken Raiffeisenbanken – the local cooperative banks – to gauge their satisfaction with DZ BANK as a whole and with its individual departments. We postponed the survey planned for 2016 due to the merger of DZ BANK and WGZ BANK. The former WGZ BANK also carried out a customer satisfaction survey of its cooperative banks, doing so every three years. As part of the merger, we will consolidate the existing surveys into one.

### Intensive dialog with cooperative banks

Using various dialog formats, we aim for two-way communication and dialog with the cooperative banks. Meetings of the regional Banking Advisory Councils and of the Financial Services Advisory Council have a particular strategic significance in this context.

Last year, we again stepped up the level of dialog with the Volksbanken Raiffeisenbanken – the local cooperative banks – on sustainability-related matters. In April 2016, for example, DZ BANK and WGZ BANK jointly organized the second sustainability workshop

## IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES – RA\*

G4-19, G4-20, G4-21

Sustainable business	Responsibility for employees	Environmental protection and climate change	Corporate citizenship
Economic performance (w)	Employment (w)	Materials (w)	Supplier assessment for impacts on society (o)
Compliance (w)	Labor/management relations (w)	Energy (w)	Local communities (o)
Anti-corruption (w)	Occupational health and safety (w)	Water (w)	Public policy (w, o)
Anti-competitive behavior (w)	Training and education (w)	Effluents and waste (w)	
Supplier assessment for environmental aspects, labor practices, human rights, impacts on society (o)	Diversity and equal opportunity (w)	Supplier environmental assessment (o)	
Products and services (w, o)	Equal remuneration for women and men (w)	Emissions (w, o)	
Product and service labeling (w, o)	Non-discrimination (w)	Transport (w, o)	
Customer privacy (w, o)	Freedom of association and collective bargaining (w)		
Product portfolio (w, o)	Supplier assessment for labor practices and human rights (o)		
Active ownership approach (w, o)	Investments (w, o)		

\* RA = reporting areas of DZ BANK AG

w = material aspects within the company; o = material aspects outside the company



1,000

participants

again attended our largest customer event, the DZ BANK Investment Dialog, in 2016.



under the banner ‘Sustainability in the cooperative banks: Actively exploiting opportunities’, in which experienced experts gave around 40 participants from the cooperative banks and cooperative associations useful tips on sustainability management and how to structure a report. Three members of boards of managing directors reported on their own experiences of implementing sustainability in their banks. The workshop also focused on energy efficiency and the implementation of a sustainability strategy.

Many cooperative banks will soon be required to report on sustainability: From 2017, a company whose securities are admitted to trading on a regulated market in the EU and banks and insurance companies with more than 500 employees will have to disclose non-financial information concerning environmental matters, social and employee-related aspects, respect for human rights, and anti-corruption activities. We are recommending to the cooperative banks the German Sustainability Code (DNK) as a suitable standard for setting up a system for managing and reporting on sustainability.

In addition to the workshops, DZ BANK maintains regular contact with its customers and owners, the Volksbanken Raiffeisenbanken – the local cooperative banks. And going forward, we will develop and offer new formats in order to further integrate the topic of sustainability into the cooperative structure.

#### Investment Dialog event on ‘Generation Selfie’

Investment Dialog, DZ BANK’s largest customer event, again welcomed some 1,000 participants in 2016 – primarily members of the Boards of Managing Directors

and other managers from the cooperative banks and their most important customers. The slogan for this year’s event was ‘Generation Selfie – digital natives changing the markets’.

When DZ BANK launched its largest customer event 20 years ago, the majority of Generation Selfie were not even born. For this very reason, the 20th Investment Dialog was devoted entirely to today’s six to 21 year olds. How should businesses adapt themselves to the digital natives, the people who have grown up with today’s digital technologies? And how is the digital revolution affecting all of us? Answers to these key questions were found at the Investment Dialog in Frankfurt’s Alte Oper concert hall.

#### Current trends affecting SMEs

Twice a year, DZ BANK’s SME study delivers information about the latest trends affecting this sector. The survey, which is published every spring and autumn, enables us to regularly ascertain SMEs’ expectations of the financial sector, their level of customer satisfaction, and their views on the state of the economy. Because we have been conducting the survey since the 1990s, we are always able to use meaningful time series to interpret the results. The results of the SME analyses and surveys of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of Local Cooperative Banks] and DZ BANK have been evaluated together since autumn 2013. In addition, representative flash polls on current topics, such as international business, give us an idea of the mood among small and medium-sized enterprises. We introduced these polls in 2012

to complement the much more extensive spring and autumn surveys.

#### Quality management and dealing with complaints

DZ BANK was the first issuer to use a quality management system to develop products, monitor product specifications, and measure customer satisfaction. The system, which is based on the ISO 9001 industry standard, is audited and certified by DQS GmbH (Deutsche Gesellschaft zur Zertifizierung von Managementsystemen) [German society for the certification of quality assurance systems]. The aim of this quality management system is to ensure customers of both DZ BANK and the cooperative banks receive the best possible service. In addition to product development, customer service in the Capital Markets Retail Clients division has been regularly inspected since 2011 in accordance with ISO 9001. Customer service in this division has set itself ambitious quality standards for dealing with customer inquiries in terms of staff availability and processing times.

Dealing with complaints is a fundamental aspect of quality management. DZ BANK deals with all complaints promptly, whether they are made by telephone, letter, email, or in person. All divisions with direct or indirect contact with customers have complaints managers who ensure complaints are dealt with in a customer-focused manner. Valid customer complaints are documented and are reported on regularly. In 2016, there were no complaints relating to impacts on the environment, human rights, working practices, or society.

#### Dialog with other stakeholders

##### The Group Corporate Responsibility Committee

In 2016, the entities of the DZ BANK Group – and particularly those looking to focus more heavily on sustainability management in the future – stepped up the degree to which they collaborate on sustainability topics. Among the main topics of the many meetings were standards, reporting, and how to organize, establish, and continuously improve a system of sustainability management. Dialog within the DZ BANK Group is also institutionalized in the Group Corporate Responsibility Committee (CRC). In 2016, WL BANK, formerly a subsidiary of WGZ BANK, and DVB BANK became permanent members of the committee. The

Group CRC meets six times a year at DZ BANK to develop common policies and lending standards and to discuss other sustainability matters, including the ongoing development of a groupwide climate strategy (SR 7 et seq. and 29).

##### Non-governmental organizations (NGOs)

In 2016, DZ BANK also engaged in further dialog with NGOs. Going forward, we aim to intensify the contacts that we have made in discussions over recent years.

##### Friedrich Ebert Foundation information event

In November 2016, DZ BANK held an information event for current and former recipients of grants from the Friedrich Ebert Foundation who are based in the Rhine-Main region. Its theme was ‘Sustainability in a bank – is there such a thing?’. After a presentation about DZ BANK’s sustainability management system, the participants from various disciplines were given the opportunity to discuss their newly acquired insights and to ask questions.

#### Responsible corporate management

The philosophy of meeting commercial and social challenges together is the foundation on which the cooperatives are based and is also a fundamental principle of sustainability. For DZ BANK, responsible corporate management is an integral part of the corporate strategy and a prerequisite for successful business. As a central institution for the cooperative financial network, we have embedded key values such as mutuality, fairness, and partnership into our corporate culture. Our core values are drive, integrity, and trust.

The basis for sustainable corporate management is provided by a broad set of components that cover all parts of the business. These range from our guidelines for business operations in general and for the investment and lending business in particular, and extend to our responsible HR policy, sustainability training courses, sustainability targets, and climate strategy. The resulting framework enables all employees to engage in sustainable practices in their day-to-day work.

DZ BANK attaches particular importance to achieving effective corporate governance. For us this principally means compliance, risk management, reputation

## 21 suspected cases

of money laundering were reported by DZ BANK to the prosecuting authority in 2016.

In its role as a central institution, DZ BANK processes international payments for many local cooperative banks.

management, and transparent decision making. The remuneration system of the Board of Managing Directors meets the regulatory requirements that are currently in force (SR 39). We also adhere to the statutory requirements for minimum notice periods with regard to operational changes that could have a substantial impact on our employees and their elected representatives.

### The code of conduct – behaving with integrity

As a responsibly managed company, we provide our employees with principles and rules on how to behave properly and responsibly, particularly in their dealings with customers, business partners, and other members of staff. The Compliance Office (SR 18 et seq.) has developed a code of conduct in collaboration with other departments that forms the framework for all directives and guidelines. It came into force on December 3, 2012. In addition, the representatives of the individual compliance functions have worked with the various sustainability coordinators in the DZ BANK Group to produce a code of conduct for the group. This came into force in May 2014 and applies to the entire DZ BANK Group. At the end of 2016, as a result of the merger, DZ BANK and the former WGZ BANK consolidated their codes of conduct into a version that was approved by the Board of Managing Directors in April 2017.

DZ BANK posts information about the code of conduct on a variety of channels, including its compliance

portal, the internal portal for written procedures, and the welcome page for new starters on the intranet. We have also integrated the code of conduct into existing training programs.

### Recognition of and respect for human rights

DZ BANK is committed to democracy, tolerance, equal opportunities and human rights. These are in keeping with the cooperative values that are at the heart of our company: Mutuality, partnership, and social responsibility.

As a central institution for the cooperative banks in Germany, we play a key role in ensuring a functioning financial system. We are conscious of our particular responsibility to customers, business partners, shareholders, employees, and society, and so the matter of which commercial activities we focus on and how we run these activities is of great importance.

By signing up to the United Nations Global Compact in 2008, we committed ourselves to ten universally accepted principles covering human rights, labor standards, the environment, and the fight against corruption. These principles form a binding frame of reference for our practices.

### Human rights and customers

DZ BANK conducts a sustainability check, which includes ensuring human rights are respected (SR 20 et seq.), on its own investments and on the loans and finance that it offers. In our lending business and in project finance, we have been working with a sustainability checklist since 2009 that is based on the United Nations Global Compact and the Equator Principles (SR 23 et seq.). We use this list to assess all the factors relevant to a loan that may affect ecological or social risk, which includes ensuring that human rights are respected. DZ BANK does not lend to companies that contravene internationally accepted standards of human rights and labor. Our training on sustainability in the lending business also covers the subject of human rights (SR 22).

### Human rights and suppliers

Recognition of and respect for human rights also play a key role for DZ BANK in its choice of service

providers and suppliers. All procurement processes incorporate social and ecological standards that cover aspects relating to human rights and working practices (SR 33). DZ BANK's requirements are based on international standards such as the principles of the UN Global Compact and the relevant conventions of the International Labour Organization (ILO). Since 2010, all our suppliers have had to sign a sustainability agreement committing them to comply with these standards and principles. A breach of this agreement may ultimately result in a supplier being suspended.

#### Human rights and employees

As an employer, DZ BANK respects and supports the human rights of its employees. The majority of its employees work in Germany, where compliance with human rights is essentially protected by legislation. In addition to this, we have a code of conduct that commits our employees to respect human rights (SR 17). Training courses and briefings on this subject are mandatory. We do not tolerate any discrimination against employees or third parties on the basis of age, gender, ethnic background, nationality, religion, political views, worldview, race, disability, or sexual identity.

#### No complaints in 2016

Stakeholders or whistleblowers wishing to report issues relating to human rights or suspected breaches of human rights can turn to the DZ BANK Compliance Office, the ombudsman, or the employees' council. In 2016, there were no formal complaints regarding breaches of human rights or working practices (SR 17 et seq.).

### Good business practices through effective compliance management

Compliance plays an important role in the financial sector and is something that DZ BANK and the DZ BANK Group have viewed as a matter of course for many years. Governments as well as national and international regulators are calling on the financial services industry for cooperation and support in the battle against insider trading, market manipulation,

corruption, and other criminal behavior, and for the imposition of financial embargoes. Additional rules regulate transactions and subject institutions to disclosure requirements and stringent inspection. This restrictive statutory environment has a fundamental effect on the way we do business as a bank. Furthermore, lawmakers and regulators have made increasing demands on banks' compliance functions in recent years. For example, the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) [Federal Financial Supervisory Authority] has set out the rules of the German Securities Trading Act (WpHG) in more detail in the Minimum Requirements for the Compliance Function and Additional Requirements Governing Rules of Conduct, Organization and Transparency (MaComp). And the updates to the Minimum Requirements for Risk Management (MaRisk) have increased the tasks and duties of the Compliance Office still further.

#### Central Compliance Office

As a central institution of the cooperative financial network, DZ BANK bears particular responsibility for guaranteeing good business practices in its own operations. It was back in the 1990s that, in accordance with international standards, we first introduced a central Compliance function to interact with the other banking functions. In line with legal requirements, its particular responsibilities are capital markets compliance, the prevention of money laundering, and the new Compliance function pursuant to MaRisk. The Compliance Office is also the main body responsible for preventing other criminal activity. Its compliance experts advise managers, staff, and business units in the bank on the implementation and monitoring of legal requirements.

The Compliance Office also checks compliance with the provisions of the WpHG, the ban on insider trading, and the rules on employee transactions and ensures that the bank does not become involved in money laundering or the funding of terrorism. As compliance officer, anti-money-laundering officer, and group anti-money-laundering officer, the head of the Compliance function reports directly and regularly to the Board of Managing Directors and the Supervisory Board. In addition, all members of the Supervisory Board are provided with

information about the measures and procedures implemented by DZ BANK to fight corruption as part of the yearly reporting process.

We include all sites in the annual risk analysis that we are required to carry out by law. No significant risk of corruption was identified in the 2016 risk analysis.

#### Fraud prevention measures

DZ BANK's code of conduct, introduced in 2012, contains various measures to prevent fraud. These include guidelines for dealing with gifts, written procedures for fraud prevention, a whistleblowing hotline, and training.

#### Approach to compliance risk

The Compliance Office works closely with the Group Operational Risk function in the Risk Controlling division, and others, in order to collect data on money laundering risk and fraud risk for the annual risk analysis.

The requirements for the Compliance function specified by MaRisk for the banking sector have been implemented by the relevant subsidiaries in consultation with DZ BANK. The DZ BANK Compliance function lays down the fundamental and standardized requirements with respect to the methods for identifying relevant compliance risks to be used across the group. It liaises with the group entities to ensure that consistent procedures are used throughout the group. The managers responsible for the Compliance functions each report directly to the member of the Board of Managing Directors responsible for this area of activity.

Implemented in 2016, the compliance policy for the DZ BANK Group and the associated compliance standards form a standardized groupwide compliance framework for handling legal rules and requirements. The aim is to create a groupwide compliance management system.

#### Whistleblowing hotline

So that irregularities can be identified at an early stage, our staff are able to report them in the strictest confidence. In addition to a compliance and

money-laundering hotline, we operate a whistleblowing hotline that allows employees to anonymously report signs of suspected criminal activity to the head of the Compliance Office, who is the internal ombudsman, or to an experienced lawyer who is acting in confidence as an external ombudsman. They guarantee the whistleblower's anonymity as part of client confidentiality, including vis-à-vis public bodies. The information provided is checked confidentially by a committee. This system helps DZ BANK to ensure it complies with legal obligations and to avoid reputational damage or financial loss.

In 2012, we introduced a software program that examines all trades for market price manipulation. DZ BANK reported 46 cases of suspected market manipulation to the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) [Federal Financial Supervisory Authority] in the year under review. In addition, a multi-level process within DZ BANK ensures that employees adhere to the statutory requirements aimed at preventing insider trading.

#### Compliance training

At all sites, our staff receive regular compulsory training in banking compliance, the prevention of money laundering, the ban on market price manipulation, and fraud prevention. This compliance training also covers how to fight corruption. All Supervisory Board members are regularly trained on anti-corruption topics. The average rate of participation in training is 99 percent. We also offer seminars on specific topics, such as investment advice and managing conflicts of interest.

#### Data protection

Careful and secure handling of data is one of the core pillars of a business relationship that is based on trust. DZ BANK protects its customers' data and only passes it on to third parties if customers consent to this or if it is required to do so by law. Our employees adhere to the laws and principles of data protection that apply to their work. We also make sure that they are kept up to date with the latest data protection regulations. Our data protection officer is responsible for ensuring conformity with the law and is the primary

# 1,338

## loan applications

(excluding former WGZ BANK) were examined and approved as sustainable by DZ BANK staff in 2016. The checks took into account social and ecological aspects such as human rights and environmental protection.

contact for customers, business partners, and staff. In 2016, we received no substantiated customer complaints related to data protection.

### Risk management

The DZ BANK Group has a comprehensive risk management system that, in general, meets its own business management needs and statutory requirements. Furthermore, the management of opportunities and risks forms an integral part of the groupwide strategic planning process. The risk management system is based on risk strategies that are derived from the business strategies and approved by the Board of Managing Directors. All DZ BANK Group entities are integrated into the groupwide opportunity and risk management system, which is divided between the Bank sector and the Insurance sector.

### Dealing with reputational risk

Reputational risk refers to the risk of losses from events that damage confidence, mainly among customers (including the Volksbanken und Raiffeisenbanken – the local cooperative banks), shareholders, employees, the labor market, the general public, and the supervisory authority, in the entities in the Bank sector of the

DZ BANK Group or in the products and services that they offer. Reputational risk is incorporated into the risk strategy. Crisis communications aimed at mitigating reputational risk are designed to prevent large-scale damage to the entities in the Bank sector if a critical event occurs. This therefore supports the sustainability concept embraced by the DZ BANK Group.

### Expertise for future-focused business

DZ BANK ensures that its products and services always meet sustainability criteria. This means added value for customers, the environment, and society and contributes to the success of our business. When granting loans, for example, one of the aspects that we have been examining for some years now is the sustainability of the borrower or funding project. To increase employees' awareness of product-relevant sustainability issues, we have developed an online training course on sustainability in the lending process, which we plan to begin running in the second half of 2017 (SR 22). A key role is also being played by the fast-growing renewable energies market, in which DZ BANK and the Volksbanken Raiffeisenbanken – the local cooperative banks – have been successful players for more than ten years (SR 24). In addition, DZ BANK Sustainable Investment Research offers cooperative banks and institutional investors a comprehensive audit and consultancy service for equity investments based on sustainability criteria. Our analysts also introduced a sustainability rating for states and SSAs (supranationals, sub-sovereigns, agencies) and extended the corporate rating to include companies that only issue bonds (SR 24 et seq.).

### Sustainable lending

The lending business is one of DZ BANK's core activities. The subject of responsibility is particularly important in this area: In our lending operations, we systematically assess all loan applications (conventional loans, project finance, and customer-specific trading limits) against relevant sustainability criteria as part of the credit check process. To this end, DZ BANK applies a uniform bank-wide procedure based on a comprehensive sustainability checklist and sector-specific principles. We have been capturing the results since July 2011. In 2015, a new working group began



to create a standardized basis for sustainability in the lending business throughout the DZ BANK Group.

Sustainability criteria also played a key role in assessments of loan applications and trading limits in the former WGZ BANK. As part of the merger, we consolidated the two banks' policies on sustainable lending. From now on, the sustainability checklist will also be used in the lending process of the joint central institution.

DZ BANK's sustainability checklist, which has been in use since 2009, is based on the ten principles of the United Nations Global Compact and the Equator Principles (SR 23 et seq.). We use the list to assess all the factors relevant to a loan that may affect ecological or social risk. The assessments conducted by our experts look at business partners, customers, suppliers, sector, commercial focus, and other aspects. In the year under review, 1,338 loan applications (excluding the former WGZ BANK) passed the sustainability check. This result shows that we are increasingly taking sustainability into consideration the first time that we come into contact with customers – i.e. before a comprehensive assessment is carried out using the

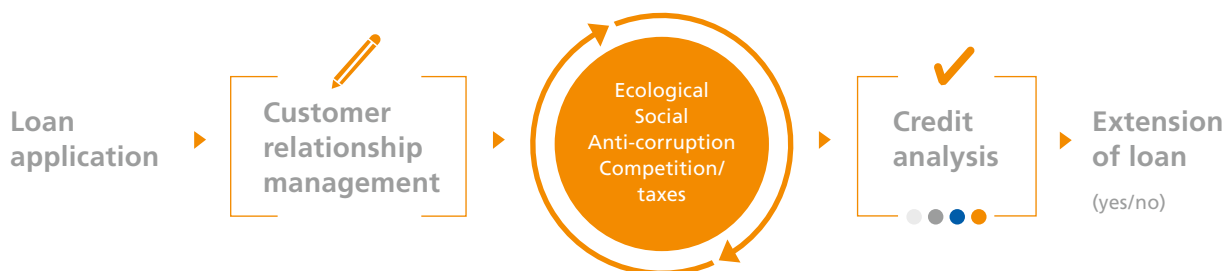
internal sustainability checklist. Consequently, we are distancing ourselves from finance projects that do not comply with our sustainability principles and are often doing so at a very early stage of the loan application process.

#### How the sustainability check works

The sustainability checklist is based on a four-stage traffic light system with levels ranging from exemplary (green = 1) to dubious (red = 4). It contains ten inspection criteria in four areas (environment, social, anti-corruption, and competition/tax) plus an additional criterion if necessary:

- » Environmental protection
- » Insurance in case of environmental damage
- » Products
- » Previous usage of company land
- » Working conditions
- » Respect for human rights
- » Protection of heritage, property, and sites of cultural or historical interest
- » Protection of neighboring residential areas
- » Anti-corruption (corruption in all its forms, including extortion, bribery, and inadequate

## Sustainability check



**Ecological:** Environmental protection; insurance in case of environmental damage; products; previous usage of company land

**Social:** Working conditions; respect for human rights; protection of heritage, property, sites of cultural or historical interest, and neighboring residential areas

**Anti-corruption:** The combating of corruption in all its forms, including extortion and bribery

**Competition/tax:** Provisions of competition law and tax law; prevention of tax evasion

benefits; increasing employee awareness in order to tackle corruption)

- » Competition/tax (compliance with provisions of competition law and tax law; prevention of tax evasion).

As part of the sustainability check, each individual criterion is allocated a value. The overall rating for the loan is obtained by taking the average of the values. If this figure exceeds 3.5, no loan is granted. Loans to cooperative banks and entities in the DZ BANK Group, as well as certain low-risk loan products and exposures that are being restructured, are exempt from the checks.

#### Sectoral rules for sensitive industries

For the assessment of loan applications from sensitive industries, such as forestry and extraction of raw materials, DZ BANK uses its sectoral rules in addition to the sustainability check. These provide a frame of reference for loan approvals. Processing in accordance with the sectoral rules is an integral part of the sustainability check.

#### Rejection criteria for lending

Since 2005, DZ BANK's lending guidelines have set out how to deal with sensitive industries. In 2014, we translated these guidelines into criteria for rejecting loan applications, which the customer relationship managers use for guidance and which they take into account when assessing loan applications. The criteria currently apply to weaponry, pornography, gambling, significant environmental risks, and human rights abuses.

#### Weaponry

DZ BANK rejects loan applications in connection with all types of weaponry outside NATO or in areas of tension, or for which the German Federal Security Council has not given its consent. In addition, DZ BANK avoids loans that support the production or trading of controversial weapons, specifically cluster bombs and landmines.

#### Significant environmental risks

DZ BANK rejects loan applications for companies and projects posing a significant risk to the environment, such as uranium mining.

#### Prostitution

DZ BANK does not lend to borrowers from the pornography industry or similar sectors (prostitution).

#### Gambling

DZ BANK does not grant loans to companies involved in controversial forms of gambling.

#### Significant human rights abuses

DZ BANK does not lend to companies that contravene internationally accepted standards of human rights and labor.

#### Sustainability seminars for multipliers

Since 2011, DZ BANK has been providing training on sustainability criteria for loans to the multipliers working in its lending business. In recent years, employees mainly from the corporate customer and credit analysis divisions have attended the seminar on sustainable lending as part of DZ BANK's general professional development program. The training courses teach employees about DZ BANK's conception of sustainability and how this is put into practice in day-to-day lending. The instruction modules are designed to enable course participants to support their departmental colleagues in using the sustainability checklist.

Going forward, all employees that handle financing inquiries will be required to complete our new online training course on sustainable lending. We postponed the planned launch of the course in 2016 because of the integration work involved with the merger. The online training is now scheduled to begin in the second half of 2017. The aim of the course is to make our employees more aware of the relevance of this subject and, at the same time, to provide specific assistance in how to assess financing inquiries for sustainability.

## A partner for development lending

Development loans are key components of a tailored financing solution. Arranging public-sector financial assistance at favorable interest rates is one of the core activities of DZ BANK. For many years, we have been supporting the cooperative banks with marketing solutions and specialist knowledge, particularly in relation to development loans in the areas of environmental protection and sustainability. Investing in improved energy efficiency is becoming increasingly important for retail and corporate customers alike. Another focus is on action plans for coping with demographic change, including socially oriented programs that encourage the adaptation of housing and other buildings for older people. These themes will continue to be a mainstay of our sales activities for development lending in 2017.

### Business in 2016

In 2016, DZ BANK's development lending amounted to €10.9 billion, which was above the 2015 level of €9.2 billion (of which €6.5 billion was attributable to the pre-merger DZ BANK and €2.7 billion to the former WGZ BANK). This was primarily due to strong demand for affordable finance for private house-building. The volume of new business generated by DZ BANK and the cooperative banks for development loans from Germany's KfW development bank came to €7.9 billion (2015: €6.3 billion). With a share of 21.1 percent of all loans made by KfW, DZ BANK was again the development bank's biggest single customer. Measured by volume with KfW, DZ BANK has a 14 percent market share of the commercial environmental sector and a 27 percent share of the retail sector. Above all, this performance was driven by public-sector programs for energy-efficient construction and renovation work. In the commercial sector, however, SMEs' declining inclination to invest had an adverse effect on the lending business, including development lending. Moreover, the low oil price caused companies to rethink their plans to improve energy efficiency.

## Project finance

Project finance is ideal for large-scale projects that require a lot of capital. DZ BANK has many years of experience in this field. Our extensive expertise enables us to assist the institutions in the Volksbanken Raiffeisenbanken cooperative financial network on all matters relating to this type of funding.

Project finance describes one-off, commercially and legally self-contained capital investment projects. The investors set up a project company specifically to implement the project. As a rule, this company is also the borrower. The income that the investment asset later generates is used to repay the loan. The asset itself is used as collateral for the project finance.

The focus at DZ BANK is in the following areas:

- » Energy generation and distribution, including renewable energies (SR 24)
- » Infrastructure and public-private partnerships (PPPs).

Renewable energies were once again the focus of project finance in Germany last year. At the end of 2016, the volume of project finance credit limits approved by DZ BANK for wind, solar, and biogas/biomass came to around €4.7 billion. Wind power continues to be the biggest renewable energy source and had a volume of approximately €3.1 billion at the end of 2016.

### Sustainable standards for project finance

In 2013, DZ BANK officially recognized the Equator Principles, which were drawn up by international project finance institutions. In signing up to this voluntary undertaking, we have assumed responsibility for the environment and society and have publicly formalized our already long-established practice of taking sustainability standards into account in project finance transactions. At the same time, DZ BANK has created a framework for a proactive system of risk management, particularly in relation to high-volume project finance.

# €4.7 billion

was the volume of project finance credit limits approved by DZ BANK for wind, solar, and biogas/biomass up to the end of 2016. Wind power is the biggest renewable energy source and had a volume of approximately €3.1 billion at the end of 2016.

DZ BANK conducts a sustainability check, which includes ensuring human rights are respected, on its own investments and on the loans, finance, and products that it offers. This is also the case for all project finance applications, which we examine systematically with regard to relevant sustainability issues and human rights as part of our credit check process (SR 20 et seq.). Moreover, we do not lend to companies that contravene internationally accepted standards of human rights and labor law (SR 22). Our supplier standards also contain human rights clauses. The Equator Principles introduced in 2003 comprise ten guidelines for all new project finance transactions involving a net investment of over US\$ 10 million. The total volume of a project determines how it is categorized; the portion invested by DZ BANK itself may be lower. Ninety financial institutions from 37 countries, including some of the world's leading project finance banks, have now signed up to the Equator Principles.

## Renewable energies: A growth area

For a long time now, renewable energies have been the most important source of electricity in Germany. According to the Federal Ministry for Economic Affairs and Energy, wind energy, solar power, hydropower, and biomass accounted for around 29 percent of the country's gross electricity generation in 2016. Through their commitment to the development of renewable energies, DZ BANK and the cooperative banks are making a considerable contribution to the success of the energy transition in Germany.

It was over ten years ago that DZ BANK categorized the renewable energies megatrend as a major growth area. Our total lending volume in this sector is now around €4.7 billion. The continuous growth in the market for renewable energies is being fueled by the political decision to implement the shift in German energy policy and the resulting Renewable Energy Sources Act (EEG). Growing public interest in energy generation from renewable sources has also provided support. Wind power continues to have the most potential in Germany and it will remain the focus of our renewable energies lending in the future, despite the anticipated fall in installation rates as a result of the EEG amendment in 2017.

## Wide range of products in the energy sector

With the cooperative banks working locally and the DZ BANK Group supporting them, the cooperative financial network brings together the substantial commercial potential of renewable energies. The spectrum of energy-related business initiatives at DZ BANK is extremely diverse, ranging from project finance for the construction and repowering of wind and solar facilities, to the financing of projects through energy cooperatives. The cooperative banks play an important role in this process, thanks to their network of local contacts.

## Agriculture, Nature, and Energy (ANE) team

Agriculture and renewable energies are closely linked because the switch to renewable energy sources is largely taking place in rural areas. DZ BANK's Agriculture, Nature, and Energy (ANE) team enables the local cooperative banks in all regions to call on specialist agricultural and energy experts for help with advising their local customers. A major strength of the ANE advisors is that they combine expertise in their respective fields with a deep understanding of regional circumstances. The ANE experts meet several times a year to discuss current issues and their experiences on the ground.

## Sustainability research: Investments for cooperative banks and institutional investors

Since 2011, as part of its sustainability research activities, DZ BANK has offered a comprehensive audit and

consultancy service for investments in equities. In 2015 and 2016, the experts at DZ BANK Sustainable Investment Research introduced a sustainability rating for states and SSAs (supranationals, sub-sovereigns, agencies) and extended the corporate rating to include companies that only issue bonds. They have therefore successfully completed the planned integration of sustainability criteria into the fixed income asset class and are working with fundamental analysts and other departments to generate practical investment ideas from sustainability trends.

The sustainability research service is primarily aimed at cooperative banks and institutional investors in Germany and other countries that, due to regulatory requirements and growing customer demand, are increasingly having to evaluate their investments and product portfolios using sustainability criteria.

DZ BANK Research's sustainability rating is based on a holistic investment approach and enables institutional investors, investment managers, and cooperative banks to balance expected returns with sustainability aspects when making investment decisions.

Issuers that our analysts classify as 'sustainable' are awarded the DZ BANK Research seal of approval for sustainability and are identified as such in the unit's publications. The ratings are used for more than 350 individual securities in the DZ BANK equity and bond universe. Around 25 percent of these securities have been classified as sustainable by the sustainability research team. After evaluating countries' sustainability, the analysts categorize them as 'non-sustainable countries', 'transformation countries', or 'sustainable countries'. At the time this report was written, 22 of the just over 145 countries analyzed were designated as 'sustainable'. Another eight were assigned to the 'transformation countries' category.

#### Focus on the bonds asset class

Sustainability analysis again focused on bonds as an asset class in 2016. In February, for example, the experts at DZ BANK introduced a sustainability rating for supranationals, sub-sovereigns and agencies (SSAs). Supranational issuers include institutions in which more than one state is directly involved; sub-sovereigns are public-sector entities at regional and

local level; and agencies have either a public-sector mandate or a very strong connection to the public sector. In September, the corporate credit rating was extended to include companies that only issue bonds.

#### Discussing the research

The sustainability research team talks to all customer groups and is the impetus for intensive networking aimed at marketing relevant products and embedding sustainability as an investment theme. This is illustrated by the following examples from 2016:

In March, Marcus Pratsch, Head of Sustainability Research, presented DZ BANK's sustainability rating for states at two webinars organized by the UN Principles for Responsible Investment. In September, DZ BANK Sustainable Investment Research hosted its inaugural sustainability roadshow for issuers and investors in Singapore. Asia is seen as a highly promising hub for the topic of sustainability in the financial markets, and the sustainability research team was able to win plaudits for its expertise and give the participants substantial support in Asia's nascent sustainability market. At an international roadshow in the US capital, Washington, in December, the sustainability experts held a series of talks over several days with important issuers such as the World Bank, the International Finance Corporation (IFC), and the Inter-American Development Bank (IDB). Sustainability in the financial markets, sustainable bonds, and the financing of a sustainable economy were among the topics of discussion.

In 2016, the total number of events run by the sustainability research team was over 25 percent higher than in 2015, another year-on-year rise.

#### Further growth in the segment for sustainable bonds

DZ BANK has been active in the green bonds market segment since 2013. Issuers can use these green bonds to raise capital for socially responsible, environmentally friendly, or sustainability-oriented projects and markets. Issuance activity is focused on investment projects in the areas of renewable energies and climate change. The umbrella term sustainable bonds now also encompasses other types of sustainable investment. Projects in which funding is being used for education, integration, and the construction of social housing, for example, are

gradually beginning to find their way into the market. The overriding principle remains the same, however: Proof is required that the use of issue proceeds for such purposes is kept separate from applications of funds that do not meet these criteria.

DZ BANK remains one of the ten leading syndicate banks operating in this segment. The fact that sustainability has been a major aspect of the cooperative principle and culture from the outset is proving to be an advantage. It is no accident that Cr dit Agricole and Rabobank, two other European syndicate banks with cooperative roots, join DZ BANK in the list of market-leading banks in this segment. Many cooperative banks, including church banks, ethical banks, and social banks, as well as Union Investment, also invest in the market for green bonds. Union Investment, which is part of the DZ BANK Group, has more assets managed in accordance with sustainability criteria than any other fund management company in Germany.

To provide guidance for customers, the issuers, investors, and environmental associations have drawn up guidelines that set out a model issuance process for sustainable bonds. These include the Green Bond Principles (GBP), which contain voluntary procedural rules for issuers and underwriters that recommend transparency and are designed to ensure the integrity of the market. At the same time, the Climate Bond Initiative (CBI) is championing the development of credible standards for green bonds. The starting point for the work of this not-for-profit organization is the target agreed at the UN Climate Conference in Paris in 2015 of limiting global warming to a maximum of two degrees.

Investors with an interest in sustainability can also look at issuers' internal and external sustainability ratings and green bond certification when deciding where to invest. DZ BANK, via its Sustainable Investment Research arm, has launched its own sustainability certificate for both bond and equity issuers that incorporates aspects in the categories Environment, Social, Governance, and Economic (SR 24 et seq.). This approach, which is still in its infancy, has been very positively received by issuers and investors.

#### Liquidity reserve based on sustainability criteria

DZ BANK holds ample liquidity reserves so that it can protect its liquidity against any potential crisis-related threats. These special-purpose investments have to satisfy certain regulatory and economic conditions. But we also ensure that our investments fulfill sustainability criteria. DZ BANK therefore uses investment products that can generally be assigned a sustainability rating in accordance with an analysis of liquidity reserves from 2013 or that meet sustainability requirements. When deciding on the loan facilities for investments in our liquidity reserve, we rigorously apply our internal sustainability checklist and our rejection criteria in the same way as we would for any other loan (SR 20 et seq.).

#### No more products based on agricultural commodities

The entire DZ BANK Group stopped offering products based on agricultural commodities in spring 2013. However, DZ BANK, with its long tradition of serving the agriculture sector, continues to help its corporate customers to hedge prices through the use of standardized products.

#### Quality and security of sustainable investment products

DZ BANK attaches great importance to the quality and security of its sustainable investment products, and we have therefore put a range of internal precautions in place. These processes are subject to a quality management system that is based on the ISO 9001:2015 industry standard and has been certified by DQS GmbH (Deutsche Gesellschaft zur Zertifizierung von Managementsystemen) [German society for the certification of quality assurance systems] (registry no. 052775 QM15).

DZ BANK is a member of the protection scheme operated by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of Local Cooperative Banks], which is obliged by its statutes to ensure customer deposits are fully protected. The investment-grade creditworthiness of DZ BANK is also reflected in the credit ratings.



## Key performance indicators Sustainable business

KPIs are a basic requirement for evaluating our success in the projects, processes, and strategies that we implement. The following KPIs relate to sustainable business: Because of the merger between DZ BANK and WGZ BANK the data for 2016 cannot be meaningfully compared with the data for the previous years.

### LONG-TERM RATINGS OF THE DZ BANK GROUP

	2016	2015	2014
Standard & Poor's	AA-	AA-	AA-
Moody's Investor Service	Aa3	Aa3	A1
Fitch Ratings	AA-	AA-	A1

### LENDING VOLUME BY ENERGY TYPE

€ million	2016	2015	2014
Wind power	3,072.8	1,697.8	1,419.7
Biogas	80.5	72.0	77.6
Biomass	51.6	52.6	50.7
Photovoltaics	1,108.8	941.6	984.9
Other renewable energy sources	364.3	434.8	411.7
<b>Total</b>	<b>4,677.9</b>	<b>3,201.8</b>	<b>2,944.6</b>

The growth trend in lending for renewable energies remains strong, particularly in the wind power segment.

### COMPLIANCE TRAINING IN 2016

	2016	2015	2014
Total number of participants			
Compliance for banks (incl. follow-up courses)	1,199	2,489	663
Prevention of money laundering (incl. follow-up courses)	2,130	3,175	392
Ban on market price manipulation (incl. follow-up courses)*	445	584	147
Fraud prevention for managers (incl. follow-up courses)**	512	67	403
Fraud prevention for employees (incl. follow-up courses)**	4,115	491	3,291

\* The training course about the ban on market price manipulation was launched in August 2011 and is aimed at staff in trading or trading-related units.

\*\* Training courses in fraud prevention were introduced in December 2011.

Training courses and follow-up courses are not always held annually. Participant numbers vary from year to year, depending on when staff are required to take the courses.

### MAIN FINANCIAL KPIS OF THE DZ BANK GROUP (IFRS)

€ million	2016	2015	2014
Profit before taxes	2,197	2,453	2,867
Net profit	1,606	1,796	2,157
Total assets/total equity and liabilities	509,447	408,341	402,682*
Equity	22,890	19,729	18,245*
Tier 1 capital ratio (%)	16.0	15.6	13.7

\* Figures have been updated in accordance with the restatements detailed in the DZ BANK Group's 2015 Annual Report (cf. DZ BANK Group 2015 Annual Report, pages 204 to 209).

### MAIN FINANCIAL KPIS OF DZ BANK AG (HGB)

€ million	2016	2015*	2014*
Operating profit	514	560	518
Profit before taxes	269	561	358
Income taxes	54	-337	-145
Net income for the year	323	224	213
Total assets/total equity and liabilities	253,315	197,736	204,184
Equity	10,256	8,008	7,994
Tier 1 capital ratio (%)	19.1	20.2	17.8

\* The figures for 2015 and 2014 are the same as those communicated previously in the Sustainability Report. In the 2016 DZ BANK AG Annual Report, the 2015 figures represent the aggregated totals for DZ BANK AG and WGZ BANK AG without any consolidation of income and expenses.

### DEVELOPMENT LENDING

€ billion	2016	2015	2014
New business volume	10.9	6.5	6.1
Of which:			
KfW new business volume	7.9	4.3	3.7

With a share of 21.1 percent of all loans made by KfW, DZ BANK was again the development bank's biggest single customer in 2016.

## Highlights

### Environmental protection and climate change

In  
**2017**

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the Düsseldorf office will be switched to green electricity.

€**17.4**

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**million**

is the amount we invested in 2016 in our new building, which includes a daycare center and has been awarded gold certification by the DGNB.

**15**

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**percent**

is the proportion of our CO<sub>2</sub> emissions (as measured in 2012) that we aim to cut by 2020.

Prime status

**2016**

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In 2016, oekom research confirmed the DZ BANK Group's C+ sustainability rating after consolidating the ratings of DZ BANK and the former WGZ BANK.

# Environmental protection and climate change

## Protecting the environment together

Sustainability is not only a feature of DZ BANK's core business. We also try to minimize our impact on the environment at our offices. Our engagement in this area ranges from efficient building technology and green travel to sustainable purchasing and end-to-end management of resources and waste. At the same time, through our climate strategy, we are setting ourselves ambitious targets aimed at making us more efficient. The activities we are undertaking to protect the environment are intended to show our colleagues, customers, and other stakeholders just what improvements are possible.

We work continually to improve how we record environmental KPIs. Beginning on August 1, 2016, as part of the merger, we integrated the environmental management system of the former WGZ BANK for the Düsseldorf, Münster, and Koblenz offices into the existing system used by DZ BANK. The environmental experts of the two banks created a standardized set of data by entering the consumption data of the former WGZ BANK for the whole of 2016 into the existing environmental database. For the first time, we collected data on transport (air, train, kilometers covered on business trips, and company cars) for the Düsseldorf, Münster, and Koblenz offices, which in the future will be reported in the same way as DZ BANK's environmental data. The Düsseldorf office is continuing to take part in the ECOPROFIT project in Düsseldorf, for which it is recertified every two years.

### Environmental protection and climate change

A key concern for DZ BANK is climate change and environmental protection. That is why our engagement in this area goes beyond the statutory requirements. This applies not only to the bank and its employees but also to our service providers and suppliers – because DZ BANK considers sustainable purchasing to be important, too. By all working with the same objectives in mind, we can implement our plans more efficiently. Our target is to lower the total CO<sub>2</sub> emissions across all sites by 15 percent by 2020 (compared with the base year 2012) and progressively make DZ BANK carbon neutral. In 2017, we also intend to continue developing the climate strategy for the entire DZ BANK Group.

### Environmental protection: A matter for all divisions

DZ BANK aims to apply the principles of climate protection in every one of its divisions. The specific areas of action are the energy efficiency of our buildings, employees' paper consumption, business travel, and the running of our cafeterias. In the cafeterias, we use local produce, offer eco-friendly dishes, and – as is the case throughout the bank – are continually working on ways to reduce water consumption. Moreover, organic waste is recycled and converted into a clean source of energy by food waste company ReFood.

Our overarching objectives for environmental protection in the bank include optimizing the consumption of resources, making greater use of renewable energies, and thereby reducing our direct and indirect CO<sub>2</sub> emissions. Where it is not possible to avoid CO<sub>2</sub> emissions, we want to increasingly offset them in order to minimize our environmental footprint.

**Continuous improvement in environmental performance**

DZ BANK endeavors to improve its environmental performance and environmental management on an ongoing basis. Based on specific environmental policy targets, our environmental management system enables us to determine meaningful data and therefore continuously monitor environmental impacts. We set ourselves medium-term targets as part of our sustainability program that help us to progressively improve our environmental footprint.

**Lessening our impact on the environment**

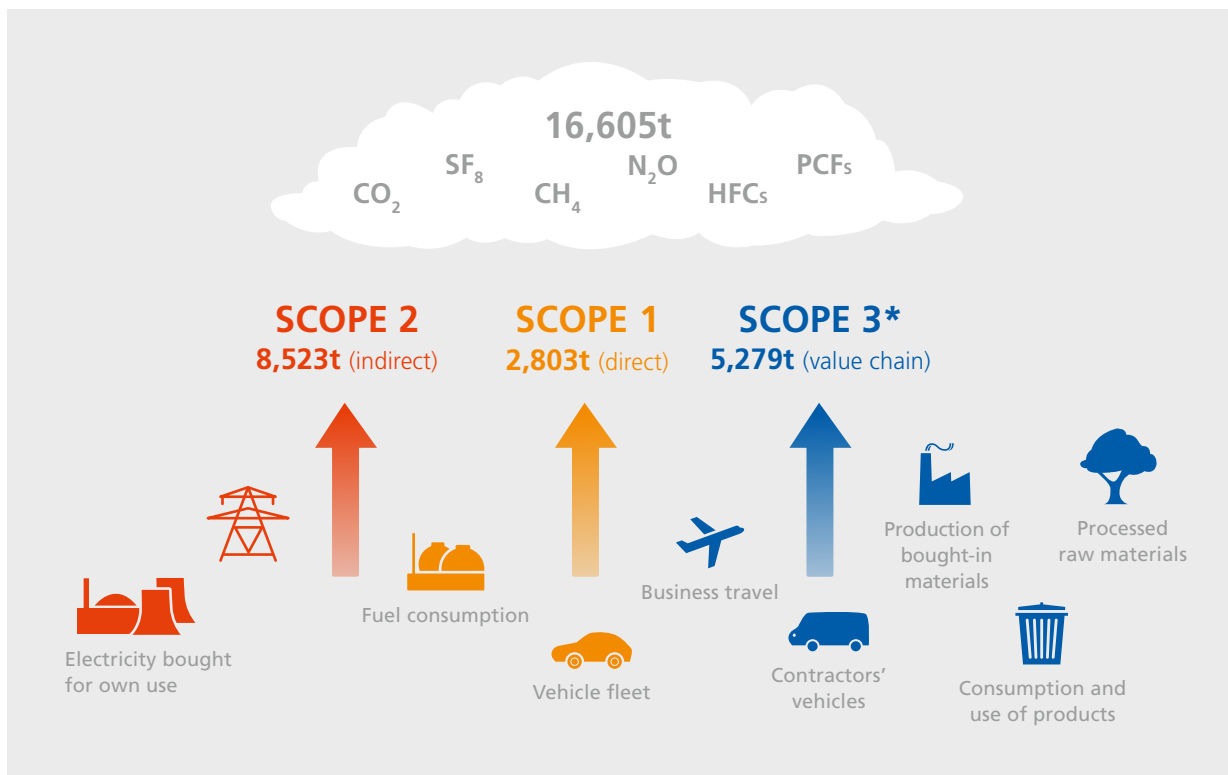
DZ BANK’s aim is to keep the environmental impact of its business activities to a minimum. The greatest potential for doing so is at our main offices in Frankfurt and Düsseldorf. Environmental experts at DZ BANK are relentlessly utilizing this potential, thereby helping to shrink our environmental footprint and cut costs.

**More extensive environmental database**

DZ BANK systematically monitors, documents, and reviews all of its activities and business processes that have an impact on the environment. In 2016, the environmental management team continued to work hard to further enhance the quality and basis of the environmental data that is collected.

To measure CO<sub>2</sub> emissions, DZ BANK uses the conversion values set by the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU) [Association for Environmental Management and Sustainability in Financial Institutions] for key performance indicators. We contributed to the production of the conversion tables in our role as an active sponsoring member of the VfU. As a result, we calculate our impact on the climate in accordance with the Greenhouse Gas Protocol (GHG), scopes 1, 2, and 3.

DZ BANK AG’S CARBON FOOTPRINT IN 2016



\* Scope 3 comprises consumption of resources in connection with paper, water, waste, and business travel. It has not yet been recognized that individual measures, such as the Investment Dialog, are carbon-neutral. The increase in CO<sub>2</sub> emissions in comparison with 2015 is attributable to the merger between DZ BANK and WGZ BANK in 2016.

### Reduction in CO<sub>2</sub> emissions

DZ BANK has set itself a target of cutting its CO<sub>2</sub> emissions by a further 15 percent by 2020 (compared with the base year 2012). The ways in which we plan to achieve this include making business trips and messenger services as carbon neutral as possible, or avoiding them altogether where feasible (SR 32 et seq.). We achieved our target of reducing CO<sub>2</sub> emissions by 30 percent compared with 2008 in 2011, a year earlier than expected. Since 2010, all major offices of the pre-merger DZ BANK, including Frankfurt, Berlin, Hannover, Stuttgart, and Munich – have only consumed electricity generated from renewable sources. In 2017, we will continue to analyze the offices of the former WGZ BANK and, for example, switch the building in Düsseldorf to green electricity. Moreover, our offices are heated almost exclusively with district heating, which further reduces our impact on the environment and climate.

Where we are only able to exert influence indirectly, we try to avoid environmental harm to the greatest extent possible or to offset it by acquiring appropriate certificates. Since 2010, for example, we have been offsetting the CO<sub>2</sub> emissions produced by one of our most important major events – Investment Dialog – through emissions certificates. In 2016, a project in Vietnam involving the building of biogas plants was funded in this way.

### Increasingly efficient building technology

A key element of our energy management strategy is the ongoing process of updating the technical facilities in our buildings. In 2016, for example, we switched over the lighting of the staircases and underground car park of Cityhaus I in Frankfurt to LED technology and optimized the lights in the elevators. We have also set other long-term goals for this building, where we intend to replace the cooling towers by the end of 2017 and completely update the induction units for the office air-conditioning system by the end of 2022. In Cityhaus II, the trading area will have new air-conditioning and lighting by the end of 2017.

We installed LED lighting in further staircases and archives at the Düsseldorf office last year. In some parts of the building, improved room temperature control systems were installed that automatically

**65** percent of employees

use public transportation to get to work.

Because many employees cycle to work, DZ BANK has increased the number of bicycle racks.

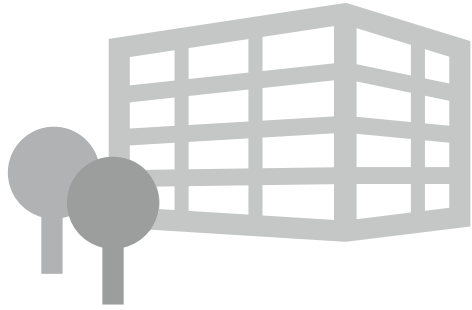
switch off the heating or air conditioning when windows are opened. The plan for 2017 and 2018, as part of an initial phase of refurbishment, is to replace the office ceilings on the first and fifth floors and fit them with LED lighting.

### Gold status for Pavillon Cityhaus II

In middle of 2016, DZ BANK moved into the Pavillon Cityhaus II in Frankfurt, which was constructed in accordance with numerous environmental criteria. We invested around €17.4 million in the building, whose facilities include a daycare center and a further staff cafeteria. The German Sustainable Building Council (DGNB) awarded the building gold status in March 2017. This certification places higher demands on the planning and construction process: For example, recyclable building materials have to be used and the waste and noise produced on the building site must be kept to a minimum.

### DZ BANK certified by ECOPROFIT

DZ BANK is a member of the ECOPROFIT club in Frankfurt and Düsseldorf. Its two main office buildings have held ECOPROFIT certification for a number of years now. ECOPROFIT, the ECOlogical PROject For Integrated environmental Technology, is a Germany-wide initiative that aims to systematically promote environmental management in companies and municipal establishments. Besides environmental and economic objectives, ECOPROFIT also focuses on social aspects, such as making employees aware of environmental protection in the workplace and motivating them to do their bit.



Our two main office buildings in Frankfurt and Düsseldorf have held

## ECOPROFIT certification

The ECOPROFIT club is a network of particularly committed companies that have already received ECOPROFIT certification and want to build on their environmental knowledge. DZ BANK is an active member of the scheme and benefits from the opportunity to regularly swap experiences with other companies. Members undergo an annual review of their environmental management system. At the beginning of 2017, the German government officially recognized Frankfurt's ECOPROFIT club as an energy efficiency network. DZ BANK is therefore part of a comprehensive network initiative that is working to achieve the goals of the Federal Republic of Germany in the areas of climate protection and energy policy. At the end of 2014, representatives of the federal government and leading business associations and organizations agreed to initiate and run around 500 new energy efficiency networks by the end of 2020. They believe that increasing energy efficiency is not only important for climate protection but will also make the German economy more competitive on the international stage and will help to develop new business models.

### Eco-friendly catering at our Frankfurt office

What we choose to eat has a big impact on the environment. After all, it is not only CO<sub>2</sub> emissions that are a factor in climate change. Methane produced by animals also contributes to the greenhouse effect. In August 2015, we introduced the KlimaTeller – an eco-friendly menu for cafeterias, refectories, and staff restaurants – at our Frankfurt office. We are the first company

in Frankfurt to have introduced the KlimaTeller in its cafeteria. The KlimaTeller dishes minimize CO<sub>2</sub> emissions because of the ingredients that are used and their method of preparation. They do not feature beef or other red meat, for example, or dairy products with a fat content in excess of 15 percent. Every day, our cafeteria offers two to three dishes that meet the KlimaTeller criteria. It gives employees the chance to do their bit for the environment just by eating their lunch. At the same time, we are helping to raise awareness of the connection between our food choices and the effect these can have on the environment.

### Green travel

Travel is essential to our work. As a central institution, we support around 1,000 independent cooperative banks – which includes making on-site visits. In 2016, our employees covered a total of around 35.8 million kilometers on business trips. This sharp increase on the prior year is a consequence of the merger of DZ BANK and WGZ BANK. In the future, we aim to cut back further on trips with a large carbon footprint, use video conferences, and increase train travel. This last point is particularly important because, since April 2013, the emissions from employees' long-distance train travel have been offset. We are also pushing ahead with e-mobility: A rapid charging point for electric vehicles has been available to customers and visitors at our Frankfurt office since 2014.

DZ BANK supports all staff who regularly take public transport to work by providing a travel



allowance. At most of our major offices, we offer our employees a subsidized travel card for the local public transport network. We also have an agreement with Deutsche Bahn under which employees who live outside local public transport zones can travel to work by train, and therefore with reduced environmental impact, at reduced rates. In 2016, more than 65 percent of our staff used public transportation to get to work. Because many employees cycle to work, DZ BANK has increased the number of bicycle racks: The new Pavillon Cityhaus II has underground storage for around 140 bikes, with 10 percent of its capacity suitable for e-bikes.

### Resource and waste management

Paper for printers and photocopiers accounts for the largest proportion of the consumables used by banks. That is why DZ BANK requests that employees use paper sparingly. It also only uses paper in photocopiers that is FSC®-certified (Forest Stewardship Council). At least 50 percent of the fiber for this paper is from responsibly managed forests. As another way of reducing the consumption of resources, we introduced an electronic document management system at the start of 2012 and the MyHR software in 2015, which offers a paperless means of handling payroll, certificates, leave requests, and time sheets. In 2013, we switched to lighter paper and since 2014, data covering all offices and an increased number of paper types have been included in our environmental database. Paper consumption in 2016 totaled 355 tonnes.

#### Easier recycling with a standardized waste system

In 2011, we implemented a system with which to standardize waste management across Germany and simplify recycling. The new solution enabled us to further reduce the volume of commercial waste at the pre-merger DZ BANK. Another factor was improved waste separation at our Frankfurt office, where we are working with the specialist company FES Frankfurter Entsorgungs- und Service GmbH, which is also helping us to dispose of our waste in the correct way. At our other offices, too, local service providers have been contracted to carry out waste disposal.

We are also working to optimize water usage at our offices. In 2016, the merger caused our water consumption to rise to 104,938 cubic meters (2015: 91,109 cubic meters). Water consumption at the pre-merger DZ BANK was down slightly because the summer in 2016 was not as hot and dry as in the prior year.

### Sustainable purchasing

In 2010, DZ BANK updated the existing standards to include new minimum social and environmental standards and integrated them into its purchasing processes. These provide a framework that lays down the financial, environmental, and social standards, for example related to human rights and working practices, needed for a supplier relationship to be sustainable. The standards apply to all entities in the DZ BANK Group. Since 2010, we have also been using a sustainability agreement that requires all suppliers to comply with DZ BANK's minimum standards, the principles of the United Nations Global Compact, and the requirements of the International Labour Organization. In 2016, we did not identify any actual or potential adverse impacts of a significant nature on the environment, human rights, or society, or in regard to working practices.

Proactive supplier management provides the basis for DZ BANK's sustainable procurement operations. For example, we classify suppliers according to their sustainability relevance for DZ BANK. Since the beginning of 2013, suppliers that are considered to be particularly relevant to sustainability because of the volume of orders we place with them, their specific activity, or country-specific risks have been asked more searching questions about the sustainability of their core business. These cover certification, approaches aimed at minimizing pollution, and other areas. We take reasonable steps to verify whether and to what extent our suppliers are meeting the sustainability obligations that are stipulated in their contracts. We base any further action to be taken on the data we collect. Since 2013, all of our suppliers' sustainability performance data has been stored in a database. A breach of the environmental and social standards stipulated in the sustainability agreement may ultimately lead to a supplier being suspended.

## Key performance indicators

### Environmental protection and climate change

KPIs are a basic requirement for evaluating the success of the action we are taking in the area of environmental protection and climate change. The following KPIs relate to this area. Since 2013, DZ BANK has collected environmental data for all German offices, including those that were previously excluded on the basis of their size. As a result, we have achieved almost 100 percent coverage for our environmental KPIs at all sites in Germany since 2013. On August 1, 2016, DZ BANK merged with WGZ BANK, whose consumption data (for the whole of 2016) was first incorporated into the KPIs in 2016. Because of the differences in base data, the KPIs for 2016 cannot be meaningfully compared with the data for the previous years.

#### ELECTRICITY AND HEATING CONSUMPTION

Kilowatt hours (kWh)	2016	2015	2014
<b>ELECTRICITY CONSUMPTION</b>			
Total electricity consumption	32,540,079	25,520,138	26,531,396
of which green electricity	26,853,320	25,460,258	26,437,313
Individual electricity consumption (kWh per FTE)	6,496	6,651	7,281
<b>HEATING CONSUMPTION</b>			
Total heating consumption	18,742,731	13,152,631	13,335,658
Individual heating consumption (kWh per FTE)	3,742	3,428	3,660

Electricity consumption at the pre-merger DZ BANK increased slightly because of the rise in employee numbers and the additional buildings.

#### BUSINESS TRAVEL

'000 kilometers/%	2016	2015	2014
Total business travel ('000km)	35,757	24,094	24,011
Individual business travel ('000km per FTE)	7.1	6.3	6.6
Of which by train (%)	40	27	27
Of which by air (%)	14	19	21
Of which by private car (%)	3	3	3
Of which by company car (%)	40	46	45
Of which by rental car (%)	3	5	5

The increase in travel as a result of the merger is reflected in the kilometers traveled per FTE.

#### CO<sub>2</sub> EMISSIONS FROM ELECTRICITY AND HEATING

Kilograms (kg)	2016	2015	2014
<b>Total CO<sub>2</sub> emissions:</b>			
Electricity	6,836,379	243,444	406,514
<b>Individual CO<sub>2</sub> emissions:</b>			
Electricity (kg per FTE)	1,365	63	112
CO <sub>2</sub> emissions: Heating	3,636,090	2,551,610	1,312,229
<b>Individual CO<sub>2</sub> emissions:</b>			
Heating (kg per FTE)	726	665	360

CO<sub>2</sub> emissions attributable to electricity at the pre-merger DZ BANK fell slightly because the Leipzig office has been using green electricity since 2016. The reason for the very high post-merger increase is the fact that the Düsseldorf and Koblenz offices of the former WGZ BANK were still not using green electricity in 2016.

#### USE OF PUBLIC TRANSPORTATION

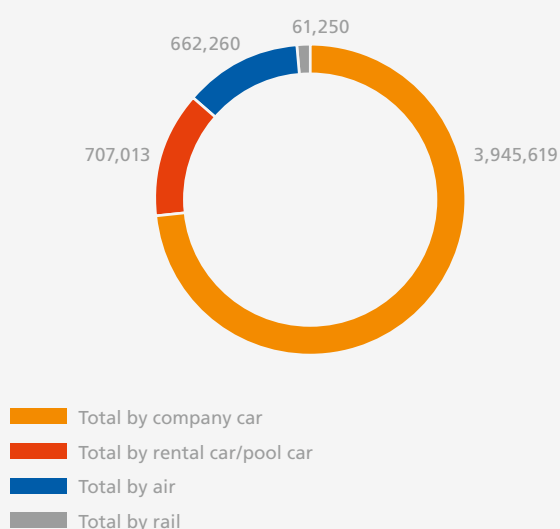
	2016	2015	2014
<b>Number of employees (Germany)*</b>	<b>5,549</b>	<b>4,249</b>	<b>4,071</b>
Users (total)	3,627	3,056	2,967
Travel subsidy recipients	471	471	448
Regional travel card users	2,917	2,413	2,348
Deutsche Bahn travel card users	239	172	171
<b>Public transportation users** (%)</b>	<b>65.36</b>	<b>71.92</b>	<b>72.88</b>

\* DZ BANK employees in Germany, including trainees.

\*\* Adjusted value, including retrospectively for prior years.

More than 65 percent of our employees use public transportation to get to and from work.

## CO<sub>2</sub> EMISSIONS FROM BUSINESS TRAVEL (KILOGRAMS (KG)) IN 2016



## PAPER CONSUMPTION

Kilograms (kg)	2016	2015	2014
Printer and copier paper consumption	207,461	128,177	136,473
Individual printer and copier paper consumption (kg per FTE)	41	33	37
Proportion of printer and copier paper that is FSC-certified (%)	100	100	100
Consumption of other paper types*	147,639	69,418	78,476
Individual consumption of other paper types* (kg per FTE)	29	18	22
Total paper consumption*	355,100	197,595	214,949

\* Other paper types include envelopes, greeting cards, cardboard, and hygiene paper.

Paper consumption increased at the pre-merger DZ BANK because a more detailed survey was carried out, both of the suppliers of paper products and of the organizational units that consume paper. The general volume of printing also rose because of the merger.

## VOLUME OF WASTE

Kilograms (kg)	2016	2015	2014
Total paper	607,818	361,262	354,297
Individual paper (kg per FTE)	121	94	97
Total electrical/toner/lighting	11,213	4,326	980
Individual electrical/toner/lighting (kg per FTE)	2	1	0
Total mixed packaging	56,532	45,114	39,098
Individual mixed packaging (kg per FTE)	11	12	11
Total non-recyclable	208,140	94,855	65,989
Individual non-recyclable (kg per FTE)	42	25	18
Total commercial waste	142,610	29,350	15,620
Individual commercial waste (kg per FTE)	28	8	4
Kitchen waste	61,890		
Individual kitchen waste (kg per FTE)	12		
Total waste	1,088,203	534,907	475,984
Total individual waste (kg per FTE)	217	139	131

In 2016, data on kitchen waste was recorded for the first time at the Frankfurt office. At the Düsseldorf office, the former WGZ BANK had already been recording kitchen waste because it ran its own cafeteria.

## WATER CONSUMPTION

Cubic meters (m <sup>3</sup> )	2016	2015	2014
Total water consumption	104,938	91,109	81,131
Individual water consumption (m <sup>3</sup> per FTE)	21	24	22

Water consumption at the pre-merger DZ BANK was down slightly because the summer in 2016 was not as hot and dry as the summer in 2015.

## Highlights Responsibility for employees

# 12,754.5

**days of training**

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were completed by employees as part of their continuing professional development in 2016.

# 14.7

**years**

---

is the average period that employees work at DZ BANK.

# 97

**percent**

---

was the health rate at DZ BANK in 2016.

# 45

**children of employees**

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are looked after in DZ BANK's new inhouse daycare center, which opened in 2016.

# Responsibility for employees

## A responsible employer

For a company to be successful, it needs to have employees who are dedicated to the cause and have the right skills for the job. DZ BANK therefore puts a great deal of emphasis on motivating its staff and doing everything it can to support them in their work. This support begins with performance-based pay and flexible working hours and extends to a range of options for improving work-life balance, as well as various employee benefits. We also attach great importance to targeted measures that support all employees in their professional and personal development.

HR activities in 2016 focused on the merger between DZ BANK and WGZ BANK. The key milestones in this regard were the agreement in principle with employee representatives, the reconciliation of interests required by German law, and the social compensation plan. Equally important was the HR planning to merge the employees from the two banks into 29 departments.

### Targeted professional development

The merger was also the focus of the internal training and development activities of the joint central institution and the two predecessor banks in 2016. Merger-related training courses were held to provide employees with essential information about the new systems and processes. More than 3,000 people attended the 100 or so courses. Further training is planned in 2017 as part of the integration phase.

There was strong demand for specialist training on topics such as banking regulation, digitalization, and innovation, and for short-format events in the Knowledge Forum series. The training in the customer focus project focused on 'value-adding advisory excellence'. In addition, DZ BANK once again offered certified courses in collaboration with Deggendorf Institute of Technology and the Frankfurt School.

The planning carried out before the merger ensured employees were able to book continuing professional development (CPD) courses organized by either of the predecessor institutions from the day of the merger on August 1, 2016. A new learning platform incorporating a variety of functions has been available in the joint central institution since the beginning of 2017. This includes the consolidated CPD program, which was digitalized along with existing processes, meaning it is now possible for employees to make and cancel bookings online. Employees can also check at any time what training they have booked and find out which courses are available and when.

DZ BANK employees can attend courses offered as part of the inhouse continuing professional development (CPD) program, division-specific training, and individual external seminars. We also use external trainers and training providers to ensure that we are in line with the markets in terms of methods and topics. DZ BANK's CPD experts advise specialist employees and managers on selecting training courses to meet their individual needs.

## Excellent prospects for young managerial talent

The success of any company depends to a large degree on having skilled and motivated employees. Because of the increasingly fierce competition in the financial industry for managers and workers with specialist skills, it is important for DZ BANK to offer long-serving employees attractive prospects and to recruit well-qualified specialists and young people. There are a number of ways in which young people can join us: We offer school-leavers a variety of opportunities to train for qualifications in areas including banking, office management, and IT, and we offer five combined work and degree courses specializing in business informatics,



business administration, banking, digital innovation and fintec, and applied IT. In addition, university graduates are able to join DZ BANK as management trainees who undergo on-the-job training in specialist areas. Job shadowing in another entity within the DZ BANK Group has been included as a standard component of their management trainee program for two years now.

In 2016, a total of 62 trainees (29 women and 33 men) started their career at DZ BANK after graduating from school or university. And we hired 88 percent of our trainees at the end of their training. The ratio of trainees to total employees was 3.1 percent in 2016.

## Performance-related pay and social security

We use our remuneration structure to provide each employee with incentives for personally implementing DZ BANK's strategic goals and those of his or her own

division. Our standard starting salaries are based on local practice in the countries where our offices are located. Women and men who are of equal merit, who have the same level of experience, and who are doing the same job are paid equally. The remuneration structure at DZ BANK is based on performance, not on gender. Variable components reward the performance of motivated staff. Performance-related pay is one of DZ BANK's key management tools. The remuneration system of the former WGZ BANK will be continued temporarily and will operate in parallel to the remuneration system of DZ BANK. The introduction of a common and standardized remuneration system is planned for 2018.

We offer our staff a number of employee benefits. These range from a travel allowance or subsidized travel card to group accident insurance and various CPD subsidies. All company benefits are available to full-time and part-time staff.

The most important voluntary benefit provided by DZ BANK continues to be occupational pension provision, which is highly valued by employees. In 2016, nearly 80 percent of employees took the opportunity to pay some of their salary directly into the company pension scheme.

In the current pension scheme, which has been in place since 2004, full-time and part-time employees as well as employees on fixed-term contracts receive contributions to their occupational pension. The contributions made by DZ BANK go into a reinsured occupational pension scheme. If employees choose to make contributions as well, these are paid into a pension fund. DZ BANK will continue to grant direct pension entitlements that are managed by DZ BANK Pension Trust e.V. The pension entitlements of the former WGZ BANK were carried over into the existing system. This means that direct pension entitlements granted by the former WGZ BANK that are not already protected by a reinsurance company will be managed by DZ BANK Pension Trust e.V. Calculated in accordance with the German Commercial Code (HGB), total staff expenses related to pension provision amounted to around €24 million in 2016.

In the reporting year, DZ BANK and the entities in the DZ BANK Group approved the 2014 remuneration strategy of the DZ BANK Group and thereby implemented the regulatory requirements. This also



enabled us to achieve the planned level of transparency regarding the remuneration systems within the group entities.

#### Remuneration for the Board of Managing Directors and divisional managers

DZ BANK rewards the members of its Board of Managing Directors and divisional managers with a fixed salary plus variable remuneration that is paid over several years. The amount of variable remuneration depends on previously agreed targets being achieved. Of the variable remuneration for members of the Board of Managing Directors and divisional managers, 80 percent is deferred for four years and pegged to the value of DZ BANK's shares. In this way, we ensure that their remuneration reflects the bank's long-term performance.

#### Ethical basis for management remuneration

In a joint policy paper, DZ BANK and four other leading financial institutions pledged in 2013 to structure their management remuneration in accordance with ethical principles. These principles were developed in cooperation with the Wittenberg Center for Global Ethics (WCGE). The aim is to design remuneration systems to be transparent, eliminate misguided incentives, and consider the long-term conditions for lasting success in business. By signing the paper, DZ BANK committed itself to a system of governance that is value-driven and geared to success.

#### Employee surveys as bellwethers

DZ BANK periodically surveys its staff in order to find out as much as possible about employees' wishes, expectations, and needs, to identify areas where action needs to be taken, and to initiate any necessary changes. The results of the DZ MeinungsSpiegel are a gauge of staff loyalty and satisfaction, and also provide a basis for division-specific and bank-wide improvements. Such improvements include the introduction of special sales training courses and HR guidelines for managers.

In the second half of 2016, as part of the merger, we conducted an online survey of staff that gave us an initial impression of how employees were feeling about the integration. A further survey is planned for 2017.

Independently of the surveys, employees and managers have a basic entitlement to an annual appraisal and development meeting with their direct line managers. The process is specified in a company-wide agreement.

The DZ BANK remuneration system also requires that annual meetings are held for all employees and managers at which target attainment is reviewed and new targets are set.

#### Equality of opportunity: A core principle

Nowadays, diversity and equality of opportunity are part of any good system of corporate management and they have long been among DZ BANK's core principles. For us, it is implicit that we treat and support all employees in the same way, regardless of their origin, skin color, gender, age, or physical ability. That is one of the reasons why we signed the diversity charter in November 2011. The goal of this initiative is to advance acknowledgement, respect, and inclusion of diversity within corporate culture in Germany. In 2016, it again held a nationwide German Diversity Day, in which DZ BANK and other group entities took part. We also continued to train new employees and managers on the German General Equal Treatment Act (AGG) last year.

One of our aims is to protect the health of employees with disabilities. We have formulated this commitment in an integration agreement, which we have signed with the representative committee for employees with severe disabilities and the employee representatives for the entire workforce. After all, the integration of people faced with particular challenges into the world of work is only possible if everyone involved works in partnership. In 2016, the proportion of our workforce with a severe disability was 4.8 percent, which met the minimum level required by German law.

#### More female managers

Another of DZ BANK's aims is to increase the proportion of female experts and managers at all levels of the bank hierarchy. Using the options available to it, DZ BANK encourages the appointment of suitably qualified women to managerial positions at the bank. The Vielfalt@DZ BANK (Diversity@DZ BANK) project was launched in 2012 to help achieve this. Since 2013, diversity targets have been included in managers' target agreements as another specific measure to promote the advancement of women. As at the end of 2016, two out of 33 divisional heads, 25 out of 164 departmental heads, and 93 out of 463 group managers were female at DZ BANK. The overall proportion of managerial positions held by women was

18.2 percent. Four out of 20 members of the Supervisory Board were female, which is equivalent to 20 percent.

### Work-life balance

DZ BANK strives to always offer its employees a working environment that takes account of changes to their family life and age. The idea is to make it as easy as possible for them to combine their professional and private commitments at every stage of their lives. Back in 2015, with this in mind, DZ BANK adopted eight guiding principles that set out mandatory policies and the expectations of both employer and employee with regard to flexible and family-friendly working hours. Flexibility helps to ensure long-term satisfaction and commitment among employees, particularly those who are parents or carers. The new DZ BANK daycare center in Frankfurt, which accepted its first children on July 1, 2016, forms part of this approach.

#### Flexible and part-time working

In addition to flexible working hours, our staff benefit from teleworking and various part-time working models. Last year, 18.6 percent of employees worked part time. 12 percent worked at least some of the time from home by way of teleworking. During the course of 2016, a total of 275 employees (161 women and 114 men) took parental leave. Internal company agreements govern other options such as semi-retirement and sabbatical leave.

#### Services for our employees

To enable employees to combine work with family life, DZ BANK helps them to find places at suitable day nurseries and kindergartens and subsidizes childcare costs. We even offer a solution for times when childcare is unexpectedly unavailable: Parents are entitled to emergency childcare at a partner care provider for up to ten days a year. We have also created parent-child offices at five locations. Employees also have access to a concierge service, which includes running errands and finding tradespeople.

#### Daycare at DZ BANK

DZ BANK's new inhouse daycare center at the Frankfurt office opened on July 1, 2016, expanding the range of services on offer to parents. All 45 places were

occupied at the end of the year by children ranging in age from eleven months to six years. The daycare management team believes it is particularly important to work in partnership with the families and to keep children active in a variety of different ways.

#### DZ BANK employee benefits

- » Company sports activities
- » Study leave
- » Subsidized Deutsche Bahn travel card
- » Company cafeteria or meal vouchers
- » Pay for working on Saturdays, Sundays, or public holidays
- » Travel allowance
- » Subsidy for private CPD
- » Group accident insurance
- » Long-service awards
- » Subsidy for childcare costs
- » Contingency benefits
- » Special leave
- » Vacation pay

### Health management and safety at work

DZ BANK believes it is particularly important to protect the health of all its staff. Employees are faced with increasing professional and personal pressures and longer working lives, and so we use a fully integrated health management system to maintain both their wellbeing and their ability to perform over the longer term. Above all, however, we encourage and support employees to take responsibility for their own health.

#### Company sports and preventive measures

As part of our health management system, we offer our employees in Germany all kinds of attractive sports activities, ranging from badminton to volleyball. We also offer anti-stress programs and preventive classes featuring activities such as orthopedic back exercise, meditation, yoga, and autogenic training. Talks, workshops, and training courses on diet, stress management and other specialist topics complete the program. A particular focus in 2016 was the resilience

18.2 %

The proportion of female managers in 2016.



initiative. In the various talks and workshops, employees learnt all about resilience and were given practical tips on how to be resilient in their day-to-day lives.

#### Help with psychological problems

Preventive courses on stress management help employees to deal with psychological problems. Employees who are faced with difficult situations at work or at home can also get support from an independent social counselor. From May 2017, a second social counselor will cover the Düsseldorf, Koblenz, and Münster locations. As trained psychologists and psychotherapists, they advise employees on how to cope with challenges and problems and provide information about preventive measures. They are also the point of contact for burnout issues and, if necessary, can quickly arrange an appointment with a specialist.

#### Health and safety at work: A constant focus

Health and safety at work plays a key role in keeping employees well. DZ BANK complies with the legal requirements and technical standards for health and safety at work at all its German offices. There is representation for the workforce as whole on the official employer-employee committee for health and safety at work. DZ BANK also appoints company doctors and health & safety officers as required by the German Health & Safety at Work Act (ASiG). These experts help to prevent accidents by teaching employees about occupational safety and inspecting where they work.

Advising our employees on ergonomics was a key focus again in 2016. Occupational health and safety experts

talked to more than 350 employees either at their workstation or over the phone – and in over 40 cases, a change to the workstation was made or was arranged to be made. The occupational health and safety experts also helped with the reconfiguration of the trading areas and with the move to newly leased offices near Frankfurt's trade fair center. They also helped to assess employee workstations for health and safety risks, and worked together with fire prevention officers to update or redesign the escape, evacuation, and rescue plans for DZ BANK's offices in Frankfurt.

No one who works at DZ BANK has a job that puts them at higher risk of illness or accident. In 2016, the accident at work rate was just over 1 percent; 0.3 percent of accidents were subject to reporting requirements. There were no work-related deaths in 2016 and no known breaches of health and safety regulations.

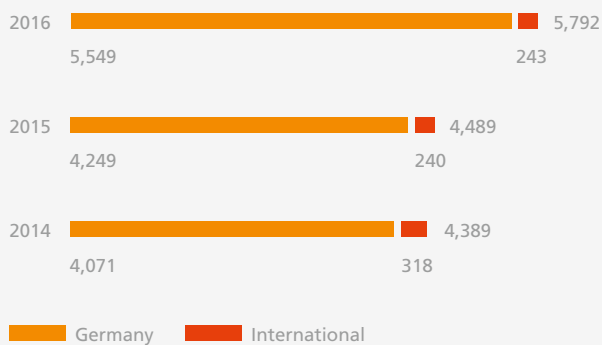
#### Awards

- » 2016 Top German Employer (Top Employers Institute, since 2008)
- » 2016 Candidate Experience Award (received for the first time in 2015)
- » Award for fair and career-enhancing trainee program (Absolventa GmbH in cooperation with the Institute for HR Management at the Ludwig Maximilian University in Munich, since 2012)
- » Trendence Student Survey/Germany's Top 100 Employers (trendence Absolventenbarometer graduates survey, listed in the rankings since 2008)
- » Universum Student Survey/Germany's most attractive employer (listed in the rankings since 2008)
- » audit berufundfamilie® work and family audit certificate (awarded following a new audit every three years by the non-profit-making Hertie Foundation, since 2007).
- » Most popular bank in 2016 in the employer review portal kununu

## Key performance indicators Responsibility for employees

Because of the merger between DZ BANK and WGZ BANK the data for 2016 cannot be meaningfully compared with the data for the previous years.

### NUMBER OF EMPLOYEES (AS AT DECEMBER 31)



In 2016, our total headcount rose substantially because of the merger between DZ BANK and WGZ BANK on August 1, 2016.

### NUMBER OF EMPLOYEES BY GENDER AND AGE (AS AT DECEMBER 31)

	2016	2015	2014
Total	5,792	4,489	No data collected
Of which: Male	3,367	2,608	
Of which: Female	2,425	1,881	
By age and gender			
Under 30	515	433	
Of which: Male	236	204	
Of which: Female	279	229	
30 to 49	3,165	2,568	
Of which: Male	1,819	1,488	
Of which: Female	1,346	1,080	
50+	2,112	1,488	
Of which: Male	1,312	916	
Of which: Female	800	572	

No member of the DZ BANK Supervisory Board is younger than 30; three members are between 30 and 50 years old, and 17 are older than 50. One of the four female members of the Supervisory Board is between 30 and 50 years old; the other three are older than 50 (as at December 31, 2016).

### AVERAGE AGE (AS AT DECEMBER 31)

Years	2016	2015	2014
Total	44.7	44.1	43.7
Germany	44.6	44.0	43.7
International	46.4	45.8	43.7

The average age of our employees rose to 44.7 years in 2016. Around 31 percent of the workforce is younger than 40.

### PROFESSIONAL DEVELOPMENT DAYS AND COSTS (AS AT DECEMBER 31)

Days	2016	2015	2014
Germany	12,754.5	14,010	10,582
By gender and level			
Female	5,213.5	5,180.5	
Of which: Managers	395.5	413.5	
Male	7,541.0	8,829.5	
Of which: Managers	1,303	1,521	
Per employee	2.7	3.4	2.6
By gender and level			
Female	2.6	3.0	
Of which: Managers	4.3	5.1	
Male	2.7	3.7	
Of which: Managers	2.9	3.9	
Professional development costs per employee (€)	1,265	1,426	1,366

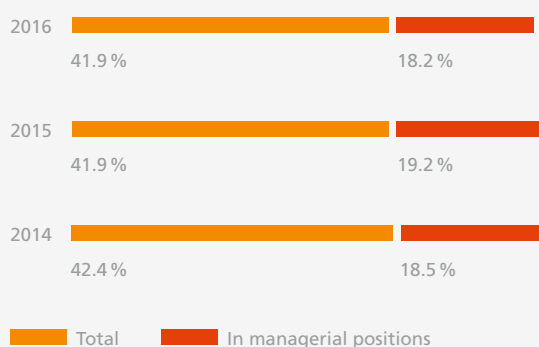
The average number of professional development days per employee fell from 3.4 to 2.7 days.

### HEALTHCARE MEASURES (AS AT DECEMBER 31) INCL. COMPANY SPORTS ACTIVITIES

	2016	2015	2014
Number of employees			
Total participants	1,426	997	966
Total for company sports activities	1,029	678	642
Total for sickness/injury prevention courses	397	319	324
Average health rate for the year (%)	96.6	96.9	97.0

The health rate of roughly 97 percent was almost exactly the same as last year.

PROPORTION OF WOMEN (AS AT DECEMBER 31)



The proportion of women in managerial positions at DZ BANK fell overall. At the end of 2016, 18.2 percent of managers were women.

USE OF WORKING-TIME MODELS (AS AT DECEMBER 31)

%	2016	2015	2014
Flexible working hours	100.0	100.0	100.0
Full-time	81.4	81.0	82.0
Part-time	18.6	19.0	18.0
Virtual offices	12.0	9.6	9.5
Sabbatical	0.0	0.1	0.1
Semi-retirement	1.9	2.8	3.0

The proportion of part-time employees fell slightly year on year. Women accounted for 84.6 percent of employees working part time. The proportion of employees working remotely was above the level recorded in 2015, at 12 percent. 45.2 percent of those working remotely were women.

AVERAGE YEARS OF SERVICE (AS AT DECEMBER 31)

Years	2016	2015	2014
Total	14.7	14.1	13.8

The average period of service increased from 14.1 to 14.7 years.

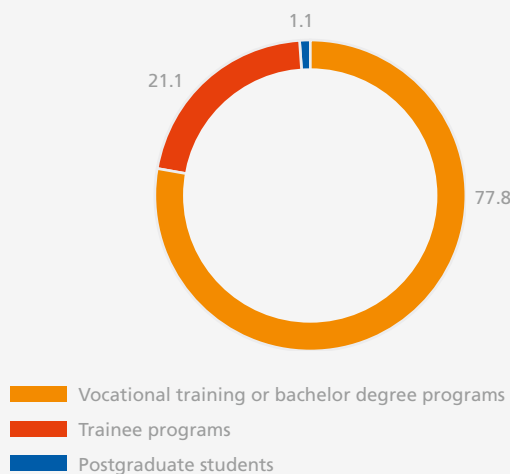
NUMBER OF TRAINEES BY PROGRAM

	2016	2015	2014
Vocational training or bachelor degree programs	140	109	103
Trainee programs	38	35	29
Postgraduate students	2	3	1

Incl. student trainees.

DZ BANK employed 180 trainees as at December 31, 2016. The overall ratio of trainees to employees was 3.1 percent. DZ BANK hired 88.1 percent of the trainees at the end of their training.

PERCENTAGE OF TRAINEES BY PROGRAM IN 2016 (%)



## Highlights Corporate citizenship

# €66,000

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has been donated by employees  
and DZ BANK to the charity  
Childaid Network.

# 5

*EXECUTIVES  
ACTED AS  
MENTORS*

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IN DEUTSCHE SPORHILFE'S  
SPRINGBOARD FOR THE FUTURE –  
SPORT & CAREER INITIATIVE.

# €575,000

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THE AMOUNT OF FUNDING PROVIDED  
BY THE DZ BANK FOUNDATION  
AND WGZ BANK FOUNDATION TO NEW  
AND EXISTING PROJECTS IN 2016.

# €693,000

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*WAS DONATED TO CHARITABLE  
CAUSES BY DZ BANK IN 2016 –  
THIS 67 PERCENT INCREASE ON  
THE PRIOR YEAR WAS DUE TO  
THE MERGER OF DZ BANK  
AND WGZ BANK.*



# Corporate citizenship

## An ongoing commitment to promoting the common good

DZ BANK fulfills its responsibility toward society and the common good in all kinds of ways. This is an obligation that derives directly from our cooperative principles – autonomy, personal responsibility, and helping people to help themselves. But our engagement on behalf of a sustainable society also encompasses the DZ BANK Foundation, the WGZ BANK Foundation, donations, memberships, community-based activities, and the DZ BANK microfinance fund.

### DZ BANK Foundation

The DZ BANK Foundation promotes academic study, research, and education, particularly with regard to banking, finance, and the cooperative movement. We believe we have a duty to society to work alongside the state to support academic research. The shared responsibility of the state and business was what led one of our predecessor institutions to set up the foundation more than 50 years ago that went on to become the DZ BANK Foundation in 2004.

In 2016, we provided total funding of some €496,000 for new and existing projects. The assets of the foundation stand at €20 million, which puts it in the category of medium-sized foundations in Germany.

The contribution made by the DZ BANK Foundation to the foundation of the Frankfurt University of Music and Performing Arts deserves special mention. The



### Career prize

A total of €24,000 is awarded to the winners of the DZ BANK Group Career Prize, which is the most generously endowed university prize from a German company.

DZ BANK Foundation was one of the original donors and contributed €100,000 in funds. As part of its activities, the university foundation will pay for guest professors, purchase musical instructions, and grant Germany Scholarships.

The DZ BANK Foundation's other sponsorship projects currently include two endowed professorships: Professor Andreas Hackethal holds the Endowed Chair of Personal Finance at the Goethe University in Frankfurt, while Professor Falko Fecht has occupied the DZ BANK Endowed Chair of Financial Economics at the Frankfurt School of Finance & Management since May 2012. The foundation is also providing funds for the building of the new campus at the Frankfurt School, which the organization hopes will help make it one of the five best European business schools by 2020.

Awarding PhD research grants and the Germany Scholarship is another feature of the foundation's work. Financial support allows the recipients of the grants to

achieve their academic goals without distraction while furthering their contribution to society. In 2016, we supported the Polytechnic Society Foundation's 'College for young talents' project for the first time. The college, which embraces the concept of a *studium generale*, offers Frankfurt-based schoolchildren between the ages of 14 and 18 insights into various specialist disciplines. The students are also taught interpersonal skills and given individual advice on their academic and professional careers.

### WGZ BANK Foundation

The WGZ BANK Foundation aims to offer fresh impetus for the principle of helping people help themselves. It was set up in 2009 by the former WGZ BANK, which merged with DZ BANK in 2016, to celebrate its 125th anniversary. The WGZ BANK Foundation, which is endowed with €5 million, supports education in sociopolitical and economic subject areas in line with the cooperative principle. Above all, it endeavors to promote early education in economics in schools and other institutions as well as training and development in economic subject areas. The activities supported by the WGZ BANK Foundation complement those supported by the DZ BANK Foundation and vice versa.

In 2016, we provided total funding of some €79,000 for projects, including the Leuphana summer academy and our annual sponsorship prize.

The Leuphana summer academy was set up to provide special training for young people in their final years of less academic German high schools (*hauptschule*, *gesamtschule* and *realschule plus*). During an intensive three-week camp held in the summer holidays, which is combined with sustained educational support over a period of one year, the schoolchildren are able to develop their skills and personalities. This improves their chances of gaining a good school-leaving qualification and going on to a career.

In 2016, and for the sixth year in succession, the WGZ BANK Foundation invited entries for its sponsorship prize, this year under the tagline 'Uncovering potential – initiatives that challenge and nurture'. The prize is endowed with €15,000 and supports the projects of schools, fundraising organizations, local foundations, and other educational initiatives that aim to improve education in sociopolitical and economic subject areas. The projects are nominated by the Volksbanken Raiffeisenbanken – the local cooperative banks – in the Rhineland and Westphalia. A panel of judges comprising members of the Board of Managing Directors and the board of trustees of the WGZ BANK Foundation decides on the winners. The sponsorship prize was presented to four initiatives at a ceremony held on the day of the Annual General Meeting of WGZ BANK on June 21, 2016.

### Main causes to which we donate

Our intention in making donations is based on social objectives: We want to encourage achievement, help to create an open society, and contribute to a sustainable community. The focus of DZ BANK's corporate citizenship on academic research, education, social causes, and arts and culture is enshrined in our donations policy. In 2016, the joint central institution donated a total of around €693,000 to charitable causes – 67 percent more than in the prior year due to the merger of DZ BANK and WGZ BANK.

#### Academic research and education

As in previous years, our focus within the area of academia and education is on financial studies and the cooperative movement, and is primarily manifested through our support for the Stifterverband für die deutsche Wissenschaft [German Benefactors' Association for Science and Learning]. Its motto of 'Gifting education, creating knowledge, enabling innovation' symbolizes the shared responsibility of companies and

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### guided tours

across a total of four exhibitions were run in 2016 in our ART FOYER. DZ BANK's art collection, which predominantly features contemporary photography, is a main area of focus in our long-standing cultural involvement.

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foundations for science and education. In 2016, we also provided particular support to research into the cooperative movement conducted by the universities of Cologne and Münster and by the German Friedrich Wilhelm Raiffeisen Association.

Another priority for us is providing help in our home city of Frankfurt am Main: We support the Frankfurt School, the Frankfurt Main Finance association and, in particular, the House of Finance at the city's Goethe University, which has emerged as an influential forum for dialog between academia, politicians, and financial practitioners.

### Social causes

In 2016, social causes accounted for 22 percent of our total donations. This included supporting the Frankfurt children's office again, to which we and our employees made a Christmas donation to help children and young people in need. Another important cause is the Childaid Network foundation, which our employees have been supporting for eight years. Childaid Network helps children and young people in India who would otherwise have no access to education. As part of our 2016 Christmas initiative, employees donated €46,000 to which a further €20,000 was added by DZ BANK. This sum is enough to look after 157 street children in India for an entire year, including care, accommodation, clothes, food, and schooling or training. A number of actively engaged employees maintain close contact with the children's homes in north-east India. We also supported the Aktion Deutschland Hilft charity as well as other organizations with a Christmas donation. Aktion Deutschland Hilft is a federation of established German relief organizations. It aims to ensure that donated money is used more effectively and to provide rapid and coordinated help to people in need.

The Aktive Bürgerschaft [active citizenship] foundation features heavily in corporate social responsibility activities across the cooperative financial network. DZ BANK also supports this foundation and is a member of its advisory council. The aim of the foundation is to give information and advice about civic engagement and to provide volunteers, multipliers, and supporters with education and training.

### Culture and the arts

In 2016, our activities in the area of culture and the arts were focused as usual on our home city of Frankfurt and included a significant donation to the Städel

## JOBLINGE



In 2016, 20 employees volunteered to take part in the Joblinge initiative.

Museum. At its Düsseldorf location, DZ BANK has been the main sponsor of the Deutsche Oper am Rhein since the 2010/11 season. We doubled the amount of support that we provide at the start of the 2012/13 season and extended it to include the Ballett am Rhein. In 2017, this successful partnership was extended until 2019. We also made donations to the SchifffahrtMuseum im Schlossturm shipping museum in Düsseldorf and Münster's municipal Stadtmuseum last year. In addition to donations, DZ BANK supported various cultural institutions by being a member and paying membership fees.

### DZ BANK art collection

The DZ BANK art collection, which predominantly features contemporary photography, has been a main area of focus in our long-standing cultural involvement since 1993. In 2016, we mounted four exhibitions in our 300m<sup>2</sup> ART FOYER exhibition space, which is open to the public. Each of the exhibition openings was attended by around 200 people and the exhibitions were accompanied by free brochures, films, a Kunst für Kids workshop week and 142 guided tours for all age groups. Our publicly accessible reading room, which contains more than 3,000 volumes, gave visitors the opportunity to explore the artistic photography in greater depth. Deeper insight into the exhibitions and their contexts was also provided by artist Q&As and a panel discussion on the topical subject of art in the era of digitalization.

The notion of getting employees within the company to engage in a dialog with art was one of main reasons why the collection was started in the first place. Having art displayed in the workplace creates a space that can

inspire and facilitate communication. Exhibitions for staff and tour groups were mounted on 36 floors of the Westendstrasse 1 skyscraper in 2016. Employees were able to vote for which artworks they wanted to be displayed on their floors. They could choose from six curated exhibitions that had previously been on show in our publicly accessible SCHAUFENSTER exhibition space in the foyer of the Cityhaus II building.

The project involving the artist Loredana Nemes, who took photographic portraits of more than 60 employees, proved particularly popular. After having been on display in the SCHAUFENSTER, it is featuring as an exhibition on the individual floors of our Westendstrasse 1 skyscraper in 2017.

#### **'UNICEF Photo of the Year 2015' exhibition**

From September 29 to October 21, 2016, we displayed the winning works from the 'UNICEF Photo of the Year 2015' competition in our SCHAUFENSTER exhibition space in Frankfurt. The award-winning photographic works depicted children caught up in the refugee crisis. Each year, the 'UNICEF Photo of the Year Award' recognizes photos and photo series that document the personalities and living conditions of children worldwide in a compelling or unusual way. DZ BANK supports this prestigious photography competition in its capacity as sponsor.

#### **Partner of the Deutsche Sporthilfe foundation**

DZ BANK has supported the Deutsche Sporthilfe foundation for many years and continued to do so in 2016. Having initially started as a citizens' initiative, the institution upholds the values of achievement, fair play, and cooperation – values that also apply to us and our employees. Since its establishment in 1967, the Deutsche Sporthilfe foundation has sponsored around 50,000 up-and-coming and elite athletes from more than 50 sports.

DZ BANK is a partner in the mentoring program of Deutsche Sporthilfe's Springboard for the Future – Sport & Career initiative, in which executives and decision makers from industry act as 'sparring partners', door openers, and long-term career advisors for top young sportsmen and women sponsored by the

foundation. Senior managers from leading companies advise and assist the athletes on aspects such as choosing a career, gaining practical experience, applying for jobs, and entering the world of work. In 2016, the Deutsche Sporthilfe foundation's mentor program featured 150 mentee/mentor pairings, of which 14 ended with the athlete in question successfully finding a professional position. DZ BANK has made a long-term commitment to this program and, among other activities, enables the mentors to meet regularly with the athletes whom they mentor. In addition, five of our executives have themselves signed up as mentors.

#### **Support for the parliamentary system**

DZ BANK's donations to political parties only support the parliamentary system as a whole. Donations are therefore made to nationwide parties that are committed to the German Basic Law and the model of a social market economy.

#### **Corporate volunteering**

DZ BANK supports the engagement of its employees in charitable activities through various initiatives and by making donations.

#### **Employees helping young people into work**

Since April 2013, we have been supporting the non-profit Joblinge initiative, which helps teenagers and young adults who have previously found it difficult to find work to enter the labor market. The initiative was launched in 2007 by BMW's Eberhard von Kuenheim Foundation and The Boston Consulting Group together with experts from politics, business, and the non-profit sector. Our employees involved in Joblinge act as mentors for the young people, helping them to find a place on a training scheme and prepare for their new job. Each year, an average of 20 employees volunteer in this capacity.

#### **DZ BANK microfinance fund helps people to help themselves**

The DZ BANK microfinance fund was established by employees in the year 2000 to support microfinance institutions, mainly in African countries, through bank guarantees. It also invests in companies that provide

credit and private equity to microfinance institutions. The guarantees are issued by DZ BANK and backed by the DZ BANK microfinance fund. DZ BANK's guarantees allow or make it easier for the microfinance institutions to access refinancing loans from local commercial banks.

These institutions grant microloans to people who run small businesses but do not have access to conventional banks. The institutions also accept savings deposits and make transfers for their customers.

The DZ BANK microfinance fund is managed on a voluntary basis: We use the total fund volume for its designated purpose without applying any administrative charges.

In the year under review, the DZ BANK microfinance fund collaborated with two microfinance institutions in Tanzania and Ghana. Both operate in rural areas and focus on granting microloans to women who run shops/stalls, make food, or work in a skilled trade or agriculture in order to feed their family. In 2017, we are looking to extend the guarantees for the two microfinance institutions in Tanzania and Ghana and expand our collaboration with Oikocredit International. Oikocredit is an international, socially minded fund management company that provides finance to microfinance institutions and cooperatives in developing countries. At the beginning of 2016, as the result of a resolution adopted at the general meeting, the microfinance fund contributed part of its fund assets to an investment in Oikocredit International. Going forward, we are looking to issue more guarantees for Oikocredit projects in Africa. In Oikocredit, we have a strong local partner with a great deal of expertise.

At the end of 2016, the DZ BANK microfinance fund had 248 members. DZ BANK's total contributions to

the initiative since it was set up have reached roughly €40,000.

Previously run as a partnership under the German Civil Code (GbR), the DZ BANK microfinance fund has been a cooperative since 2012, which means that corporations as well as individuals can now make financial contributions to the fund. This enabled DG HYP to join the cooperative in 2014, paying in €10,000.

It was following in the footsteps of DZ BANK, which became a member in 2013 with a contribution of €50,000. Our strategy is for other entities in the cooperative financial network and their employees to also become members of the DZ BANK microfinance fund and support its work.

### Help for refugees

In 2016, the DZ BANK Group signed up to the 'wir zusammen' [we together] integration campaign set up by German companies. The aim of the network is to create long-term prospects and opportunities for refugees. The DZ BANK Group also launched its own initiative in 2016, in which it sought to arrange 50 job-shadowing placements and internships for refugees. This target was exceeded in the very first year. In 2017, we are focusing on establishing the scheme even more firmly in our internal structures and offering high-quality opportunities for refugees. Going forward, for example, we will be looking at also creating apprenticeships for them within the DZ BANK Group.

Many DZ BANK employees are also volunteering in various refugee projects. Information on the projects is available on the intranet for all staff to see.

## Membership of academic research and educational organizations

### German Benefactors' Association for Science and Learning

- » Identifies structural problems in scientific research and higher education and attempts to find solutions

### Center for Financial Studies (CFS)

- » Conducts independent research with an international focus into important financial issues

### E-Finance Lab

- » Develops methods for restructuring processes and value chains in the financial services sector

### Stiftung Marktwirtschaft Foundation

- » A German free-market economic policy think tank, focuses on issues around competition, the labor market, social security, and fair taxation

### Frankfurt Institute for Risk Management and Regulation

- » Funds research and education in risk management and regulation

### German Equities Institute

- » Promotes Germany as a financial center and equity as an investment and financing tool

### German Historical Information Center for the Cooperative Movement

- » Explores and protects the cooperative movement's heritage

### Institute for Banking and Financial History Research

- » Provides a forum for engaging with the history of banking and finance

## Membership of cultural organizations

### Städel Museum

- » The oldest, most prestigious museum foundation in Germany

### University of Music and Performing Arts

- » The only university for music, theater, and dance in Hessen

### Alte Oper

- » One of Germany's leading concert halls, whose reputation extends worldwide

### Deutsche Oper am Rhein

- » One of Germany's leading opera houses, also features an opera studio and ballet academy

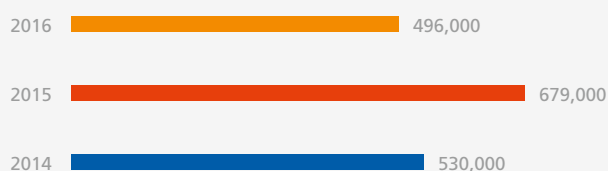


## Key performance indicators Corporate citizenship

KPIs are a basic requirement for evaluating the success of the projects, processes, and strategies we implement. The following KPIs relate to corporate citizenship. Because of the merger between DZ BANK and WGZ BANK the data for 2016 cannot be meaningfully compared with the data for the previous years.

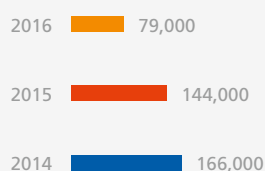
### VOLUME OF PROJECTS SPONSORED BY THE DZ BANK FOUNDATION

Sponsorship volume (€)



### VOLUME OF PROJECTS SPONSORED BY THE WGZ BANK FOUNDATION

Sponsorship volume (€)



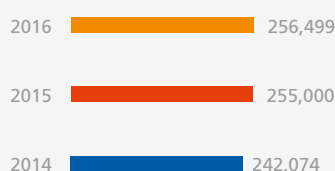
### BREAKDOWN OF DONATIONS BY AREA

%	2016	2015	2014
Academic research & education	61.9	52.8	38.6
Social causes	22.4	25.4	27.3
Arts	9.6	6.8	21.1
Politics	4.3	10.9	8.2
Sport	1.8	4.1	4.8
<b>Total amount donated (€)</b>	<b>693,736</b>	<b>413,341</b>	<b>366,658</b>

In 2016, due to the merger of DZ BANK and WGZ BANK, the total amount donated increased by 67 percent compared with the prior year. Academic research and educational causes continued to be the main recipients.

### CAPITAL HELD BY THE DZ BANK MICROFINANCE FUND

Fund assets\* (€)



\* Figure for 2014 was restated as a result of the dissolution of the partnership under the German Civil Code (Gbr) on December 31, 2014.

The DZ BANK microfinance fund has significantly increased its capital since 2013. This enables us to support additional microfinance institutions and continue with existing projects.

### MEMBERSHIP COSTS

€	2016	2015	2013
Banking organizations	1,835,927	1,616,156	1,544,605
Academic and other organizations	729,021	578,440	594,065
<b>Total costs</b>	<b>2,564,948</b>	<b>2,194,596</b>	<b>2,138,669</b>

Expenses for memberships were up by around 17 percent year on year because of the merger.

## Sustainability program

Objective	Action	Deadline		Comment/explanation of status
Sustainable business				
Introduce an environmental management system	Implement an environmental management system based on ISO 14001 for the headquarters in Frankfurt and obtain certification	Dec. 2013	▼	The environmental management system is being regularly improved and externally audited with the support of ECOPROFIT. Certification in accordance with ISO 14001 is therefore being deferred for now.
	Conduct special review of sensitive sectors for lending business	Dec. 2013	▼	The fundamental sustainability checklist is used to assess loan applications from the agribusiness and livestock farming sectors. At the same time, we make sure that customers adhere to environmental, animal welfare, and consumer protection legislation. Also, the DZ BANK Group has not offered investment products based on agricultural commodities since spring 2013. We therefore deferred the development of a guideline for agribusiness that goes beyond the existing scope.
Extend the range of sustainable products that are offered	Update the internal sustainability checklist	Dec. 2018	NEW	The internal checklist for sustainable lending has been in use at DZ BANK since 2009 and is now being reviewed to ensure that it is up to date.
	Issue sustainability certificates	Dec. 2018	NEW	In 2017, DZ BANK issued a certificate linked to the EURO STOXX Sustainability 40, a share index containing the 40 blue-chip companies in the eurozone that score highest in terms of long-term environmental, social, and governance criteria.
Build on DZ BANK's position as a leading bank in Germany for the syndication of sustainable euro bonds.	Do more to advise German and international issuers on sustainable bond transactions, hold a DZ BANK Sustainability Day, sponsor external sustainability conferences	Ongoing	NEW	DZ BANK has already facilitated a number of German and international transactions in the green and social bond segment. The plan is to continue expanding its expertise and customer base in this product area.
Increase employees' awareness of product-relevant sustainability issues	Develop a new concept for sustainability training and CPD	Dec. 2014	▶	An online training course on sustainability in the lending process was developed. This was due to commence in 2016 but was postponed to the second half of 2017 because of the merger.
Increase the products and services in DZ BANK Sustainable Investment Research's portfolio	Increase the range of services relating to products and roadshows; extend the sustainability rating	Jan. 2016	▲	The technical changes required to extend the sustainability rating to the fixed income asset class were completed in 2015. The ratings for countries and SSAs were launched on schedule in December 2015 and January 2016 respectively. Support for pitches, placements etc. by colleagues on the debt capital markets team was stepped up significantly in 2015.
	Increase the range of services relating to products and roadshows; extend the sustainability rating	Jan. 2017	▲	Following COP21 and due to changes to regulatory and statutory requirements, the sustainability rating for corporates is to be slightly amended. It will cover both the equities and the fixed income perspective in the future. The revised methodology was launched in September 2016. Marketing activities were intensified, both internally and externally (within the cooperative financial network and among institutional investors). Marketing was carried out in Asia and North America for the first time.
	Expand the sustainability screening service for the own-account investments of banks in the cooperative financial network	Jan. 2018	NEW	The sustainability screening service for the own-account investments of banks in the cooperative financial network is to be expanded following a successful trial period. The introduction of new research publications is also planned. As in the previous year, marketing activities are to be intensified, both internally and externally (within the cooperative financial network and among institutional investors).
Environmental protection and climate change				
Increase energy efficiency	Replace the building systems technology in the course of regular maintenance	Ongoing	▶	Cityhaus II, Frankfurt: Replacement of lighting in the underground car park with LED technology
	Replace the elevator control system in W1	Dec. 2019	NEW	A new system will reduce the likelihood of breakdowns and improve energy consumption and availability
	Replace the cooling towers at Cityhaus I in Frankfurt	Dec. 2017	▶	Installation of new cooling tower technology with improvement of energy efficiency, use of fewer chemicals, and reduction of water consumption
	Expand the Frankfurt site with the new Pavillon building	Jul. 2016	▲	The new building was constructed on the basis of sustainability criteria and was awarded gold certification in accordance with German Sustainable Building Council (DGNB) standards.
	Obtain Green Office Building certification for GENO-Haus in Stuttgart	Dec. 2019	▼	For commercial reasons, this is no longer being pursued.

**Key**

▶ ongoing ▲ completed ▼ (currently) not being pursued **NEW** new objective/new activity

Objective	Action	Deadline		Comment/explanation of status
	Update the induction equipment for the office air-conditioning at Cityhaus I in Frankfurt	Dec. 2023	▶	The office air-conditioning is being improved by using modern ceiling cooling and heating elements (hybrid technology) and will therefore significantly reduce electricity needs in the future. A change in the planning means that earlier completion is now possible (2023 instead of 2026).
	Conduct a study, including a calculation of financial viability, into using a heat pump to recirculate the warm air pumped out of the PP3 underground parking lot in Berlin	Sep. 2016	▼	A feasibility study has shown that this is not economically viable. The measure will therefore no longer be pursued.
	Recover heat at the Hannover site	Dec. 2017	▶	Optimization/replacement of the heat recovery systems in the ventilation and air-conditioning equipment.
	Replace the ceiling lights with LEDs on the first floor as part of an initial phase of refurbishment at the Düsseldorf office	Dec. 2017	<b>NEW</b>	This is being done at the same time as the office ceilings are refurbished.
Cut CO <sub>2</sub> emissions	Reduce CO <sub>2</sub> emissions (relative to energy consumption) by 15 percent (base year: 2012)	Dec. 2020	▶	Beginning on August 1, 2016, as part of the merger, the environmental management system of the former WGZ BANK for the Düsseldorf, Münster, and Koblenz offices was integrated into the existing system used by DZ BANK. Because of the subsequent increase in CO <sub>2</sub> emissions, the figures cannot be meaningfully compared with those for 2015. The environmental experts of the two banks created a standardized set of data in which the consumption data of the former WGZ BANK for the whole of 2016 was entered into the existing environmental database. Additional steps have already been taken for 2017. For example, the Düsseldorf office has switched to green electricity.
	Develop a climate strategy for the DZ BANK Group	Dec. 2017	<b>NEW</b>	At the end of 2016, the Group CRC began developing a groupwide climate strategy. The strategy is based on the German government's national Climate Action Plan and the principles set out in the Sustainable Development Goals adopted by the United Nations (UN).
	Develop measures to determine the proportion of eco-friendly means of transportation used for business travel	Ongoing	▶	The business travel policy was updated in 2015. The range of products and listings for certified hotels and other providers was extended.
Climate change	Facilitate communication and dialog on climate change	Ongoing	▶	DZ BANK engages in a variety of climate change activities: It is a member of the ECOPROFIT club in Frankfurt and Düsseldorf, engages in proactive dialog with the VfU, and provides information on initiatives and ways of making savings via inhouse communication channels (intranet and staff magazine).
Apply ecological and social criteria to procurement	Enhance and synchronize the sustainability survey for DZ BANK Group suppliers with particular relevance for sustainability	Ongoing	▶	Data on the sustainability survey for service providers is collected from across the group on an internal platform and made available to the individual entities.
	Select eco-friendly hotels for business trips wherever possible	Ongoing	▶	Eco-friendly hotels are labeled as such in our travel reservations system, making it easier to make a green choice.
	Improving common standards and processes within the DZ BANK Group	Dec. 2019	<b>NEW</b>	Improvements are being made by the sustainability working group (comprises buyers working for the group entities)
	Set up a site for service providers offering information on the sustainability check	Ongoing	▶	Service providers can look up the sustainability requirements on our websites.
Employees				
Promote a balance between career and family	Undergo a re-audit by berufundfamilie Service GmbH	Ongoing	▶	Re-audit took place (March 2017); next audit due in 2020.
	Open a daycare center for employees' children in Frankfurt	Jul. 2016	▲	On July 1, 2016, an inhouse daycare center for employees' children opened at the Frankfurt office. All 45 places were occupied at the end of the year by children ranging in age from eleven months to six years.
Ensure a supply of qualified employees	Implement an employer branding concept in the DZ BANK Group	Ongoing	▶	After concept development and the start of joint HR marketing activities in Q4 2014, external activities, including the group jobs website, were launched in 2016.
Society				
Expand corporate citizenship activities	Provide support to athletes being sponsored by Deutsche Sporthilfe	Ongoing	▶	Involvement in the Springboard for the Future initiative: Five of our executives are mentors to athletes participating in the initiative.

## GRI Content Index

To ensure that our reporting is clear and understandable, we follow the guidelines issued by the Global Reporting Initiative (GRI) (fourth version, G4) and meet the 'In accordance' option. We also take account of the sector supplement for financial services providers. The GRI Content Index shown here is a condensed version and indicates the pages in the report where the required information can be found.

A detailed statement is available on DZ BANK's sustainability portal at:  
[www.sustainability.dzbank.com](http://www.sustainability.dzbank.com)



GRI G4 indicator	Page	Comments
<b>STRATEGY AND ANALYSIS</b>		
G4-1 Statement from the most senior decision maker	SR 4 et seq.	
<b>ORGANIZATIONAL PROFILE</b>		
G4-3 Name of the organization	SR 59	
G4-4 Primary brands, products, and services	SR 6 et seq.	
G4-5 Location of organization's headquarters	SR 59	
G4-6 Countries where the organization operates	SR 8 et seq.	
G4-7 Nature of ownership and legal form	SR 6	
G4-8 Main markets	SR 6 et seq.	
G4-9 Scale of the organization	SR 6 et seq., AM inside front cover	
G4-10 Employees by employment contract, gender, and region	SR 8 et seq., 42 et seq.; online	
G4-11 Proportion of employees covered by collective bargaining agreements	online	
G4-12 Description of the supply chain	SR 33	
G4-13 Significant changes during the reporting period	SR 58	
G4-14 Implementation of the precautionary approach/principle	SR 20 et seq., 23 et seq.; AM 47 et seq.	
G4-15 Support for external initiatives	SR 39, 58; online	
G4-16 Memberships of associations and advocacy organizations	online	
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>		
G4-17 List of the entities included in the consolidated financial statements	SR 7, 58; AM 200-212, 213-219	Link to 2016 annual financial statements and management report
G4-18 Process for defining the report content	SR 12-14	
G4-19 All material aspects	SR 14	
G4-20 Material aspects within the company	SR 14	
G4-21 Material aspects outside the company	SR 14	
G4-22 Material changes during the reporting period	SR 58	
G4-23 Changes in the scope of the report and the aspect boundaries	SR 58	
<b>STAKEHOLDER ENGAGEMENT</b>		
G4-24 Stakeholder engagement	SR 12	
G4-25 Basis for identification and selection of stakeholders	SR 12-14	
G4-26 Approach to stakeholder engagement and frequency of engagement	SR 12-14	
G4-27 Key topics and concerns of stakeholders, and response	SR 12-13	
<b>REPORT PARAMETERS</b>		
G4-28 Reporting period	SR 58	
G4-29 Publication of most recent previous report	SR 58	
G4-30 Reporting cycle	SR 58	
G4-31 Contact	SR 59	
G4-32 'In accordance with GRI' option and chosen index	SR 54	
G4-33 External verification of the report	x	External verification of the report was not obtained.
<b>GOVERNANCE</b>		
G4-34 Governance structure of the organization, including committees of the highest governance body	SR 11, 59; AR 51, 358 et seq.	

GRI G4 indicator	Page	Comments
<b>ETHICS AND INTEGRITY</b>		
G4-56 Values, principles, and standards and norms of behavior	SR 6, 16	
<b>ECONOMIC PERFORMANCE INDICATORS</b>		
<b>Aspect: Economic performance – management approach</b>		
G4-EC1 Value generated and distributed	SR 27, 51; AM inside front cover; AM 158 et seq.; AR 188 et seq.	
G4-EC2 Financial implications and other risks and opportunities due to climate change	SR 9, 16, 23 et seq., 29	
G4-EC3 Defined benefit plan obligations	SR 38; AM 48, 114 et seq., 147, 154 et seq., 167	
G4-EC4 Financial assistance received from government	x	DZ BANK has not received any government subsidies.
<b>Aspect: Indirect economic impacts – management approach</b>		
G4-EC7 Infrastructure investments and services supported	SR 23 et seq., 49, 51; online	
G4-EC8 Indirect economic impacts	SR 23, 49	
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>		
<b>Aspect: Materials – management approach</b>		
G4-EN1 Materials used	SR 29	
G4-EN2 Recycled materials	SR 33 et seq.	
<b>Aspect: Energy – management approach</b>		
G4-EN3 Energy consumption within the company	SR 33	
G4-EN5 Energy intensity	SR 29 et seq.	
G4-EN6 Reduction of energy consumption	SR 31, 34	
<b>Aspect: Water – management approach</b>		
G4-EN8 Total water withdrawal by source	online	
G4-EN9 Significantly affected water sources	SR 29, 34	
G4-EN10 Recycled and reused water	SR 29	
<b>Aspect: Emissions – management approach</b>		
G4-EN15 Direct greenhouse gas emissions (scope 1)	SR 35	
G4-EN16 Energy indirect greenhouse gas emissions (scope 2)	online	
G4-EN17 Other indirect greenhouse gas emissions (scope 3)	online	
G4-EN18 Greenhouse gas emissions intensity	SR 29 et seq.	
G4-EN19 Reduction of greenhouse gas emissions	SR 30, 34 et seq.	
<b>Aspect: Effluents and waste – management approach</b>		
G4-EN23 Waste by type and disposal method	SR 30, 34 et seq.; online	
<b>Aspect: Products and services – management approach</b>		
G4-EN27 Mitigation of environmental impacts of products and services	SR 33 et seq.	
<b>Aspect: Compliance – management approach</b>		
G4-EN29 Fines and sanctions for non-compliance with environmental laws and regulations	SR 19, 21	No fines or sanctions were imposed during the reporting period.
<b>Aspect: Transport – management approach</b>		
G4-EN30 Significant environmental impacts of transport	SR 19, 21 et seq., 24 et seq.	
<b>Aspect: Supplier environmental assessment</b>		
G4-EN32 Percentage of new suppliers that were screened using environmental criteria	SR 18 et seq.	
G4-EN33 Significant environmental impacts in the supply chain	x	No significant environmental impacts were identified in the supply chain during the reporting year.
<b>Aspect: Environmental grievance mechanisms – management approach</b>		
G4-EN34 Formal grievances about environmental impacts	SR 19 et seq., 33	No formal grievances about environmental impacts were filed during the reporting period.
<b>SOCIAL PERFORMANCE INDICATORS: LABOR PRACTICES AND DECENT WORK</b>		
<b>Aspect: Employment – management approach</b>		
G4-LA2 Benefits provided to full-time employees	SR 37	
<b>Aspect: Labor/management relations – management approach</b>		
G4-LA4 Notice periods regarding significant operational changes	SR 38, 40	
	online	
	online	

GRI G4 indicator	Page	Comments
<b>Aspect: Occupational health and safety – management approach</b>	SR 40 et seq.	
G4-LA5 Percentage of total workforce represented in health and safety committees	online	The entire workforce is represented.
G4-LA7 Workers with high incidence or high risk of diseases	online	No one who works at DZ BANK has a job that puts them at higher risk of illness or accident.
<b>Aspect: Training and education – management approach</b>	SR 37 et seq.; online	
G4-LA9 Average hours of training	SR 36, 42; online	
G4-LA10 Programs that support the continued employability of employees	SR 37, 40; online	
G4-LA11 Proportion of employees receiving regular performance and career development reviews	SR 39	
<b>Aspect: Diversity and equal opportunity – management approach</b>	SR 39 et seq.	
G4-LA12 Composition of governance bodies and breakdown of employees by indicators of diversity	SR 42	
<b>Aspect: Equal remuneration for women and men – management approach</b>	SR 38	
G4-LA13 Ratio of women's to men's basic salary and remuneration	SR 38	
<b>Aspect: Supplier assessment for labor practices – management approach</b>	SR 19 et seq., 33	
G4-LA14 Percentage of new suppliers that were screened using labor practices criteria	SR 33	
G4-LA15 Significant negative impacts for labor practices in the supply chain	x	No significant negative impacts for labor practices were identified in the supply chain during the reporting year.
<b>Aspect: Labor practices grievance mechanisms – management approach</b>	SR 19 et seq., 33	
G4-LA16 Formal grievances about labor practices	x	No formal grievances about labor practices were filed during the reporting period.
<b>SOCIAL PERFORMANCE INDICATORS: HUMAN RIGHTS</b>		
<b>Aspect: Investment – management approach</b>	SR 19 et seq., 33, 58	
G4-HR1 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	SR 19 et seq., 24, 33	
G4-HR2 Employee training on human rights	SR 17	
<b>Aspect: Non-discrimination – management approach</b>	SR 17, 39	
G4-HR3 Incidents of discrimination and corrective actions taken	x	No incidents of discrimination came to light during the reporting period.
<b>Aspect: Supplier human rights assessment – management approach</b>	SR 17, 19 et seq., 33	
G4-HR10 Percentage of new suppliers that were screened using human rights criteria	SR 17, 33	
G4-HR11 Significant negative human rights impacts in the supply chain	x	No significant negative impacts for human rights were identified in the supply chain during the reporting year.
<b>Aspect: Human rights grievance mechanisms – management approach</b>	SR 17, 19 et seq., 33	
G4-HR12 Formal grievances about human rights impacts	x	No formal grievances about human rights impacts were filed during the reporting period.
<b>SOCIAL PERFORMANCE INDICATORS: SOCIETY</b>		
<b>Aspect: Local communities – management approach</b>	SR 45	
G4-SO1 Percentage of operations with local community engagement, impact assessments, and development programs	SR 44 et seq., 23	In accordance with the Equator Principles, DZ BANK checks for ecological and social impacts when it is financing projects in order to exclude as far as possible any negative effects on the environment and local people.
G4-SO2 Operations with significant potential negative impacts on local communities	x	See G4-SO1
<b>Aspect: Anti-corruption – management approach</b>	SR 18	
G4-SO3 Percentage of operations assessed for risks related to corruption and the significant risks identified	SR 18 et seq.	
G4-SO4 Communication and training on anti-corruption policies and procedures	SR 20, 27	
G4-SO5 Confirmed incidents of corruption and actions taken	SR 20	
<b>Aspect: Public policy – management approach</b>	SR 48	
G4-SO6 Total value of political contributions	SR 51	

GRI G4 indicator	Page	Comments
<b>Aspect: Anti-competitive behavior – management approach</b>	SR 16, 18	
G4-SO7 Legal actions for anti-competitive behavior, antitrust, and monopoly practices	x	There were no legal proceedings due to anti-competitive behavior during the reporting period.
<b>Aspect: Compliance – management approach</b>	SR 18 et seq.	
G4-SO8 Fines and sanctions for non-compliance with laws and regulations	x	No fines or sanctions for non-compliance with laws and regulations were imposed during the reporting period.
<b>Aspect: Supplier assessment for impacts on society – management approach</b>	SR 17, 19 et seq., 33	
G4-SO9 Percentage of new suppliers that were screened using criteria for impacts on society	SR 33	
G4-SO10 Negative impacts on society in the supply chain and actions taken	x	No negative impacts on society were identified in the supply chain during the reporting year.
<b>Aspect: Grievance mechanisms for impacts on society – management approach</b>	SR 17, 19 et seq., 33	
G4-SO11 Formal grievances about impacts on society	x	No formal grievances about impacts on society were filed during the reporting period.
<b>SOCIAL PERFORMANCE INDICATORS: PRODUCT RESPONSIBILITY</b>		
<b>Aspect: Product and service labeling – management approach</b>	SR 19	
G4-PR3 Principles and procedures of product and service information and labeling, and percentage of products and services subject to such requirements	x	As DZ BANK is a financial service provider, it does not offer any products or services with risks for health and safety. This indicator is therefore not relevant.
G4-PR4 Non-compliance with regulations and voluntary codes concerning product and service information and labeling	x	If such incidents occur, we report on them in our annual financial statements and management report and in our Annual Report.
G4-PR5 Results of surveys measuring customer satisfaction	SR 14 et seq.	
<b>Aspect: Customer privacy – management approach</b>	SR 20	
G4-PR8 Substantiated complaints regarding data protection	x	No substantiated complaints about data protection were filed during the reporting period.
<b>Aspect: Compliance – management approach</b>	SR 18 et seq.	
G4-PR9 Significant fines concerning the provision and use of products and services	x	If such incidents occur, we report on them in our annual financial statements and management report and in our Annual Report.
<b>Aspect: Product portfolio – management approach</b>	SR 15, 19 et seq., 24	
G4-F56 Percentage breakdown of each business line's portfolio by specific region, size, and sector	SR 23 et seq., 27; AM 6 et seq.	
G4-F57 Monetary value of products and services designed to deliver a specific social benefit	SR 23; online	
G4-F58 Monetary value of products and services designed to deliver a specific environmental benefit	SR 22 et seq.	
<b>Aspect: Audit – management approach</b>	SR 20	
<b>Aspect: Active ownership – management approach</b>	x	This indicator is not relevant because DZ BANK AG does not exercise any direct voting rights. Instead, Union Investment actively exercises voting rights within the DZ BANK Group.
G4-F510 Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	SR 19, 21, 24 et seq.	
G4-F511 Percentage of assets subject to positive and negative environmental or social screening	SR 24 et seq.; online	

**References**

SR page in 2016 Sustainability Report

AM page in 2016 annual financial statements and management report

AR page in 2016 Annual Report of the DZ BANK Group

online further information available online in the GRI Content Index

x further explanation in the comments



# About this report

G4-17, G4-22, G4-23

This Sustainability Report covers the essential developments in, and progress made by, DZ BANK AG in the area of sustainability for the reporting year 2016. It builds on the Sustainability Report for 2015 and is intended for all our stakeholders. Since 2008, DZ BANK has been using its Sustainability Reports to provide regular updates on the progress it is making in terms of financial performance, the environment, and corporate citizenship. The key performance indicators we have used are based on the period January 1 to December 31, 2016 but for especially significant events the period has been extended up to the publishing deadline of April 30, 2017.

Qualitative and quantitative data has been collected locally at departmental level, amalgamated in a central database, and analyzed by the Communication, Marketing and Sustainability division. DZ BANK merged with WGZ BANK in the period under review. Because of the change in base data, the data for 2016 cannot be meaningfully compared with the data for the previous years. DZ BANK AG and its activities are the exclusive subjects of this report. Where any content refers to groupwide activities, this is made clear in the text. Employee data in the report relates to all DZ BANK AG locations. In this report, environmental data is reported more transparently in accordance with scopes 1 and 2, but also on the basis of the indicators of the VfU. We report on our coverage of the environmental KPIs accordingly.

The Sustainability Report for 2016 was produced in accordance with Global Reporting Initiative (GRI) guidelines and the additional guidelines given in the supplement for the financial services sector. The report is prepared on the basis of the GRI-G4 guidelines and the core 'in accordance' option. We used a materiality analysis to identify the material topics (SR 12 et seq.). This was based on a 2015 stakeholder survey on our sustainability activities, the first such survey to be conducted at group level. It builds on DZ BANK's 2012 survey, in which external and internal stakeholders were surveyed for the first time (SR 12 et seq.). A summary of the content relevant to the GRI guidelines can be found at the end of this report (SR 54 et seq.).

In the interests of readability, we have omitted gender-specific repetitions and have not written out the bank's full legal name. This report is available in German and English. The next Sustainability Report is scheduled to appear in 2018.

The Sustainability Report is also available online at:  
**[www.sustainability.dzbank.com](http://www.sustainability.dzbank.com)**



The DZ BANK Group has held prime status from oekom research since 2011. This status is given by oekom research AG to companies that stand out from the crowd because of their above-average environmental and social commitment. In 2016, after the credit ratings of DZ BANK and the former WGZ BANK were consolidated, the DZ BANK Group maintained its rating of C+ as an industry leader in the public and regional banks category.



DZ BANK AG is regularly awarded a sustainability rating from Sustainalytics. In the most recent assessment, DZ BANK AG was ranked 56 out of the 324 banks analyzed (as at June 2017).



DZ BANK AG holds an AA rating from MSCI. (as at the end of 2016).



The UN Global Compact is an initiative whereby companies undertake to align their business activities and strategies with ten principles in the areas of human rights, labor, environment, and anti-corruption. DZ BANK AG signed the Global Compact in 2008, while the DZ BANK Group became a signatory in 2013.

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We would like to thank all our staff and everyone else involved for their help with producing this report.

The current report is also available in German.

## Find out more about DZ BANK

**Sustainability portal**  
Our sustainability portal provides continually updated information on sustainability-related issues.  
[www.sustainability.dzbank.com](http://www.sustainability.dzbank.com)

**DZ BANK website**  
On our website you can find up-to-date information about DZ BANK AG and the DZ BANK Group.  
[www.dzbank.com](http://www.dzbank.com)

The 2016 Annual Report of the DZ BANK Group and the 2016 annual financial statements and management report of DZ BANK AG are available in the Investor Relations section.  
[www.dzbank.com](http://www.dzbank.com) > Investor Relations > Reports

