

A partnership built on trust

**Berlin Hyp**



# Sustainability at Berlin Hyp AG

2016 GRI Report

# Content

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This GRI Report complies with the standards (2016) of the Global Reporting Initiative (GRI) and was prepared in accordance with the “Core” option. The Sustainability Report also serves as Berlin Hyp’s Communication of Progress (COP) for the purposes of the United Nations’ Global Compact (UNGC).

## GRI Content Index

# General Disclosures

## Organisational Profile

### GRI 102-1 | Name of the organisation

Berlin Hyp AG

### GRI 102-2 | Primary brands, products and services

Berlin Hyp offers a wide range of services covering all the bases when it comes to real estate financing. Tailored financing solutions in the field of commercial real estate make us stand out from the crowd. Among other things, we finance office space, logistics, retail and residential real estate, either as individual properties or as part of a portfolio. Along with conventional mortgage loans, we also offer sureties, framework lines, interest hedge products, financing products for construction work (construction enterprises and developers), business current accounts, operating equipment loans, and overnight money and term money, as well as valuations and payment transactions services.

In addition to its offering of syndicate financing and valuation and restructuring services, Berlin Hyp – as a partner and competence centre for the commercial real estate financing operations of German savings banks – offers savings banks unique added value through products such as its secured “ImmoSchuldschein” and “ImmoKonsortial”.

Medium- and long-term refinancing generally takes place through issues of covered and uncovered bank bonds. The mortgage Pfandbrief has consistently and enduringly proven to be the leading means of refinancing.

Berlin Hyp integrated a further key sustainability component into its value-added chain in 2015 with the issue of green bonds to refinance green financing, thereby providing capital market investors added value that goes beyond creditworthiness or cover funds. Green Bonds are issued within the scope of the Green Bond programme either as green

Pfandbriefe or green senior unsecured bonds. Creating incentives for green buildings while also financing them represents one part of the Bank’s sustainability measures that is directly related to its core business: commercial real estate lending.

### GRI 102-3 | Location of the organisation’s headquarters

Berlin, Germany

### GRI 102-4 | Countries with significant operations

In addition to its headquarters in Berlin, Berlin Hyp has five other sales offices in Germany: Düsseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart. Abroad, the Bank also has one office each in Amsterdam, Paris and Warsaw. We have financed properties in the following countries:

- Germany
- Belgium
- France
- United Kingdom
- Poland
- Netherlands
- Czech Republic

### GRI 102-5 | Nature of ownership and legal form

Berlin Hyp is a wholly owned subsidiary of the Landesbank Berlin Holding AG Group (Landesbank Berlin Holding), the majority of whose shares are held by the Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG.

### GRI 102-6 | Markets served

Berlin Hyp specialises in providing large-volume real estate financing and develops individual financing solutions for professional investors and housing societies. As a partner of the German savings banks, it also provides these institutions with a comprehensive range of products and services.

Berlin Hyp mainly refinances itself in the capital market. The Bank issues mortgage and public Pfandbriefe as well as senior unsecured and subordinated debt securities. By issuing green bonds, the Bank is also represented in the market for sustainable capital investments (→ see also GRI 102-2).

Key market activities	2014	2015	2016
in € m			
Mortgage loans	17,721	17,898	18,125
Public-sector loans	2,908	2,652	1,228
Green building financings	–	1,037	1,841
Green Bond Issuances	–	500	1,000

#### GRI 102-7 | Scale of the organisation

In 2016, Berlin Hyp AG generated an operating result after risk provisioning of € 120.1 million and had a balance sheet total of € 26.4 billion. Applicable equity capital amounted to € 1,395 million as at 31 December 2016. Please refer to the Annual Report for details regarding economic development, the Group structure and the competitive position. (→ see also GRI 102-4 and 102-6)

Key performance indicators	2014	2015	2016
Operating income after risk provisioning (in € m) <sup>1</sup>	119.8	124.0	120.1
Balance sheet total (in € m)	30,428	28,544	26,354
Core Tier 1 capital (CET1) (in € m)	1,005	1,007	1,076
Core Tier 1 capital ratio (in %)	12.4	13.3	13.5
Employees	544	576	585

<sup>1</sup> The previous year's figures have been adjusted accordingly for the discontinuation of the "extraordinary result" from 2016.

#### GRI 102-8 | Employees by employment type, gender and region (UNGC: Principle 6)

Employees by region	2015	2016
Number of employees <sup>1</sup>	576	585
of which in Berlin	530	538
of which at German branches	35	37
of which in Poland	4	4
of which in the Netherlands	4	4
of which in France	3	2

<sup>1</sup> Excluding the members of the Board of Management

Employees by gender and employment type	2015			2016		
	Total	of which women	of which men	Total	of which women	of which men
Number of employees	576	292	284	585	292	293
of which on fixed-term contracts <sup>1</sup>	26	9	17	20	8	12
Full-time	447	180	267	455	178	277
Part-time	129	112	17	130	114	16
Employees covered by collective wage agreements	232	150	82	232	152	80
Employees not covered by collective wage agreements	344	142	202	353	140	213

<sup>1</sup> Including students on dual study programmes or trainees, student workers and interns.

**GRI 102-9 | Description of the supply chain**

Berlin Hyp procures more than 90 per cent of its goods and services from companies based in Germany, with the remaining 10 per cent being procured from companies within the EU.

The 40 largest suppliers provide the following procured goods, among others:

Procurement share in %	
Audit, consulting, appraisal and rating services	55
IT	30
HR services	5
Travel expenses	3
Energy supply	2
Facility cleaning	1
Construction work	1
Expenses for employee pensions	1
Other	2

**GRI 102-10 | Significant changes during the reporting period**

There were no significant changes during the reporting year.

**GRI 102-11 | Implementation of the precautionary principle**

Sustainability management has defined areas of action within the scope of a stakeholder dialogue process to describe key current and future challenges and to develop corresponding sustainable solutions.

These areas of action are as follows:

- Profitable business model
- Responsible business policies
- Forward-looking customer relationships
- Binding trust
- Attractive employer

Berlin Hyp therefore has a good foundation for avoiding risks to its business operations, or at least for managing them safely, while at the same time seizing opportunities for a forward-looking approach.

Direct risks arising from our current and future business activities are managed by Berlin Hyp's risk management. The aim of risk management is the conscious acceptance of strategically appropriate risks in order to gain access to earning opportunities so as to leverage them to generate appropriate and sustainable income.

Berlin Hyp records and assesses the risks associated with climate change in a two-year cycle and documents them in a climate risk report.

Compliance management stipulates the conditions and limits of Berlin Hyp's business activities by imposing requirements and, under certain circumstances, rejecting transactions, products or customer relationships.

Compliance activities focus on preventing money laundering, terrorism financing, insider trading, fraud, corruption and other criminal activities within the scope of our business activities. For example, Berlin Hyp has implemented measures to prevent bank transfer fraud, allowing the Bank to detect attempted fraud early on and minimise losses. Compliance risks are assessed on an ongoing basis and documented in a risk report.

#### **GRI 102-12 | External initiatives that the organisation endorses**

Berlin Hyp endorses the following external sustainability charters, principles or initiatives:

- Deutscher Nachhaltigkeitskodex (German Sustainability Code)
- Charta der Vielfalt (Diversity Charter)
- The sustainability initiative of Zentraler Immobilienausschuss (German Property Federation)
- Green Bond Principles of the International Capital Market Association
- Equator Principles

#### **GRI 102-13 | Memberships in industry and business associations**

Berlin Hyp employees regularly contribute their experience and expertise to a range of institutions. As a result, Berlin Hyp also ensures that the company takes into account the industry's latest standards – including sustainability standards.

Berlin Hyp is a member of the following industry and business associations – among others:

- Appraisal Institute
- Arbeitgeberverband des privaten Bankgewerbes e.V. (Private Banking Industry's Employers Association)
- Arbeitsgemeinschaft der Betriebsräte der Immobilien- und Pfandbriefbanken (Working group of the works council of the real estate and Pfandbrief banks)
- BFW – Bundesverband Freier Immobilien- und Wohnungsunternehmen e.V. (Association for Private Housing and Real Estate Companies)
- CBRE Financial Council
- Climate Bonds Initiative
- DSGV – Deutscher Sparkassen- und Giroverband e.V. (German Savings Bank Association)
- DV – Deutscher Verband für Wohnungswesen, Städtebau und Raumordnung e.V. (German Association for Housing, Urban and Spatial Development)

- DVFA – Deutsche Vereinigung für Finanzanalyse und Asset Management (German Association for Financial Analysis and Asset Management)
- GIF – Gesellschaft für Immobilienforschung e.V. (Society for Real Estate Research)
- HypZert
- ULI – Urban Land Institute
- RICS – Royal Institution of Chartered Surveyors
- vdp – Verband deutscher Pfandbriefbanken e.V., Berlin (Association of German Pfandbrief Banks)
- ZIA – Zentraler Immobilienausschuss (German Property Federation)

We also attend the sustainability conferences of various working groups and committees of the aforementioned industry and business associations. In particular, these include the following:

- ZIA sustainability and energy committee
- ZIA Corporate Social Responsibility working group
- DSGV sustainability reporting working group
- DSGV sustainability working group

## Strategy

#### **GRI 102-14 | Statement from the most senior decision maker**

Ladies and Gentlemen,

Thanks to our business model, Berlin Hyp is ideally positioned to provide large-volume and complex financing. We develop future-oriented products and services relating to our core business that provide customers with true added value. Sustainability is constantly becoming ever more important – both for banks and the real estate market. According to the Federal Ministry for the Environment, buildings are responsible for around a third of all resource consumption and CO<sub>2</sub> emissions in Germany. This means that sustainable solutions for the construction and renovation of real estate are becoming increasingly important.

Berlin Hyp recognised the inherent opportunities years ago, anchoring sustainability in its corporate strategy and driving the issue forward in its processes and structures. Over the past two years, we have very successfully focused on sustainable developments in our core business. For some time now, we have also been providing incentives for green building financing. We caused a sensation on the capital market in April 2015 by offering refinancing through green bonds and issued the world's first ever green Pfandbrief. This was then followed last autumn by the issue of a green unsecured bond, making us the first issuer to have issued green bonds in two asset classes. At the end of 2016, our books contained green building financing of € 1.8 billion; we also plan to remain active as a regular issuer of green bonds on the capital market in the future. The positive feedback received when talking with various stakeholders shows me that we are on the right path with our sustainable strategy.

We create value while at the same time consuming resources. The potential we tap when this process is as sustainable as possible throughout the entire value-added chain is accordingly high. The UN Global Compact's ten principles are therefore more than just a declaration for us: they are an unwavering commitment. Furthermore, we are expressly committed to tackling climate change and plan to use our products to counteract its effects.

We have set ourselves ambitious targets: green financing is to account for 20 per cent of our real estate portfolio by 2020. We also plan to reduce our own CO<sub>2</sub> emissions by 5 per cent year on year in 2017. I am very confident that we are ideally positioned to achieve these objectives thanks to our green bond programme for the sustainable development of the core business and our comprehensive sustainability management. The full GRI Report provides information on our plans.

Yours sincerely,  
Sascha Klaus  
Chair of Berlin Hyp's Board of Management

### GRI 102-15 | Key impacts, risks, and opportunities concerning sustainability

To be economically successful in the long term, we also take into account environmental and social aspects in addition to the economic ones in how we act. Our objective is to assume responsibility to owners, customers, employees and society that goes beyond legal requirements.

Through our business activities, we support the important contribution made to economic and social prosperity by the real estate industry. The infrastructure developed, realised and maintained creates fundamental and sound value for our economy and is the basis for commercial activity and the housing industry.

By financing real estate, particularly green buildings, Berlin Hyp makes an important contribution to enhanced and productive infrastructure in Germany and its neighbouring European countries. In doing so, the Bank also contributes to fulfilling UN Sustainable Development Goal 11: "Make cities inclusive, safe, resilient and sustainable".

We have stipulated requirements and procedures to manage ESG (Environment, Social, Governance) risks responsibly during the course of ordinary business operations. Berlin Hyp has also excluded business activities relating to certain critical industries. For example, we do not finance any real estate if their construction or operation is directly related to the production of genetically modified organisms or the production of tobacco or alcohol.

Given the significance and long-term use of real estate, the additional consideration of sustainability is a key factor in real estate financing for ensuring the lasting value of an exposure, among other things. Berlin Hyp therefore has a special interest in its customers constructing or acquiring and managing real estate whose value is secured by giving



professional consideration to environmental, economic and social criteria. Berlin Hyp generally also takes into account its customers' safe handling of legal requirements pertaining to building, environmental, planning and nature protection legislation when making real estate financing decisions.

## Ethics and Integrity

### GRI 102-16 | Values, principles, standards and norms of behaviour (UNGC: Principle 10)

In its efforts to make its business operations sustainable, Berlin Hyp goes beyond simply complying with applicable laws and external regulations. It has also made voluntary commitments, such as to the UN Global Compact, and introduced various internal policies that provide the Bank's employees with clear guidance on how to conduct themselves. These include:

- Guideline on sustainable real estate financing
- Guideline on human rights, diversity and inclusion at Berlin Hyp
- Environmental management system guideline
- Sustainability guideline for suppliers and service providers
- Guideline on stakeholder communication
- Sustainability in Berlin Hyp's Depot A
- Lobbying guideline
- Guideline on handling of tax requirements
- Code of Conduct
- Guideline on corporate environmental protection
- Climate risk analysis
- Guideline on social and environmental product responsibility
- Guideline on responsible conduct towards customers in financial difficulties

- Guideline on responsible conduct towards customers
- Guideline on corporate environmental protection
- Corporate citizenship guideline
- Guideline on sustainable purchasing policies
- Guideline on the sustainable purchasing of office supplies, IT equipment

At the end of 2016, the existing ethics guidelines were replaced by the Code of Conduct, which, in the form of an overview of the Bank's regulations, bindingly describes the Bank's responsibility standards – both pertaining to Berlin Hyp as a company as well as for each individual employee.

## Governance

### GRI 102-18 | Governance structure, including the highest governance body committee

Berlin Hyp is managed by a Board of Management with overall responsibility. The Board of Management comprises three members:

- Sascha Klaus (Chair of the Board of Management)
- Gero Bergmann
- Roman Berninger

The Supervisory Board has 15 members. The Supervisory Board has three committees: the Staff and Strategy Committee, the Audit Committee and the Loan Committee.

Berlin Hyp's Board of Management and the Supervisory Board follow the recommendations of the "Government Commission on the German Corporate Governance Code" for the development of internationally and nationally recognised standards of good and responsible corporate

management. The Supervisory Board and the Board of Management act in the awareness that good corporate governance is the necessary basis for the success of the Bank and is therefore in the interests of our shareholders and the capital markets.

#### **GRI 102-35 | Remuneration policies for the highest governance body and senior executives**

The Supervisory Board establishes and annually reviews the remuneration system, including the major contractual elements, for the Board of Management at Berlin Hyp. Members of the Board of Management received fixed remuneration as well as a variable component. The Supervisory Board transferred the duties of the Remuneration Controlling Committee to its Staff and Strategy Committee.

The members of the Supervisory Board receive remuneration for their work; this amount is stipulated in the Articles of Association, which state that Supervisory Board members receive fixed annual remuneration. No variable remuneration is paid.

Details pertaining to the Bank's remuneration policies are included in the Annual Report from page 68.

#### **GRI 102-38 | Ratio of the highest annual total compensation to the median annual total compensation**

In 2016, the median annual total compensation of employees at all locations was € 84,499. This figure includes part-time capacities that were not converted to full-time equivalents. The highest annual total compensation, including fixed and variable components, was 11.4 times the calculated median annual total compensation.

## Stakeholder Engagement

#### **GRI 102-40 | Stakeholder groups engaged**

We maintain regular dialogue with our key stakeholders: customers and employees, policy makers, administrative bodies, the public and media, environmental and social organisations, suppliers and unions, business partners and competitors, as well as capital market representatives.

#### **GRI 102-41 | Percentage of employees covered by collective bargaining agreements (UNGC: Principle 3)**

All employees covered by the co-determination obligation are covered by collective bargaining agreements and collective agreements.

#### **GRI 102-42 | Identification and selection of stakeholders**

Stakeholders who are directly or indirectly affected by Berlin Hyp business activities and whose opinions and actions directly or indirectly impact Berlin Hyp's business activities are of particular relevance for Berlin Hyp. Sustainability management reviews stakeholders' relevance assessments at least once per year, documenting the findings in a portfolio together with the respective stakeholders' degree of influence and organisation.

#### **GRI 102-43 | Approach to stakeholder engagement and frequency**

We seize existing opportunities to engage with the various groups in society to identify our stakeholders' sustainability perceptions and requirements early on and to react appropriately and swiftly.

The formats used include:

- Customer satisfaction analyses
- Customer events
- Customer complaints management
- Board of Management dialogue events with all employees
- Employee satisfaction analyses
- Employee sustainability day

- Staff meetings
- Exchanges with the works council within the scope of the statutory consultation and notification obligations
- Informal discussions and discussions with management personnel
- Investor roadshows
- Work performed by bodies and associations
- Idea management

#### **GRI 102-44 | Key topics and concerns raised through stakeholder engagement and response**

Capital market investors have reacted positively to our green bonds measures, welcoming our measures and encouraging us to maintain our adopted course. Furthermore, stakeholders did not suggest to Berlin Hyp any specific sustainability issues during the reporting period.

## Report Profile

#### **GRI 102-45 | Entities included in the consolidated financial statements**

Berlin Hyp holds 100 per cent of the capital and voting rights in Berlin Hyp Immobilien GmbH. Pursuant to Section 296 (2) German Commercial Code (HGB), Berlin Hyp Immobilien GmbH is of subordinate importance for Berlin Hyp. The company had no other investments in companies that would require the preparation of consolidated financial statements. As a result, Berlin Hyp is not required to prepare consolidated financial statements. For details, please refer to the list of shareholdings pursuant to Section 285 Nos. 11 and 11a HGB in the notes to the respective annual accounts.

#### **GRI 102-46 | Process for defining the report content**

The sustainability issues of importance to Berlin Hyp and its stakeholders are selected pursuant to our guidelines pertaining to responsible conduct towards customers.

In order to revise last year's materiality analysis, we

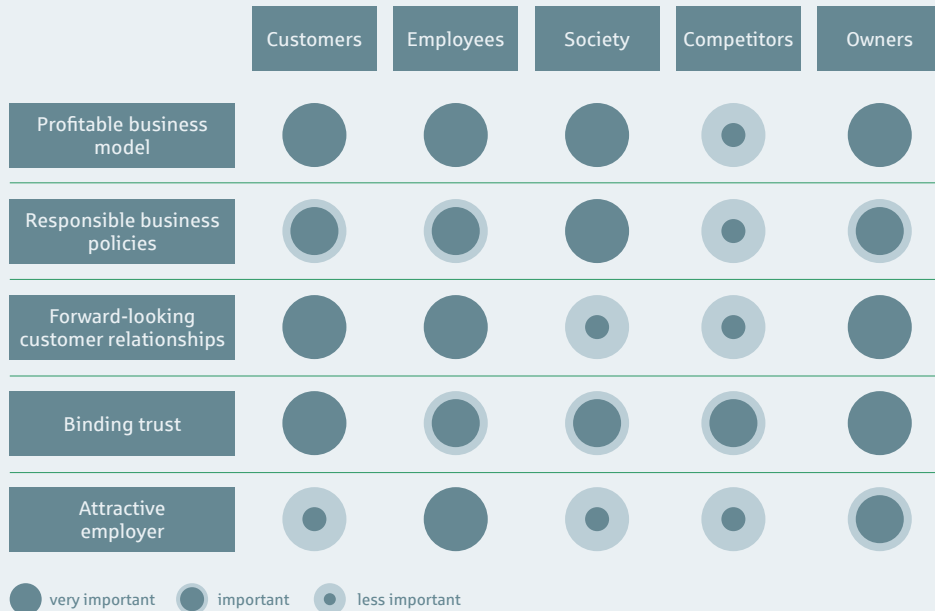
- analysed studies and standards of relevance to Berlin Hyp and the finance industry,
- analysed last year's ratings,
- analysed our competitors' sustainability reports,
- updated the semantic analysis of the stakeholder groups relevant to the Bank,
- discussed sustainability issues with our employees from their point of view during the 2016 sustainability day,
- yielded first interim results from the berlinhyp 21 future process pertaining to cluster sustainability and
- collected feedback from a finance industry sustainability expert.

Berlin Hyp's sustainability working group subsequently discussed the results. The working group also prioritised individual issues on the basis of their materiality. The relevance of our stakeholders' issues is considered in relation to the relevance of said issues for our company as well as for our business model. We also determined which issues should be reported to which extent in order to provide our stakeholders with appropriate information.

Next, we allocated the selected issues to the GRI standard classification and assessed whether the greatest influence in each case can be exerted from within or outside Berlin Hyp. Subsequently, the results were organised according to the most important stakeholder groups to provide a clear presentation. Previous definitions were also refined.

Of course, the entire process is not only designed to prepare the reports: the results are also constantly fed into the strategic development of sustainability management.

Berlin Hyp's materiality analysis for 2016



**GRI 102-47 | All material aspects and aspect boundaries within and outside the organisation**

Material aspects	Specific disclosures	Impact	
		Internal	External
Profitable business model	Economic performance	●	●
	Indirect economic impact		●
Responsible business policies	Materials	●	●
	Energy	●	●
	Emissions	●	●
	Evaluation of suppliers with respect to social impact		●
Forward-looking customer relationships	Politics		●
	Advertising and labelling products and services		●
	Protection of customer privacy		●
Binding trust	Screening on human rights		●
	Local communities		●
	Anti-corruption	●	●
	Anti-competitive behaviour	●	●
Attractive employer	Environmental compliance	●	●
	Socio-economic compliance	●	●
	Employment	●	
	Employer-employee relationship	●	
	Occupational health and safety	●	
	Training and education	●	
	Diversity and equal opportunity	●	
	Non-discrimination	●	
	Freedom of association and right to collective bargaining	●	

**102-48 | Restatements of information provided in previous reports**

The 2015 Sustainability Report was prepared in accordance with GRI G4. This GRI Report is the first to be prepared in accordance with the new GRI standards, which were published in 2016.

**GRI 102-49 | Significant changes in the scope and aspect boundaries**

The aspect boundaries are unchanged.

**GRI 102-50 | Reporting period**

1 January 2016 to 31 December 2016

**GRI 102-51 | Date of most recent previous report**

30 June 2016

**GRI 102-52 | Reporting cycle**

Since 2013, the sustainability report has been published annually.

**GRI 102-53 | Contact point for questions regarding the report**

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**GRI 102-54 | “In accordance” option with GRI**

This report complies with the GRI standards, and was prepared in accordance with the “Core” option.

**GRI 102-55 | Selected GRI index**

This GRI Report has been prepared in the form of a table.

**GRI 102-56 | External verification of the report**

The consumption data, the method of collecting data, CO<sub>2</sub> emissions as well as our environmental management are verified externally by GUT Zertifizierungsgesellschaft für Managementsysteme mbH, Berlin, Germany, as part of the validation of environmental statements pursuant to EMAS. The economic key figures, where these are audited as part of the annual accounts, are verified by Berlin Hyp’s auditor.

# Specific Disclosures

## Economics

### GRI 103-1, 103-2, 103-3 | Management approach – economics (economic performance, indirect economic contribution)

As a financial institution with some 150 years of experience in the real estate lending business, Berlin Hyp knows all about long-term and sustainable growth.

We have resolved to strengthen our position as one of the leading commercial and real estate financiers with the most stable earnings in Germany. For us, this means participating in numerous significant real estate transactions in Germany, alone or within the syndicate, and maintaining a stable customer base thanks to the quality, speed and reliability of our customer service and loan processing. We aim to strengthen our significance as a partner and have therefore set up a decentralised sales structure which has been aligned with the needs of the savings banks.

Berlin Hyp's business policies are managed on the basis of an annual strategy and planning process in compliance with regulatory requirements and the risk strategy approved by the Board of Management. In particular, the financial statements, budgets, financial and risk reports prepared in accordance with German commercial law, as well as the liquidity and new business reports, are the Bank's central management tools. Potential deviations and their causes are analysed on the basis of

budget/actual comparisons, using – in addition to financial performance indicators – various non-financial performance indicators that also take into account sustainability aspects:

- Market: new customer recruitment, target portfolio, S-Group business
- Employees: employee structure, motivation, management and development
- Sustainability: green issues, green financing, sustainability rating and compliance

Berlin Hyp uses a special filter for the Bank's own investments (Depot A) to take into account social and environmental aspects on an equal footing with the economic objectives of a financial investment. The filter is based on the ten principles of the UN Global Compact as well as our compliance requirements. Own investments are reviewed quarterly. If a portfolio security does not fulfill the criteria of the sustainability filter, Treasury, together with Sustainability Management, will decide what measures (such as the immediate sale of the portfolio) need to be taken.

For more information, please refer to the Annual Report as well as –  
→ **Management approach – compliance, GRI 203-1 and 203-2.**

## Economic Performance

### **GRI 103-1, 103-2, 103-3 | Management approach – economic performance**

For more information, please refer to → **Management approach – economic page 15.**

### **GRI 201-1 | Direct economic value created and distributed**

Net cash from Berlin Hyp's operating activities are mainly due to interest and commission income, which amounted to € 504.4 million in 2016. This amount was offset by interest and commission expenses of € 206.0 million. Berlin Hyp incurred operating costs, in the stricter sense, primarily from administrative expenditure of € 122.3 million, which includes staff expenditure of € 62.6 million. Other administrative expenditure amounted to € 55.3 million. This item also includes the expenditure of the annual contribution to the European bank levy (€ 10.9 million), which serves to establish a single resolution fund (SRF) within the EU's banking union. The Bank's very positive economic performance was utilised to completely close the coverage gap affecting pension reserves within the scope of the first-time adoption of the German Accounting Law Modernisation Act (BilMoG), resulting in expenses of € 19.1 million. This one-off effect had a significant impact on other operating income (€ -20.3 million). The operating result before risk provisioning amounted to € 155.8 million. Netted risk provisioning of € 51.3 million was reported for the lending business in 2016. Income of € 15.6 million was reported for the valuation result for securities in the liquidity reserve. Expenses for risk provisioning therefore totalled € 35.7 million. The operating result after risk provisioning amounted to € 120.1 million. Profits of € 73.0 million were transferred to the parent company (Landesbank Berlin Holding AG, Berlin, Germany), despite creating provision reserves to strengthen regulatory equity of € 50.0 million by means of a further allocation to the

fund for general banking risks pursuant to Section 340g German Commercial Code (HGB). In addition to other tax expenses of € 0.2 million, Berlin Hyp reversed tax provisions totalling € 0.3 million. Berlin Hyp donated € 55,000 to various charities during the course of the reporting year.

For information on more donations, please → **see GRI 203-2.**  
For more information, please → **see the 2016 Annual Report from page 29.**

### **GRI 201-2 | Financial implications, risks and opportunities due to climate change**

Berlin Hyp performs an annual climate risk analysis to examine the risks that climate change poses to its business activities. Given their type, intended use and geographic location, the financed real estate is exposed to low climate risks (storm damage, heavy rainfall, flooding, extreme temperatures).

### **GRI 201-3 | Coverage of benefit plan obligations**

Pensions are an important component of Berlin Hyp's additional benefits as an employer. It is also why the company's history results in various different corporate pension schemes that pay out in the event of old age, disability or death. For further information on the liabilities, please refer to page 79 of the Annual Report.

### **GRI 201-4 | Financial assistance received from governments**

Berlin Hyp has not received any financial assistance from government agencies.



## Indirect Economic Impact

### GRI 103-1, 103-2, 103-3 | Management approach – indirect economic contribution

For more information, please refer to → **Management approach – economic on page 15.**

### 203-1 | Infrastructure investments and services provided

By financing real estate, Berlin Hyp makes an important contribution to enhanced and productive infrastructure in Germany and Europe. As projects by housing associations, non-profit housing companies and housing companies, among others, are part of our core business, we support social housing construction and the modernisation of existing social housing properties. Demand for affordable housing for low-income households and other social groups has been on the rise for years. The importance of Berlin Hyp as a partner for sound financing concepts and sufficient capitalisation is therefore rising.

With respect to the impact of our investments, it should be noted that ordinary business activities usually only relate to certain real estate projects such as commercial real estate or housing construction in European, high-income OECD states. These countries generally have legal frameworks pertaining to high to very high environmental, social and governance (ESG) requirements. Through our own standards, we go beyond meeting these requirements. In terms of the environment, we favour projects that focus on concepts such as “reduce, reuse, recycle” or “cradle to cradle”, for example. The financing of green buildings represents a part of the sustainability measures that is directly related to the core business.

In addition to its importance for the real estate industry, Berlin Hyp’s business activities are also relevant for the finance industry, as we provide investors with the opportunity to invest their capital in a safe manner through various products. We also increasingly provide explicitly sustainable capital investments.

More information is provided on a separate website:  
[www.gruener-pfandbrief.de](http://www.gruener-pfandbrief.de)

### GRI 203-2| Indirect economic contribution

We are committed to the community in which we live and work, making a positive contribution to Berlin Hyp’s wider community. During the reporting year, for example, we maintained our long-standing partnership with Kinderhaus Berlin-Mark Brandenburg e.V. and covered the entire costs of an autumn trip (€ 30,000). We also donated € 25,000 to various charities.

Our employees were also active on behalf of Kinderhaus and made donations, such as “Schultüten” (school cones) or basic items for a new flat (total value of € 8,400). Many of our employees and management personnel were also actively involved in various non-profit organisations (total value of € 41,500).

Last year, Berlin Hyp also donated € 50,000 to Betriebs-sportgemeinschaft Berlin Hyp e.V., a company sports club.

In addition to its social commitment, Berlin Hyp, in its role as employer and contractor, has a positive impact on economic and social development at its locations.

## Anti-Corruption

### GRI 103-1, 103-2, 103-3 | Management approach – compliance (anti-corruption, anti-competitive behaviour, environmental compliance, socio-economic compliance)

Our Code of Conduct describes all values, principles and methods which characterise Berlin Hyp's business activities. It includes the voluntary commitment of all Berlin Hyp employees to customers, sales partners, service providers and other market participants to act in an ethical and lawful way. Together with our guiding principles on sustainability, it serves to secure and increase the company's value.

Risk Controlling is a separate part of our corporate structure. Compliance and Legal form a pivotal part of Corporate Development. This means that the head of Corporate Development also serves as the Sustainability, Compliance and Anti-money Laundering Officer, who reports to the Board of Management on a regular basis and to the Supervisory Board at least once per year.

Threat analysis, as it is commonly known, is used to estimate and minimise potential risks arising from money laundering, terrorism and other criminal activities. The analysis is carried out annually and covers all locations. It also includes fraud risks – including corruption – and assesses the units' corresponding control activities. The Bank regularly reviews the preventative measures derived from the threat analysis, supplementing them as and when needed. We also analyse reported or suspected cases affecting the entire industry to improve preventative measures and prevent future risks as best as possible.

Berlin Hyp does not tolerate any form of corruption or bribery. Berlin Hyp has binding guidelines with regard to the giving and receiving of gifts, perks and invitations to events to enable unequivocal decisions to be

made. As a further preventative measure, the ordering and purchasing process is centrally anchored in Organisation and IT. It is the responsibility of the neutral body – a unit designed to be responsible for ensuring that orders are handled in a uniform manner. The neutral body coordinates all tender processes, which are also supported by Compliance.

In addition to our measures pertaining to corruption, bribery, donations and sponsoring, we also prohibit the preparation or arrangement of agreements to restrict competition. We treat competitors fairly and with respect.

As a rule, all employees are required to avoid conflicts of interest and, where ethical doubts arise, contact a supervisor or a compliance and/or anti-money laundering employee. Berlin Hyp expressly does not tolerate employees committing criminal acts. We pursue any cases uncovered using the "zero tolerance principle". All criminal, employment and civil consequences will be exhausted in the event that an employee has demonstrably committed a criminal offence. We have taken comprehensive measures to prevent, uncover and adequately react to fraudulent activities, making use not only of internal options, but also of corresponding external information provided by customers, business partners or other third parties. For this purpose, we have implemented a whistleblowing system.

### GRI 205-1 | Percentage of operations assessed for risks related to corruption and risks identified

All business locations are subject to continuous monitoring by Compliance and Internal Audit.

The order process was reviewed to ensure that it meets Compliance requirements. No irregularities were found in 2016.

**GRI 205-2 | Anti-corruption communication and training**

Web-based training on fraud risks in 2016 also included anti-corruption issues. All employees completed this mandatory training. In the reporting year, Purchasing employees also received training on the application of the UN Global Compact's 10 Principles – and therefore on the principle of combatting corruption.

**GRI 205-3 | Confirmed incidents of corruption and actions taken**

No cases of corruption are known to have occurred at Berlin Hyp in 2016.

## Anti-Competitive Behaviour

**GRI 103-1, 103-2, 103-3 | Management approach  
– anti-competitive behaviour**

For more information, please refer to → **Management approach  
– compliance on page 18.**

**GRI 206-1 | Legal actions for anti-competitive behaviour, antitrust and monopoly practices**

There were no legal actions pending or being prepared during the reporting year.

## Environment

### GRI 103-1, 103-2, 103-3 | Management approach – environment (UNGC: Principles 7, 8, 9)

We bear an important social responsibility as a leading real estate financier in Germany. It is from this responsibility that we derive our obligation

- to contribute to preserving the basis of life and economic capacity of today's generation and future generations as well as
- to reduce costs by making sparing use of resources

by actively engaging in environmental protection within the Company as well as along the entire value-added chain.

We have an obligation to our customers, owners, employees, suppliers and society to act responsibly and aim to achieve sustainable development overall within the meaning of the UN Sustainable Development Goals.

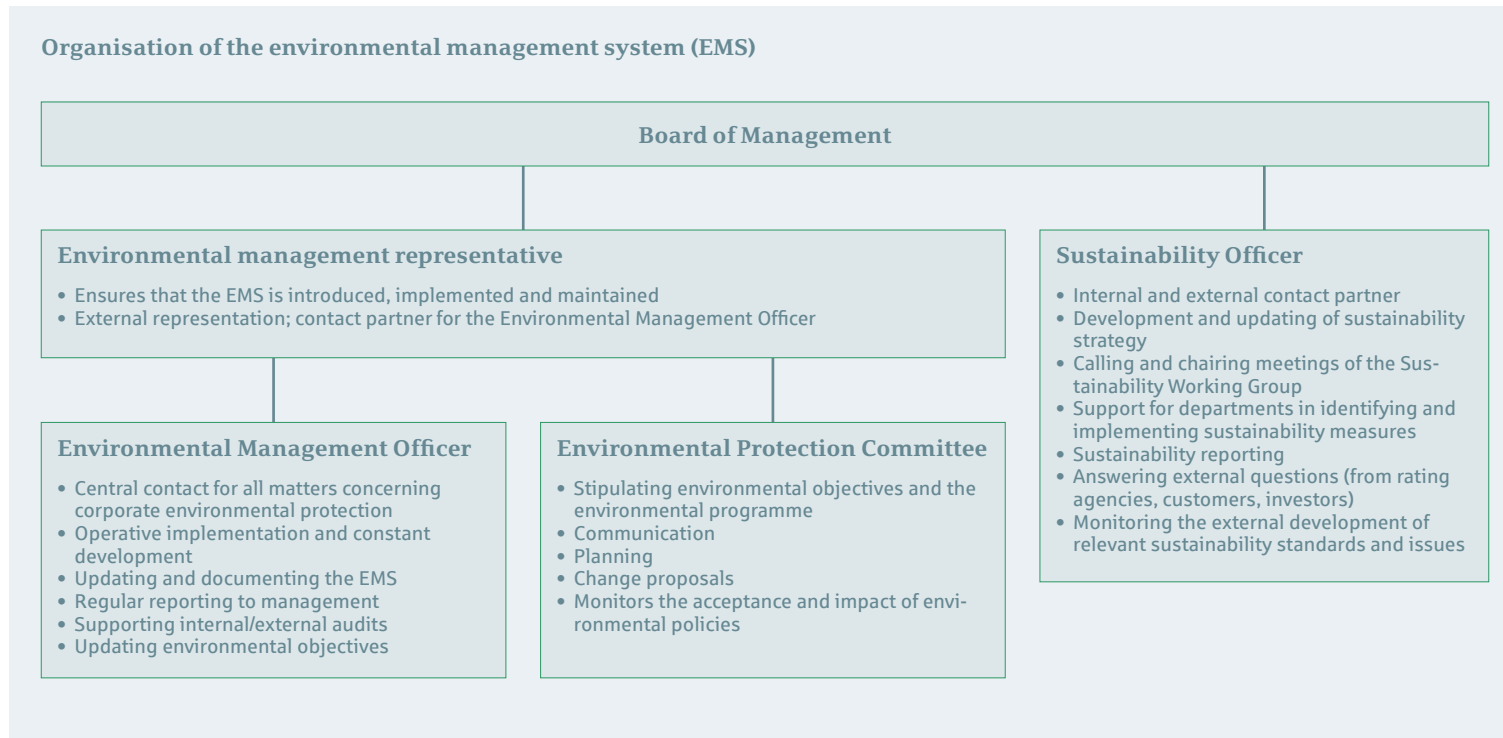
It is on this basis that we have formulated an environmental policy that provides the framework for measurable environmental objectives and appropriate measures. Berlin Hyp aims to reduce the following environmental impacts:

### Berlin Hyp's environmental impact

Area	Environmental impact	Examples
Materials usage (paper usage)	Consumption of energy, water and resources (wood)	Copy paper, printed material
Energy consumption	Emissions, increasing the greenhouse gas (GHG) effect, consumption of resources	District heating, electricity
Waste generation	Ecotoxicity, use of disposal sites, contaminating groundwater	Waste paper, hazardous waste
Consumption of water	Consumption of resources, generation of wastewater	Cooling, kitchens, sanitary facilities
Business trips	Emissions, increasing the greenhouse gas (GHG) effect	Company cars, road transport, rail and air traffic
Product ecology	Emissions, sealing	Real estate financing

We document our measures for the further development of environmental performance in our annually updated environmental programme. Please refer to our online environmental programme for a detailed overview of objectives, measures and timetables.

An environmental management system pursuant to EMAS (Eco Management and Audit Scheme) was introduced at our headquarters in Berlin, Germany, to identify and manage our environmental performance. Berlin Hyp's Board of Management is responsible for developing and



operating the environmental management system. All those with operational responsibility for environmental management report to the Board of Management.

Our environmental performance is managed on the basis of specific environmental key figures. The environmental key figures presented here represent Berlin Hyp's business activities, including the domestic and foreign

locations – with the exception of electricity consumption, where we cover more than 92 per cent of our employees. The environmental key figures are determined on the basis of the calculation tool provided by Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V. (VfU). The VfU key figures and the associated calculation tool are revised by a VfU project group every two to three years; this is done to incorporate international advancements in environmental indicator systems and

greenhouse gas (GHG) footprinting standards. Detailed information on the currently methodology and calculation of the VfU environmental key figures is provided at [www.vfu.de](http://www.vfu.de).

As environmental management can only prove successful if all employees play their part, we place great importance on involving all employees. For example, the Works Council is represented in the Environmental Protection Committee and is kept continuously up-to-date. New proposals and ideas on how to improve the company's sustainability are regularly received by Idea Management, Berlin Hyp's corporate suggestions scheme.

## Materials

### GRI 103-1, 103-2, 103-3 | Management approach – materials (UNGC: Principles 7, 8)

For more information, please refer to → [Management approach – environment from page 20](#).

Paper consumption				
in kg	2014	2015	2016	Year-on-year change in %
Copy paper	15,500	19,000	18,000	-5.26
Printed material and other <sup>1</sup>	969	1,638	1,788	9.16

1 Other paper products were not recorded separately in 2014 or 2015.

### GRI 301-1 | Materials used by weight or volume (UNGC: Principles 7, 8)

Paper is the material most relevant to Berlin Hyp's business operations. During the reporting year, 18,000 kg of copy paper and 991 kg of paper for the annual report, customer newsletters and brochures were used, as well as 797 kg of other paper products (business cards, stationery and envelopes).

### GRI 301-2 | Percentage of materials used that are recycled input materials (UNGC: Principle 7)

We only use FSC-certified office and copy paper; the paper we use also includes recycled paper. The percentage of recycled paper is not currently calculated. No other recycled products are of any relevance for Berlin Hyp's business activities.

## Energy

### GRI 103-1, 103-2, 103-3 | Management approach – energy (UNGC: Principles 7, 8, 9)

For more information, please refer to → [Management approach – environment from page 20](#).

### GRI 302-1 | Energy consumption within the organisation (UNGC: Principles 7, 8)

Energy consumption				
in MWh	2014	2015	2016	Year-on-year change in %
Electricity consumption	2,912	2,783	2,882	3.56
Diesel oil for emergency generators in litres	980	729	3,080	422.50
District heating for space heating, air conditioning and hot water	2,205	2,208	2,426	9.88
Company car fuel consumption in litres <sup>1</sup>	–	–	117,655	–

1 Company car fuel consumption was recorded using a different method in 2014 and 2015 and is therefore not disclosed here. Since 2016, consumption figures have been calculated according to the total litres of fuel consumed.

The consumption of diesel oil for emergency generators is generally the result of the safety checks required for the generators. Consumption figures can fluctuate widely depending on the refuelling process and the performance of tests. Since January 2016, we have been using green energy – gained exclusively from water power – at our Berlin location. From 2017, all our German locations will switch to using green energy.

**GRI 302-4 | Reduction of energy consumption (UNGC: Principles 7, 8, 9)**

We again implemented a range of measures in 2016 to keep our energy consumption levels as low as possible. The deactivation of the oxygen reduction system in the server rooms cut our consumption by 50 MWh. To cut our energy consumption even further, we launched the mission E® initiative – an energy efficiency campaign for employees – in 2017.

## Emissions

**GRI 103-1, 103-2, 103-3 | Management approach – emissions (UNGC: Principles 7, 8, 9)**

For more information, please refer to → **Management approach – environment from page 20.**

**GRI 305-1,2,3 | Direct, indirect and other indirect greenhouse gas (GHG) emissions (UNGC: Principles 7, 8)**

**Greenhouse gas (GHG) emissions – Scope 1, 2 and 3**

in tonnes of CO <sub>2</sub>	2014	2015	2016	Year-on-year change in %
Scope 1 – direct GHG	247	305	328	6.15
Scope 2 – indirect GHG (location-based)	1,602	1,676	2,082	19.50
Scope 2 – indirect GHG (market-based)	–	–	516	–
Scope 3 – supply chain GHG	493	649	539	-16.94
<b>Total THG (Scope 2 – location-based)<sup>1</sup></b>	<b>2,342</b>	<b>2,630</b>	<b>2,949</b>	<b>12.13</b>

<sup>1</sup> Total GHG (Scope 2 – market-based): 1,383

Berlin Hyp reports CO<sub>2</sub> data on the basis of the electricity consumption of more than 92 per cent of employees. The consumption amounts of the remaining 8 per cent are estimated, as the employees work at leased properties and the energy bills for these properties could not be presented in time. Berlin Hyp purchases offsetting certificates to offset emissions resulting from necessary air travel. A total of 161 t of CO<sub>2</sub> equivalents were offset during the reporting year.

**GRI 305-5 | Reduction of greenhouse gas (GHG) emissions (UNGC: Principles 7, 8)**

Our total CO<sub>2</sub> emissions rose slightly during the reporting year (→ please refer to **GRI 305-1**). Despite this, we successfully implemented measures in 2016 to keep our CO<sub>2</sub> footprint as small as possible.

During the reporting year, we cut our CO<sub>2</sub> consumption by 1,566 t by switching to green electricity (hydropower). Roughly 31 t were also saved by deactivating the oxygen reduction system. Since 2011, we have been using a total of 111 solar modules installed on the roofs of the two buildings at our headquarters as a climate-friendly energy source; these have a total output of 26,794 kWp and save a corresponding amount of CO<sub>2</sub>. We aim to reduce emissions by 5 per cent in 2017.

Furthermore, by issuing green bonds, Berlin Hyp makes a substantial contribution to reducing the indirect environmental impact of its business activities. The results and methods used to estimate the amount of CO<sub>2</sub> cut by the financed green buildings are presented in the CO<sub>2</sub> Report (as at 30 June 2016) at [www.gruener-pfandbrief.de](http://www.gruener-pfandbrief.de). By calculation, and depending on the model used, each million in green bonds (nominal amount) saves between 4.7 t and 26.0 t of CO<sub>2</sub> a year.

## Environmental Compliance

### GRI 103-1, 103-2, 103-3 | Management approach – environmental compliance

For more information, please refer to → Management approach  
– compliance from page 18.

### GRI 307-1 | Fines and sanctions for non-compliance with environmental regulations

There were no fines or sanctions imposed during the reporting year.



## Society

**GRI 103-1, 103-2, 103-3 | Management approach – employees (employment, employer-employee relationship, occupational health and safety, training and education, diversity and equal opportunity, non-discrimination) (UNGC: Principles 3, 6)**

Our management culture is characterised by appreciation, target orientation, sustainability and sufficient freedom of decision-making and creative leeway for staff. Management supports staff in their development through the career stages and phases of their life.

This philosophy determines our employee strategy and thereby supports Berlin Hyp's overall strategy:

1. Strengthening our position as one of Germany's leading commercial real estate financiers
2. Furthering our integration as a partner for commercial real estate financing within the Savings Banks Finance Group

Only by attracting the best employees to Berlin Hyp – and retaining them – can we achieve these objectives. This requires a systematic personnel planning system, which is the responsibility of HR.

We use internal and external resources to meet HR requirements. Vacant positions are also always advertised internally, and qualified internal applicants are given the opportunity to attend an interview. When attracting the next generation of talent, we focus on trainees and training students in business management dual study programmes. The concept targeting the next generation of talent is complemented by the use of student workers and interns.

The central Health and Safety Committee at our headquarters in Berlin, Germany, is responsible for occupational health and safety throughout the Bank. The Act on the Implementation of Measures of Occupational Safety and Health to Encourage Improvements in the Safety and Health Protection of Workers at Work (ArbSchG) stipulates the duties and composition of the committee. All divisions and departments have representatives on the Health and Safety Committee who work together as partners.

Berlin Hyp has also established a health forum, which meets quarterly at a discussion group that spans all hierarchy levels. This group analyses anonymised health data and the results of employee questionnaires to come up with proposed health promotion measures.

Health management itself is the responsibility of HR. Key elements here are:

- Occupational healthcare
- Occupational reintegration
- Health promotion measures

Our health promotion measures include reducing the risks related to strain in the workplace or encouraging self-determination by promoting collective and individual health awareness. To do so, we organise annual health days while also offering regular, free seminars, in cooperation with health insurance companies, fitness centres, personal trainers and more. Betriebssportgemeinschaft Berlin Hyp e.V. plays a key role in keeping our employees fit. Berlin Hyp has provided financial support for sporting activities designed to boost fitness, team spirit and competitions throughout the industry for more than 20 years now. More than 300 employees are currently making active use of this opportunity.

Training and education is designed to maintain and constantly improve the performance of our management personnel and employees, promoting individual commitment. Each member of our management staff is

responsible for managing his or her team's individual development steps. They initiate and support needs-based measures on the basis of the annual staff evaluation meetings as well as the current and future task structure of the staff. The objective of all the measures is:

- Proactively developing and safeguarding qualified personnel
- Making adjustments in line with new organisational forms and new technologies so as to tap into new areas
- Increasing operational flexibility

The personnel development function cycle comprises the following: needs assessment, target-setting, planning and implementing the measures, performance review and ensuring knowledge transfer.

We strongly believe that diversity creates advantages from differences. We have underscored this philosophy by signing the Diversity Charter and other initiatives. At Berlin Hyp, we both actively promote and mandate this philosophy. Our human rights, diversity and inclusion guideline provides our employees and business partners with clear directives for their day-to-day actions. This guideline is based on national legislation as well as international standards, including:

- The United Nations' Universal Declaration of Human Rights
- The United Nations' conventions pertaining to the world of work
- The European Union's Convention for the Protection of Human Rights and Fundamental Freedoms

The guidelines not only provide orientation, they also contain concrete specifications to promote diversity. For example, Berlin Hyp has stipulated the minimum number of women to be employed at the second and third management levels (→ [see also GRI 405-1](#)). Equal opportunities for women and men to participate in management are to be even more firmly integrated into the corporate culture through measures such as:

- Identifying the potential and promoting women in a timely manner
- Promoting men as well (absolute equal opportunities)

The process is accompanied by the following measures:

- Ensuring that job descriptions address both genders and a transparent applicant selection
- Making the promotion of equality between male and female employees a mandatory evaluation criterion in management performance reviews and a required behaviour
- Equal access to personnel development measures

We also promote equal opportunities by supporting our employees in achieving a healthy work-life balance. The range of working time models we offer and the collective agreement regarding equal opportunities and a family-friendly environment ensure transparency and equality. The introduction of trust-based working hours during the reporting year allows us to meet requirements pertaining to modern flexible working hours and make it easier for employees to achieve a work-life balance.

At Berlin Hyp, non-discrimination means that customers, employees, suppliers and other business partners are not advantaged or disadvantaged with regard to their

- race,
- skin colour,
- gender,
- language,
- religion,
- political opinion,
- other beliefs,
- national origin,
- social origin,

- wealth,
- birth,
- sexual orientation and
- other status.

At Berlin Hyp, human rights, diversity and inclusion are upheld on the basis of relevant German laws.

## Employment

### GRI 103-1, 103-2, 103-3 | Management approach – employment

For more information, please refer to → Management approach – employment from page 25.

### GRI 401-1 | New employee hires and employee turnover (UNGC: Principle 6)

Employee turnover during the course of the reporting year, based on 585 employees, stood at 2.3 per cent (13 employees). The average period of employment is more than 16 years.

### GRI 401-2 | Benefits provided to full-time employees

With the exception of the provisions relating to retirement pensions, all benefits are available to employees with temporary and permanent contracts.

### GRI 401-3 | Return to work after parental leave (UNGC: Principle 6)

#### Entitlement, return to work and staff remaining with the Bank after parental leave

By gender <sup>1</sup>	Men	Women
Entitlement <sup>2</sup>	8	12
Taken	3	16
Returned after parental leave	10	4
Remained with the Bank <sup>3</sup>	10	3

<sup>1</sup> These figures relate to Germany and therefore include more than 98% of the Bank's employees. The respective national legislation applies for the ten employees based outside Germany.

<sup>2</sup> New entitlements in the reporting year

<sup>3</sup> Twelve months following a return after parental leave

#### New employee hires in 2016

	Men	Women	Total
Employees	13	7	20
Trainees	2	2	4
Students in dual study programmes	2	1	3
Board of Management	1	0	1

Employee turnover is not currently recorded by age distribution and region, as this information is not relevant for management purposes.

## Employer-Employee Relationship

### GRI 103-1, 103-2, 103-3 | Management approach – employer-employee relationship

For more information, please refer to → Management approach – employees from page 25.

### GRI 402-1 | Minimum notice period(s) regarding operational changes (UNGC: Principle 3)

All minimum notice periods as established by German employment law and the German Co-determination Act (MitbestG) apply in the event of significant operational changes, which are also addressed by management and the Works Council. As a rule, we comply with all of the labour law provisions of the countries in which we operate.

## Occupational Health and Safety

### GRI 103-1, 103-2, 103-3 | Management approach – occupational health and safety

For more information, please refer to → Management approach – employees from page 25.

### GRI 403-1 | Percentage of total workforce represented in health and safety committees

All Berlin Hyp employees are represented in the Health and Safety Committee and are also represented in a health forum that spans all hierarchy levels.

For more information, please refer to → Management approach – employees from page 25.

### GRI 403-2 | Injuries, occupational diseases, lost days and work-related fatalities

Illness and accidents	2015	2016
Number of accidents	5	8
Total working days lost	67	202
Longest period of working days lost due to an accident (in days)	20	54
Total illness frequency (in %)	6.18	6.01
Long-term illness frequency (in %)	1.58	1.02

These figures are currently not recorded by region and gender.

### GRI 403-3 | Workers with high incidence or risk of diseases

There are no positions at Berlin Hyp that result in an increased incidence or risk of diseases.

### GRI 403-4 | Occupational health and safety agreements with trade unions

Berlin Hyp does not negotiate occupational health and safety directly with trade unions. Instead, it negotiates these issues with the Bank's Works Council in accordance with statutory requirements.

## Education and Training

### **GRI 103-1, 103-2, 103-3 | Management approach – training and education**

For more information, please refer to → **Management approach – employment from page 25.**

### **GRI 404-1 | Average hours of training (UNGC: Principle 6)**

Employees spent an average of 23.4 hours receiving training and education during the reporting year; management personnel spent an average of 32.7 hours on such activities.

### **GRI 404-2 | Programmes that support the continued employability of employees (UNGC: Principle 6)**

In line with our personnel development concept, we offer employees and management personnel specially tailored programmes. The trainee programme prepares four new trainees for their careers every year. The dual study programme has supported a maximum of four students every year since 2016. Employees are offered promotion programmes that support and provide funding for a programme of study at well-known institutions. Management personnel can attend coaching sessions and spend a week working at a social institution as part of the “SeitenWechsel®” programme to support their personal development.

### **GRI 404-3 | Percentage of employees receiving regular performance and career development reviews (UNGC: Principle 6)**

All employees except those on parental leave or suffering from long-term illness, for example, receive annual performance reviews and corresponding training.

## Diversity and Equal Opportunity

### **GRI 103-1, 103-2, 103-3 | Management approach – diversity and equal opportunity**

For more information, please refer to → **Management approach – employment from page 25.**

### **GRI 405-1 | Composition of governance bodies and breakdown of employees by aspects of diversity (UNGC: Principle 6)**

Women made up 49.7 per cent of all employees during the reporting year as at 31 December 2016. At 27 per cent, the proportion of women in the first management level below the Board of Management exceeded the stipulated target of 21 per cent. The target of 27 per cent for women in the second level was not met, with women making up only 24 per cent. This was due to structural changes at the Bank, which resulted in the elimination of some management positions.

A total of 6.3 per cent of all employees had severe disabilities in 2016.

No data is currently being recorded for other diversity aspects.

## Non-Discrimination

**GRI 103-1, 103-2, 103-3 | Management approach – non-discrimination**  
For more information, please refer to → **Management approach – employment from page 25.**

### **GRI 406-1 | Incidents of discrimination and corrective actions taken (UNGC: Principle 6)**

No incidents were reported in 2016.

## Freedom of Association and Right to Collective Bargaining

**GRI 103-1, 103-2, 103-3 | Management approach – freedom of association and right to collective bargaining (UNGC: Principle 3)**

For more information, please refer to → **Management approach – screening on human rights from page 30.**

**GRI 407-1 | Locations and suppliers identified at which the right to exercise freedom of association has been violated or is at risk, and measures taken**

The cooperation between employer and employees is characterised by a partnership of trust; the same is also required of our suppliers and contractors.

There were no reports of any violations of or risks to the freedom of association during the reporting year.

## Human Rights Screening

**GRI 103-1, 103-2, 103-3 | Management approach – human rights (human rights screening, local communities, evaluation of suppliers with respect to social impact) (UNGC: Principles 1, 2)**

Berlin Hyp is committed to protecting human rights in all aspects of its business operations. We acceded to the UN Global Compact in 2015 to set an example, both inside and outside the Bank. Berlin Hyp is putting the following two UN Global Compact human rights principles into practice in a targeted manner:

- Businesses should support and respect the protection of international human rights.
- Companies should ensure that they are not complicit in human rights abuses.

In order to implement these principles, Berlin Hyp has adopted a series of guidelines, such as the human rights, diversity and inclusion guidelines, from which we derive specific measures (→ **see Management approach – employment from page 25**).

We also expect our contractors and suppliers to act in line with the principles of the UN Global Compact and human rights, particularly with regard to the following:

- Preventing child labour
- Free choice of employment
- Freedom of association
- Non-discrimination

We have set down corresponding principles and requirements in a sustainability agreement. Contractors and suppliers must

- agree to be bound by them,
- ensure that they are implemented in their entirety and at all times and
- relay them along their supply chain and confirm compliance.

Berlin Hyp's Purchasing employees can check contractors and suppliers on the basis of random samples or ad-hoc questionnaires. Such checks may be performed unannounced and at any time in accordance with prevailing legislation. These employees look into the existence of fundamental sustainability structures, compliance with the principles as well as the correctness of the information submitted. Any significant violations of the principles and requirements, both those committed within the company itself or along the outsourced supply chain, must be

immediately and voluntarily reported. Employees of suppliers may use Berlin Hyp's whistleblowing system to directly inform the Compliance Officer of any violations. In the event of violations, Berlin Hyp reserves the right to agree to mutual plans of action or ultimately terminate contracts. Berlin Hyp may also monitor the progress of the plan of action without informing the other party.

**GRI 412-1 | Operations that have been subject to human rights reviews**

Our business activities are restricted to Europe. However, in the event we were to operate outside Europe, we would then allow ourselves to be guided by internationally recognised environmental and social consideration standards.

**GRI 412-2 | Employee training on human rights issues**

Staff Office and Purchasing employees received training, which also focused on human rights. Seven employees attended this 90-minute training session.

**GRI 412-3 | Significant investment agreements and contracts that include human rights clauses or screening**

By financing real estate, particularly green buildings, Berlin Hyp makes an important contribution to enhanced and productive infrastructure in Germany and its neighbouring European countries, and is thereby also satisfying the UN Sustainable Development Goal "Make cities inclusive, safe, resilient and sustainable". Through its capital market products, Berlin Hyp also provides investors with a secure form of investment. Furthermore, Berlin Hyp has specified requirements and procedures to responsibly manage economic and social risks as well as risks arising from inadequate corporate governance in its ordinary business operations. Berlin Hyp has also excluded business activities relating to certain critical industries.

## Local Communities

**GRI 103-1, 103-2, 103-3 | Management approach – local communities (UNGC: Principles 1, 2)**

For more information, please refer to → **Management approach – screening on human rights from page 30.**

**GRI 413-1 | Local communities**

Berlin Hyp does not operate outside Europe, meaning there is no need for any special protection of local communities.

**GRI 413-2 | Operations with potential negative impacts on local communities**

Our business activities are restricted to Europe. However, in the event we were to operate outside Europe, we would then allow ourselves to be guided by internationally recognised environmental and social impact standards.

## Evaluation of Suppliers with Respect to Social Impact

**GRI 103-1, 103-2, 103-3 | Management approach – evaluation of suppliers with respect to social impact (UNGC: Principles 1, 2)**

For more information, please refer to → **Management approach – screening on human rights from page 30.**

**GRI 414-1 | Percentage of new suppliers that were screened using environmental criteria**

By signing our sustainability agreement at the conclusion of the contract, our suppliers and contractors are obligated to improve the societies in which they operate by promoting human rights, improving economic, environmental and social conditions, and requiring that their contractors and suppliers do the same.

No random-sample screenings were performed during the reporting year. Such screenings will be performed from 2017.

**GRI 414-2 | Negative social impacts on human rights in the supply chain and measures taken**

Berlin Hyp procures all of its goods and services from European countries. Approximately 90 per cent come from Germany. The sustainability performance of our suppliers is ensured through confirmation of our comprehensive sustainability requirements. Our contractors and suppliers complete questionnaires to determine whether they have, in fact, implemented our sustainability requirements; the correctness of the information submitted is verified using random-sample checks.

## Politics

**GRI 103-1, 103-2, 103-3 | Management approach – politics (UNGC: Principles 10)**

Out of principle, Berlin Hyp does not directly influence political decision-making processes. We do not employ any third parties for the purpose of cultivating political contacts or to influence the formation of public opinion.

However, Berlin Hyp does indirectly participate in the formation of public opinion as a result of its memberships in various associations as is customary in the industry. These contribute to political and public opinion-forming through their publicly available charters of associations and their missions (→ see also [GRI 102-13](#)).

**GRI 415-1 | Total value of political contributions**

Generally, Berlin Hyp does not make any contributions to politicians, political parties or affiliated organisations.

## Advertising and Labelling Products and Services

**GRI 103-1, 103-2, 103-3 | Management approach – advertising and labelling products and services**

Berlin Hyp only provides ethical products and services. We provide our customers with responsible and forward-looking advice in line with their needs; benefits and risks are communicated clearly.

Our products and services must always meet the following requirements:

- They contribute to sustainable development as defined by the United Nations' Sustainable Development Goals.
- They serve the individual without detriment to the general good. Their development always takes the principles of the UN Global Compact into account.
- They are always transparent and easy to understand.
- Our written information regarding products and services and our marketing material must include all significant details on the offer presented to the customer for the purpose of evaluating the offer; this information must be presented in a comprehensible manner.

We do not offer or provide products or any consultation regarding any products that do not meet these requirements. Furthermore, some of our products, such as our green bond programme and impact reporting, are regularly reviewed by external third parties within the scope of a second-party opinion.

In order to communicate fairly and transparently, Berlin Hyp takes into account the fundamental principles of the "ICC Consolidated Code of Advertising and Marketing Communications Practice" (ICC Code Marketing) of the International Chamber of Commerce. The Code contains



specific recommendations for all marketing-relevant areas, including issues such as sales promotions, sponsoring, direct marketing, advertising and marketing using digital and interactive media.

The ICC Code Marketing's recommendations are enshrined in three fundamental principles:

- Marketing communication should always be legal, decent, honest and truthful.
- Marketing communication should always be prepared with an appropriate sense for social and professional responsibility and should be in line with the fair competition principles that are generally accepted in the business world.
- Marketing communication should never damage the public's trust in marketing.

Communication and Marketing is responsible for applying these principles, with employees informing the appointed marketing service provider, for example, to ensure that the marketing is responsible.

Berlin Hyp has also established its own complaints management system, which aims to steadily increase customer satisfaction levels. These are checked on a regular basis by analysing all of the complaints received during a specific period. The results of these analyses are made available to the Board of Management and Legal. All complaints regarding securities services are also reported to Compliance, as these must be reported to the German Federal Financial Supervisory Authority (BaFin) pursuant to Section 34 d (1) German Securities Trading Act (WpHG).

#### **GRI 417-1 | Principles/procedures for product and service information and labelling**

For more information, please refer to → **Management approach – advertising and labelling products and services from page 32.**

#### **GRI 417-2 | Incidents of non-compliance with regulations and voluntary codes of conduct concerning product and service information and labelling**

There were no incidents reported in 2016.

#### **GRI 417-3 | Incidents of non-compliance with regulations and voluntary codes of conduct concerning advertising**

There were no incidents reported in 2016.

## Protection of Customer Privacy

#### **GRI 103-1, 103-2, 103-3 | Management approach – protection of customer privacy**

Berlin Hyp collects, processes and uses a large amount of personal data relating to customers and business partners. This data serves the Bank's general operating activities and allows the Bank to provide customers with tailored advice and support.

Personal data must be handled carefully, in accordance with the law and in line with clear rules so that we do not lose the trust that our customers place in us. This means that it must always be clear who receives what information – both within the Bank itself and in our dealings with customers and business partners.

Berlin Hyp's Data Protection Officer is required to monitor the proper use of data processing programmes with which personal data is to be processed. Specifically, the Data Protection Officer is required to monitor

compliance with technical and organisational measures. For example, it must be clear who entered what personal data and when, and who had access to what personal data and when.

Our employees' awareness of data protection is particularly important given the rapid evolution of modern information and communication technology. All employees receive guidance on how to deal with data protection, as people continue to play a vital role when it comes to data security – despite all technical precautions. This is followed by self-learning training on data protection. Furthermore, pursuant to the Federal Data Protection Act (BDSG), all employees are informed of and required to comply with the legal provisions pertaining to the protection of personal data; this is generally performed when employees are hired. Employees are required to maintain data secrecy even beyond their employment at the Bank.

All employees are required to ensure that no data entrusted to them is passed on to unauthorised third parties. Data may also not be falsified or destroyed. The Data Protection Officer must be informed immediately if an employee becomes aware of non-compliance with data protection provisions.

#### **GRI 418-1 | Substantiated complaints regarding breaches of customer privacy**

No complaints in connection with the protection of customer data were received in 2016.

## Socio-Economic Compliance

#### **GRI 103-1, 103-2, 103-3 | Management approach – socio-economic compliance (UNGC: Principle 10)**

For more information, please refer to → **Management approach – compliance from page 18.**

#### **GRI 419-1 | Significant fines concerning the provision and use of products and services**

There were no pending fine procedures during the reporting period.

# Imprint

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## **Editor's Note**

For the purposes of improved readability, this document foregoes the simultaneous use of masculine and feminine linguistic forms. All terms referring to persons apply to both sexes.