

2017 GRI Disclosures of DZ BANK AG

Contents

2017 GRI Disclosures of DZ BANK AG		3
1	GRI content index	3
2	102 General Disclosures	4
2.1	Organizational profile	4
2.2	Strategy	8
2.3	Ethics and integrity	9
2.4	Governance	10
2.5	Stakeholder engagement	10
2.6	Reporting practice	13
3	200 Economic standards	15
3.1	201: Economic Performance	15
3.2	203: Indirect Economic Impacts	18
3.3	205: Anti-corruption	20
3.4	206: Anti-competitive behavior	23
4	300 Environmental standards	23
4.1	301: Materials	23
4.2	302: Energy	24
4.3	303: Water	26
4.4	305: Emissions	26
4.5	306: Effluents and waste	29
4.6	307: Environmental Compliance	30
4.7	308: Supplier environmental assessment	30
5	400 Social standards	32
5.1	401: Employment	32
5.2	402: Labor/Management Relations	33
5.3	403: Occupational health and safety	34
5.4	404: Training and education	35
5.5	405: Diversity and Equal Opportunity	37
5.6	406: Non-discrimination	39
5.7	412: Human Rights Assessment	39
5.8	413: Local Communities	41
5.9	414: Supplier Social Assessment	41
5.10	415: Public Policy	43
5.11	417: Marketing and Labeling	43
5.12	418: Customer Privacy	44

5.13	419: Socioeconomic Compliance	44
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6	Financial services sector disclosures	45
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6.1	Product Portfolio	45
6.2	Audit	48
6.3	Active Ownership	48

2017 GRI Disclosures of DZ BANK AG

DZ BANK AG's report on its sustainability activities in 2017 under the standards of the Global Reporting Initiative (GRI, 2016 version) is prepared using the 'in accordance with Core' option.



1 GRI content index

102-45, 102-48, 102-49

This Sustainability Report covers the essential developments in, and progress made by, DZ BANK AG in the area of sustainability for the reporting year 2017. It builds on the Sustainability Report for 2016 and is intended for all our stakeholders. Since 2008, DZ BANK AG 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, 2017 but for especially significant events the period has been extended up to the publishing deadline of April 30, 2018. Qualitative and quantitative data has been collected locally at departmental level, amalgamated in a central database, and analyzed by the Communication, Marketing, CR division. 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. The 2017 Management Report contains a list of DZ BANK's shareholdings and principal shareholdings (subsidiaries and joint ventures) (p. 191 et seq. and p. 204 et seq.). 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 Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU) [German Association for Environmental Management and Sustainability in Financial Institutions]. We report on our coverage of the environmental KPIs accordingly. This report was prepared in accordance with the GRI Standards: Core option. We used a materiality analysis to identify the material topics. 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. There were no re-statements of information in the reporting year. The 2017 report is published online. There was also no change in reporting in comparison with previous reports. In the interests of readability, we have not written out the bank's full legal name. The next Sustainability Report is scheduled to appear in 2019.

2 102 General Disclosures

2.1 Organizational profile

102-1 Name of the organization

DZ BANK AG Deutsche Zentral-Genossenschaftsbank

102-2 Activities, brands, products, and services

The DZ BANK Group includes Bausparkasse Schwäbisch Hall, DZ HYP, DZ PRIVATBANK, R+V Versicherung, TeamBank, Union Investment Group, VR Smart Finanz, and various other specialized institutions.

DZ BANK is responsible for supporting the business of the many independent cooperative banks in their regions and strengthening their competitiveness. Our range of products and services extends from classic and innovative products, structuring, and issues, to trading and sales in the equity and bond markets. DZ BANK also acts as a corporate bank, supporting companies and institutions that need a nationwide banking partner. Within its retail banking business, DZ BANK offers a comprehensive range of investment services.

DZ BANK's corporate banking business incorporates joint credit business with the cooperative banks and direct business with medium-sized companies and major corporate customers.

DZ BANK's transaction banking business encompasses all services relating to payments processing and makes up a significant proportion of bulk payments in Germany. The range of mobile payment services for customers of the local cooperative banks has been further expanded. Also part of DZ BANK's transaction banking business are services relating to credit cards and cash, as well as securities processing and the administration of development loans.

102-3 Location of headquarters

Frankfurt am Main, Germany

102-4 Location of operations

In addition to its headquarters in Frankfurt, DZ BANK is represented at thirteen other locations in Germany (Berlin, Dresden, Düsseldorf, Hamburg, Hannover, Karlsruhe, Koblenz, Leipzig, Munich, Münster, Nuremberg, Oldenburg, Stuttgart). It also operates branches in the financial centers London, New York, Hong Kong, and Singapore and has six representative offices in Asia, Europe, and South America.

102-5 Ownership and legal form

DZ BANK is a stock corporation (Aktiengesellschaft, AG) under German law. Cooperative banks hold 94.4 percent of the shares in DZ BANK. Other cooperative organizations hold a further 4.9 percent, while private individuals and other shareholders own 0.7 percent.

102-6 Markets served

DZ BANK's markets correspond to its customer groups:

- Cooperative banks within the territory
- Large corporate customers
- Institutional customers
- Independent retail investors (financial experts who put together their own portfolios)

Our primary market is Germany. We also provide advice and support to our customers in other countries via our international offices.

102-7 Scale of the organization

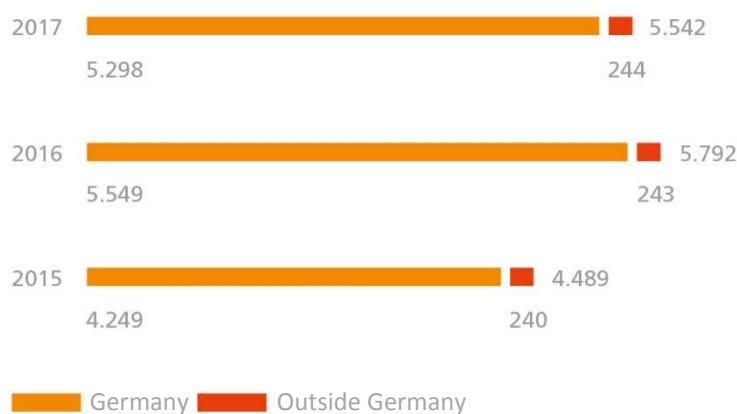
In 2017, DZ BANK had an average of 5,482 employees working at its offices in Germany and around the world and its total assets amounted to €252 billion as at December 31, 2017. Operating profit for the year came to €598 million; equity stood at €10,504 million. Deposits from banks and deposits from customers totaled €127,591 million and €31,489 million respectively. All key financials can be found in the 2017 Annual Financial Statements and Management Report.

102-8 Information on employees and other workers

Use of working-time models (as at December 31)

%	2017	2016	2015
Flexible working hours	100.0	100.0	100.0
Full-time	80.8	81.4	81.0
Part-time	19.2	18.6	19.0
Virtual offices	12.9	12.0	9.6
Sabbatical	0.0	0.0	0.1
Semi-retirement	1.8	1.9	2.8

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.

Breakdown by employment type in 2017: Employees who are not subject to collective pay agreements: 3,887 (2016: 3,988; 2015: 3,349); subject to collective pay agreements: 1,655 (2016: 1,804; 2015: 1,140).

Breakdown by seniority in 2017: Managers as at December 31, 2017 (excluding members of the Board of Managing Directors): 660 (2016: 660; 2015: 510); employees as at December 31, 2017 (incl. trainees and inactive staff): 4,882 (2016: 4,952; 2015: 3,825).

102-9 Supply chain

Back in 2010, DZ BANK updated the existing standards to include new minimum social and environmental standards and integrated them into its purchasing processes. These standards, which apply to all entities in the

DZ BANK Group, provide a framework that specifies the financial, environmental, and social characteristics needed for a supplier relationship to be sustainable, for example with regard to human rights and working practices. 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 2017, 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 environmental impacts, and other areas. Since 2013, all of our suppliers' sustainability performance data has been recorded in a database. A breach of the environmental and social standards stipulated in the sustainability agreement may ultimately lead to a supplier being suspended.

102-10 Significant changes to the organization and its supply chain

Following the merger of DZ BANK and WGZ BANK in 2016, there were no significant changes to the organization and its supply chain in the reporting year.

102-11 Precautionary Principle or approach

Responsible lending is an integral element of DZ BANK's business model. All relevant sustainability aspects are addressed systematically as these may be subject to high risks. Since as long ago as March 2009, we have been checking all loan applications (e.g. traditional loans, project finance, and trading limits) to ensure that they comply with sustainability criteria. We use our inhouse sustainability checklist for this. Loans to cooperative banks and to entities in the DZ BANK Group are exempt from the checks, as are exposures that are being restructured. Further exemptions apply to certain product types in the joint credit business with the cooperative banks, to loans under blanket approval agreements, and to exposures that are below the rating threshold. We have been capturing the results since July 2011.

Furthermore, we have been applying the Equator Principles in project finance business since 2013. And in 2014 and 2017, we introduced rejection criteria for loan applications. In 2015, a new working group began to create a standardized basis for sustainability in the lending business throughout the DZ BANK Group. Since 2017, all employees who handle financing inquiries have been required to complete our new online training course on sustainable lending. For a detailed overview of opportunity and risk management, see page 44 et seq. in the 2017 Annual Financial Statements and Management Report of DZ BANK AG.

102-12 External initiatives

We joined the United Nations Global Compact back in 2008, thereby committing to ten universally accepted principles, which include respecting human rights and employee rights, protecting the environment, and preventing bribery and corruption. These principles are an important guide for our behavior. We support them and apply them to all areas of our business (www.unglobalcompact.org).

The equity research team at DZ BANK supports the Responsible Investing Commission of the Deutsche Vereinigung für Finanzanalyse & Asset Management (DVFA) [Society of Investment Professionals in Germany], which in recent years has improved the key performance indicators for measuring companies' performance on environmental, social, and governance issues.

In January 2013, DZ BANK made a commitment to implement the Equator Principles for managing social and environmental risk in project finance and to report on its activities in this regard.

As one of the 380 original signatories to the 'Joint declaration on the family as a success factor' in May 2008, we are firmly committed to a family-friendly HR policy.

We signed the diversity charter presented by the German government and German industry in November 2011. In 2013, to ensure that our HR policy remains family-oriented, we were re-audited for the 'berufundfamilie' work and family certificate. In 2014, DZ BANK signed the Charter for the Compatibility of Work and Care in Hessen, which was created as part of the Hessen-based Compatibility of Work and Care initiative.

DZ BANK is a founding member of the Deutscher Derivate Verband (DDV) [German Derivatives Association] and actively works with other issuers to promote greater transparency in the retail banking market. In 2013, the members of the DDV published a fairness code, a voluntary commitment regarding business activities in relation to the structuring, issuance, marketing, and trading of structured securities such as investment certificates and warrants.

DZ BANK, along with four other leading financial institutions, undertook to promote an ethical basis for management remuneration in a joint policy paper published in July 2013. The aim is to design remuneration systems to be transparent, eliminate misguided incentives, and consider the long-term conditions for lasting success in business. DZ BANK has thus recommitted itself to a system of governance that is value-driven and geared to success. The [policy paper](#) can be accessed online.

In accordance with the regulatory requirements, the remuneration system for the Board of Managing Directors for the 2018 calculation period onwards was amended to comply with the provisions of the new version of the German Regulation Governing Remuneration at Institutions (InstitutsVergV), which came into effect in August 2017.

102-13 Membership of associations

We express our voice as a financial institution by engaging in dialog with political bodies and with society at large. We primarily do this via the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks]. Our representative office in Berlin also engages in political and social dialog on our behalf.

Since 2013, DZ BANK has been publicly committed, as a signatory investor of the CDP (Carbon Disclosure Project), to assuming greater responsibility for the issues of climate change and water in the investment world.

DZ BANK joined Frankfurt's ECOPROFIT club at the end of 2014, having previously been awarded ECOPROFIT certification from the City of Frankfurt. ECOPROFIT stands for 'ecological project for integrated environmental technology' and aims to encourage companies to systematically take steps that protect the environment but also reduce costs.

In June 2011, we joined the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU) [German Association for Environmental Management and Sustainability in Financial Institutions], which facilitates the sharing of knowledge and experience in the sector.

We are also a member of European bodies that are dedicated to promoting the cooperative principle in Europe and around the world, such as the European Association of Cooperative Banks (EACB) and the Unico Banking Group.

The Brussels-based Confédération Internationale des Banques Populaires (CIBP) provides us with a further platform. The CIBP is a non-governmental organization that represents banks, financial institutions, and bank associations whose common objective is to support the development of small and medium-sized enterprises and individual customers. It serves as a forum for dialog and collaborative activities.

We also engage with politicians at local level. In 2017, for example, we again participated in the Frankfurt Main Finance initiative, which aims to boost Frankfurt's appeal as a financial center.

Our Compliance Office represents DZ BANK as a guest member of the Bundesverband Öffentlicher Banken Deutschlands (VÖB) [Association of German Public Banks].

To provide guidance for customers, the issuers, investors, and environmental associations have drawn up guidelines that set out a model issuance process for green 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 green bond market. To date, more than 100 issuers, underwriters, and investors have signed up to the GBP, including DZ BANK.

DZ BANK is a founding member of the Deutscher Derivate Verband (DDV) [German Derivatives Association] and actively works with other issuers to promote greater transparency in the retail banking market. The DDV is a body representing the 15 leading issuers of derivatives in Germany. It lays down guidelines for structuring, issuing, selling, marketing, and trading in derivatives, thus providing minimum standards that are designed to offer investors security and cement their trust in issuers' offers. In October 2013, for example, the DDV adopted a fairness code aimed at making products and costs transparent for investors. This new fairness code contains much stricter guidance for structured securities than the previous derivatives code.

DZ BANK uses its active membership of the Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA) [Society of Investment Professionals in Germany] as a trend barometer and to publicize its own topics of interest. The bank assists, for example, with the work of the DVFA commission on responsible investing, whose aims include the (further) development of sustainability standards and the internationalization of ESG reporting. This also affords it the opportunity to foster dialog with other organizations such as the International Integrated Reporting Council (IIRC).

DZ BANK is a member of the German Global Compact Network along with more than 350 other companies, including DAX enterprises, SMEs, and small specialist firms, as well as charities, research institutes, and public-sector organizations. Together they form the German Global Compact Network (DGCN).

Notable memberships of academic organizations:

- German Benefactors' Association for Science and Learning
- Center for Financial Studies (CFS)
- Market Economy Foundation
- Frankfurt Institute for Risk Management and Regulation
- German Equities Institute
- E-Finance Lab
- Institute for Banking and Financial History Research
- German Historical Information Center for the Cooperative Movement

Membership of cultural organizations:

- Städel Museum
- Frankfurt University of Music and Performing Arts
- Alte Oper
- Deutsche Oper am Rhein

2.2 Strategy

102-14 Statement from senior decision-maker

Dear reader,

As the central institution for the cooperative financial network, we are guided by cooperative principles and by our values of drive, integrity, and trust – both in our day-to-day work and in our engagement with sustainability.

2017 was an important year for sustainability. For the first time, large corporations and corporate groups were required to disclose non-financial information as part of their corporate reporting. This was after the European Union's CSR directive was implemented in German law and incorporated into the German Commercial Code. The new version of the Minimum Requirements for Risk Management (MaRisk) published by Germany's financial services regulator now also explicitly states that financial institutions must have a code of conduct for employees. Above all, these developments show that sustainability is increasingly becoming an integral component in the assessment of a company's future viability.

This is good news for DZ BANK AG: As a leading financial services provider in the field of sustainability, one whose C+ prime status was re-confirmed by rating agency oekom research at the beginning of 2018, we have been reporting on our sustainability performance and on non-financial aspects for ten years now. We also introduced a code of conduct at DZ BANK AG back in 2012.

Of course, this doesn't mean that we are resting on our laurels. We want to do even better, including at group level. In 2017, we made significant progress with the DZ BANK Group's climate strategy and adopted it at the beginning of 2018. We also want to pass on our experience within the group and learn from each other, for example through sustainability workshops with cooperative banks and through our work in the Group Corporate Responsibility Committee. In our core business, too, we want to do more to address environmental and social aspects and to develop specific products and services that promote sustainable economic development. For example, we offer a sustainability screening service for the own-account investments of the cooperative banks.

This report will give you an overview of DZ BANK AG's sustainability engagement in 2017.

Kind regards,

Wolfgang Kirsch
Chief Executive Officer of DZ BANK AG

2.3 Ethics and integrity

102-16 Values, principles, standards, and norms of behavior

Acting responsibly is a key corporate objective for DZ BANK and is part of its identity as a cooperative institution. We are guided by the common values of drive, integrity, and trust that are embodied in our mission statement and that we fleshed out into a code of conduct in 2011. The code of conduct was introduced in 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.

By signing up to the United Nations Global Compact in 2008, we also committed to ten universally accepted principles of responsible conduct that we report on regularly. In the area of compliance, regulatory developments are regularly transposed into internal policies (e.g. conflict of interest policy, gift policy, rules on employee transactions) and are brought together in a compliance handbook. The credit risk strategy provides the framework for our lending. Analysis of economic, environmental, and social aspects already forms an integral part of this. We are also guided by international standards such as the Equator Principles in our project finance and lending businesses, and even our own sector-specific principles make reference to internationally recognized standards.

In 2012, DZ BANK set up a working group on policies and standards as part of the DZ BANK Group's sustainability market initiative. The aim was to establish groupwide standards for sustainable supplier relationships. Also that year, the working group drew up a common framework that specified economic, environmental, and social dimensions applicable across the group for a sustainable supplier relationship.

2.4 Governance

102-18 Governance structure

Our Board of Managing Directors, which has nine members, manages the bank and is responsible for the development of corporate strategy. It is monitored by DZ BANK's Supervisory Board. Of the shareholder representatives who sit on the Supervisory Board, nine are elected by the Annual General Meeting and one is appointed by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks]. In accordance with the German Codetermination Act (MitbestG), the members of the Supervisory Board also include ten employee representatives. The Supervisory Board and its committees work closely with DZ BANK's Board of Managing Directors, including in an advisory capacity. The Board of Managing Directors notifies the Supervisory Board of any relevant developments at the earliest possible stage. 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. DZ BANK's integral position within the cooperative financial network means that it has a special relationship with its owners, which are also its most important customers. Numerous events, such as the Autumn conferences, and committees, such as the Banking Advisory Councils, are used to integrate them into our communications and strategic decision-making.

2.5 Stakeholder engagement

102-40 List of stakeholder groups

Together with the local cooperative banks, which are both our owners and our customers, our stakeholders include customers, employees, business partners, analysts, and investors as well as trade associations, the media, political decision makers, and academia. We also hold regular discussions with various non-governmental organizations so that we can address their questions and concerns.

102-41 Collective bargaining agreements

As at December 31, 2017, DZ BANK in Germany had 3,887 employees who are not subject to collective pay agreements (70.1 percent) and 1,655 employees whose pay is collectively negotiated (29.9 percent).

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 and allow them to share in the bank's success. The remuneration system of the former WGZ BANK will be continued temporarily and will operate in parallel to the remuneration system of DZ BANK. A common and standardized remuneration system is scheduled to be progressively introduced from 2018.

In 2014, DZ BANK and the entities in the DZ BANK Group approved a common remuneration strategy for the DZ BANK Group that is updated annually. This enables us to meet the regulatory requirements and also to

achieve the planned level of transparency regarding the remuneration systems within the group entities. The entities that are subject to reporting requirements under the German Remuneration Transparency Act meet these requirements and, for the first time, have published a report on equality and equal pay.

102-42 Identifying and selecting stakeholders

To manage our bank as effectively as possible, we need the deepest possible understanding of our stakeholders' social, environmental, and economic expectations. To this end, DZ BANK defined stakeholders that are of particular relevance to us as part of its materiality analysis.

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

- Among our most important stakeholders are the cooperative banks, which are both our customers and our owners, 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 and rating agencies as well as from academia and politics.

102-43 Approach to stakeholder engagement

The Annual General Meeting takes place once a year and is when resolutions are adopted. Shareholders are eligible to vote if they are entered and registered in the share register. Various formats facilitate dialog and communication with the cooperative banks, which are both our owners and our customers. The Autumn conferences and meetings of the regional Banking Advisory Councils have a particular strategic significance in this context. Many established dialog formats with the cooperative banks are being continued or optimized. The founding of the DZ BANK Group's Central Advisory Council in 2018 is of particular strategic importance. The Central Advisory Council aims to ensure that the cooperative banks are involved in the DZ BANK Group's important strategic decisions (to the extent permitted by the German Stock Corporation Act). The Central Advisory Council comprises around 35 members from the Boards of Managing Directors of cooperative banks plus other important representatives from within the cooperative financial network. The purpose of the Central Advisory Council is to facilitate in-depth discussion and dialog on key strategic issues in the DZ BANK Group. It also addresses the design of new products and services and the way these are marketed to cooperative banks and their customers. The Central Advisory Council is able to make recommendations to the Board of Managing Directors of the DZ BANK Group. The constituent meeting of the Central Advisory Council took place in March 2018.

Last year, we again stepped up the level of dialog with the Volksbanken Raiffeisenbanken – the local cooperative banks – on sustainability-related matters. In June 2017, for example, DZ BANK organized a sustainability workshop highlighting examples of best practice at individual cooperative banks and featuring a talk on CSR reporting requirements.

In accordance with the German Codetermination Act (MitbestG), the members of the Supervisory Board also include ten employee representatives. Topics related to sustainability performance are addressed by the group-wide sustainability market initiative and by the communications and marketing functions responsible for sustainability matters. They are also directly addressed in dialog with customers of the divisions.

The cooperative banks are surveyed every two years on their overall satisfaction. The most recent survey was conducted in spring 2018.

Our analysts bring sustainability to the attention of institutional investors in Germany and other countries by giving talks at conferences and by organizing roadshows for customers focused on sustainability. These events take place several times a year.

Since 2009, DZ BANK has periodically (every two to three years) conducted its employee survey 'DZ Meinungs-Spiegel' in order to find out as much as possible about employees' wishes, expectations, and needs. The results 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 addition, employees of the cooperative banks are offered fact-finding trips and visitor programs for them to learn more about DZ BANK. We also regularly meet with political representatives to discuss matters such as the Frankfurt Main Finance initiative, which aims to make the city a more attractive financial hub, including through dialog with the Hessen regional government. In sum, we enter into dialog with all of our stakeholders, aiming to address each and every one of them in equal measure by means of our reporting cycle.

See 102-46 for information on how stakeholders are involved in the preparation of the report.

102-44 Key topics and concerns raised

Of key importance to DZ BANK are the needs of the cooperative banks as its customers and owners. Their requirements relating to sustainable practices and to responsible and sustainability-focused financial products and services are addressed in the development of strategies and products.

In 2017, we:

- continued to provide advice and support to the cooperative banks, in particular through workshops
- published guidelines that inform the cooperatives about the implementation of sustainability activities and about the CSR reporting requirements coming into force from 2017
- invited 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
- continued developing the DZ BANK Group's climate strategy
- commenced our online training in sustainable lending.

For 2018, we have undertaken to:

- conduct a second groupwide stakeholder survey
- review and optimize the management of sustainability data
- publish our first non-financial group declaration
- continue developing the common standards and processes for purchasing within the DZ BANK Group
- revise the internal sustainability checklist for lending
- expand our range of sustainable products
- provide all relevant colleagues with training on sustainable lending.

We have also set ourselves the goal of further improving our internal policies and standards. In addition, we plan to manage sustainability data more professionally across the group.

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. In the autumn of 2017, the Board of Managing Directors also decided to reject all future project financing applications for coal-fired power plants.

To further increase employees' awareness of product-relevant sustainability issues, we have developed an online training course on sustainability in the lending process. Since 2017, all employees who handle financing inquiries have been required to complete our new online training course on sustainable lending. 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. The employee survey 'DZ MeinungsSpiegel' is both a tool for measuring staff loyalty and satisfaction (Organizational Commitment Index, OCI) and the basis for division-specific and bank-wide initiatives.

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 in the Capital Markets Retail Clients division. 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. Customer complaints are documented and are reported on regularly.

We also regularly feature the latest news about sustainability at DZ BANK on our WerteWelt (world of values) sustainability website (www.wertewelt.dzbank.de).

Strategic decisions factor in the results of the many approaches for integrating the various stakeholders. Topics that according to our materiality analysis are of particular relevance to our stakeholders (see 102-46) are addressed in detail in our reports.

The DZ BANK Group has not offered products based on agricultural commodities since spring 2013. This decision was made by the bank in consultation with stakeholders in the cooperative financial network.

2.6 Reporting practice

102-45 Entities included in the consolidated financial statements

DZ BANK is part of the DZ BANK Group and also functions as the group's holding company. The DZ BANK Group includes Bausparkasse Schwäbisch Hall, DZ HYP, DZ PRIVATBANK, R+V Versicherung, TeamBank, Union Investment Group, VR Smart Finanz, and various other specialized institutions. Within the cooperative financial network, DZ BANK functions both as the central institution for over 900 cooperative banks and their 12,000 or so branch offices and as a corporate bank. It is responsible for supporting the business of the cooperative banks and strengthening their competitiveness. The strategic and operational work of DZ BANK is split into five business segments and 28 divisions. The 2017 management report contains a list of DZ BANK's shareholdings and principal shareholdings (subsidiaries and joint ventures) (p. 191 et seq. and p. 204 et seq.).

102-46 Defining report content and topic Boundaries

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. The first groupwide stakeholder survey on our sustainability activities, conducted in 2015, 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 2015 groupwide stakeholder survey was based on the guidelines of the Global Reporting Initiative (GRI). Our sustainability team 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. 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.

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'.

Together with the local cooperative banks, which are both our owners and our customers, our stakeholders include customers, employees, business partners, analysts, and investors as well as trade associations, the media, political decision makers, and academia. We also hold regular discussions with various non-governmental organizations so that we can address their questions and concerns. We try to ensure that we maintain a balance of internal and external stakeholders, with whom we have a strong mutual relationship.

For reasons of comparability and transparency, the Sustainability Report has been prepared in accordance with the guidelines issued by the Global Reporting Initiative (GRI).

102-47 List of material topics

Material aspects and boundaries

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)		

w = material aspects within the bank; o = material aspects outside the bank.

102-48 Restatements of information

There were no re-statements of information in the reporting year.

102-49 Changes in reporting

In 2017, there were no changes in reporting in comparison with previous reports.

102-50 Reporting period

We have included events with particular relevance to the 2017 Sustainability Report up to the press date of April 30, 2018. The key figures mentioned relate to the 2017 financial year (January 1 to December 31, 2017).

102-51 Date of most recent report

The previous Sustainability Report, for 2016, was published in August 2017.

102-52 Reporting cycle

The Sustainability Report is published annually. The next Sustainability Report will appear in 2019.

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102-54 Claims of reporting in accordance with the GRI standards

This report was prepared in accordance with the GRI Standards: Core option.

102-55 GRI content index

The GRI content index provided is the detailed version.

102-56 External assurance

The 2017 Sustainability Report has not been audited by a third party.

3 200 Economic standards

3.1 201: Economic Performance

103: Management Approach (including 103-1, 103-2, 103-3)

Our overriding aim is to generate long-term, stable earnings – in the interest of our customers, employees, and society. This takes priority over the pursuit of short-term profits. We adhere to this policy even in turbulent times by focusing on our core activities and constantly expanding the range of products we offer to the cooperative banks. Our role is to enhance the competitive position of the many independent cooperative banks in the German market. Our sustainability rating system, growing portfolio of sustainable investment products, and financing for renewable energies mean that we are taking far-reaching corporate social responsibility while at the same time securing the future viability of our institution. We – and the DZ BANK Group – adopt the principle that risk should be incurred only to the extent required to achieve strategic goals, provided the risk appears manageable.

For information on economic performance, see 201-1 and page 16 et seq. of the 2017 Annual Financial Statements and Management Report of DZ BANK AG.

201-1 Direct economic value generated and distributed

DZ BANK AG's operating profit before loss allowances (under HGB) amounted to €584 million in 2017 (2016: €827 million). Net income for the year came to €570 million (2016: €323 million); total assets stood at €252 billion. DZ BANK paid out a total of €550 million in wages and salaries in 2017 (2016: €586 million) and spent €93 million on occupational pensions and other employee benefits (2016: €91 million).

DZ BANK donated a total of €657,304 in 2017. Approximately 43.8 percent of our donations went to academic research and education. 6.3 percent of the donations were made to political organizations.

Breakdown of donations by area

%	2017	2016	2015
Academic research & education	43.8	61.9	52.8
Social causes	21.7	22.4	25.4
Arts	25.2	9.6	6.8
Politics	6.3	4.3	10.9
Sport	3.0	1.8	4.1
Total amount donated (€)	657,304	693,736	413,341

201-2 Financial implications and other risks and opportunities due to climate change

In 2014, the entities in the DZ BANK Group set up a standing committee, the Group Corporate Responsibility Committee. The committee is made up of the sustainability coordinators and communications managers from the various entities and meets six times a year. The Group Corporate Responsibility Committee reports to the Group Coordination Committee.

Outcomes from these activities have included, for example, the introduction of groupwide supplier standards, a common database structure, an internal climate study, and a joint climate strategy, which was adopted at the beginning of 2018. We signed the UN Global Compact on behalf of the entire DZ BANK Group.

Climate change and environmental protection are key concerns for DZ BANK. 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 DZ BANK AG's total CO₂ emissions across all sites by 15 percent by 2020 (compared with the base year 2012) and progressively make DZ BANK carbon neutral. Furthermore, a target has been set under the groupwide climate strategy of reducing total CO₂ emissions of the group entities by 80 percent by 2050 (compared with the base year 2012).

But climate change is not only a consideration in our internal processes; it also affects product development. We see ourselves as a provider of funding for the switch to renewable energy sources and offer products and advisory services that reflect this. DZ BANK's current lending volume in the renewable energies segment is approximately €4.8 billion. The cooperative financial network as a whole is one of the main funding partners for the energy transition in Germany.

Lending and project finance are the main areas where we encounter risk. Our lending process includes a sustainability check, which considers not only environmental standards but also social and ethical principles. The investigations that we carry out in sensitive areas are particularly thorough, and we have implemented sectoral rules for forestry, extractive industries, dam projects, and maritime industries that we regularly improve and update.

DZ BANK uses the fundamental sustainability checklist to assess loan applications from the agribusiness and livestock farming sectors. We also support issuers that want to use green bonds to raise capital for socially re-

sponsible, environmentally friendly, or sustainability-oriented projects and markets. The total volume of bond issues with environmental, social, and/or sustainable objectives that were supported by DZ BANK as the lead underwriter amounted to €3.75 billion in 2017.

In January 2013, DZ BANK made a commitment to implement the Equator Principles, a set of guidelines drawn up by international project finance institutions, and to report on its activities in this regard. By signing up to this voluntary undertaking, we have shouldered our responsibility for the environment and society.

Furthermore, we adopted a policy in 2017 that provides a common basis for sustainability in the lending business throughout the DZ BANK Group.

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. 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 2015, we approved 1,450 loan applications that had undergone a 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.

When it comes to development lending, DZ BANK supports 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, alongside innovation and digitalization, will continue to be a mainstay of our sales activities for development lending in 2018.

In 2017, DZ BANK's development lending amounted to €11.1 billion, which was slightly above the 2016 level of €10.9 billion. 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 €8.1 billion. With a share of 22 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 16.9 percent market share of the commercial environmental sector and a 28.8 percent share of the retail sector. Above all, this performance was driven by public-sector programs for energy-efficient construction and renovation work.

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. The cooperative model has proved its worth in both the expansion of renewable energies and the increase in energy efficiency. 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 €4.8 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, along with public interest in energy generation from renewable sources.

Wind power continues to have the most potential in Germany and will remain the focus of our renewable energies lending in the future. DZ BANK's development lending business is also still helping to reduce energy usage in Germany through the funding of better insulation, heating technology, and other advances.

It is only logical that we should do business in a way that has the least possible adverse impact on the climate. This allows us to demonstrate our corporate social responsibility while cutting DZ BANK's energy costs.

DZ BANK is not directly exposed to climate change risk as it does not sell any products or operate any sites that would be directly affected by climate change. Furthermore, it focuses on the German market, which is generally less at risk.

It is not currently possible to make a further quantitative assessment of negative environmental impacts.

201-3 Defined benefit plan obligations and other retirement plans

More than 90 percent of our employees are based in Germany and by law are well protected by a social security net when they retire or if they fall ill. In addition, DZ BANK provides numerous voluntary benefits, some of which are also available to employees in our locations outside Germany (London, New York, Hong Kong, and Singapore). We offer a range of voluntary benefits to employees in Germany, including a pension scheme, a subsidized local travel card or travel allowance, a subsidy for child day-care costs, contingency benefits, group accident insurance, and financial support for surviving dependants. All company benefits are available to full-time and part-time staff alike. In 2012, we expanded this offering by adding a further personal pension product.

Staff expenses amounted to €643 million in 2017. A total of €550 million was spent on wages and salaries. Social security, post-employment, and other employee benefit expenses came to €93 million in 2017. Of this amount, €26 million was explicitly attributable to pension provision.

Further information on defined benefit obligations and the pension fund can be found on pages 25, 142, 143, 149, 150, and 162 of the 2017 Annual Financial Statements and Management Report of DZ BANK.

The most important voluntary benefit provided by DZ BANK continues to be occupational pension provision, which also matters greatly to our employees. In 2017, over 77 percent of employees took the opportunity to pay some of their salary directly into the occupational 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 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.

201-4 Financial assistance received from government

DZ BANK did not receive any government subsidies.

3.2 203: Indirect Economic Impacts

103: Management Approach (including 103-1, 103-2, 103-3)

DZ BANK's donations and charitable activities, including those undertaken by its foundation, have indirect economic impacts.

It was more than ten years ago that DZ BANK declared the renewable energies sector to be one of its key growth areas. The bank's total lending volume in this sector now stands at around €4.8 billion. With its commitment to the development of renewable energies, DZ BANK, together with the cooperative banks, is making a significant contribution to the switch to alternative energy sources in Germany, from the building of infrastructure to the installation of new higher-performance facilities. At the same time, DZ BANK's development lending business is helping to ensure a reduction in energy usage in Germany through the use of better insulation, heating technology, and other advances. Through our criteria for lending and project finance, we also promote adherence to minimum standards of sustainability among our customers.

203-1 Infrastructure investments and services supported

DZ BANK provides project finance to the infrastructure and energy sectors as well as to public-private partnerships (PPPs). The use of private capital and expertise to deliver public infrastructure projects has become a growth market.

In a number of European countries, partnerships between public and private investors, known as public-private partnerships (PPP), have become a successful model for funding socially important projects in recent years. DZ BANK often works with other partners in the cooperative financial network and the public sector to finance the construction of roads and other transport infrastructure, schools, hospitals, and administrative buildings.

The DZ BANK microfinance fund was established by employees in the year 2000 with the aim of supporting 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 then grant microloans to economically active individuals who run small businesses but do not have access to conventional banks.

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.

During the course of 2017, the collaboration between the DZ BANK microfinance fund and two microfinance institutions in Tanzania and Ghana was ended. The one-year extension to the guarantees sought in each case was not achieved. The Tanzanian microfinance institution was shut down by the banking regulator because loan defaults were threatening it with insolvency. DZ BANK's fund-backed bank guarantee had expired at this point and was not taken up. The Ghanaian microfinance institution, which grants microloans to female market stallholders in the Accra metropolitan region, ran into difficulties because of an incident of fraud but managed to ensure its continued existence through its own efforts. The guarantee was not taken up and was returned by the beneficiary bank. Instead of a new guarantee, however, the microfinance institution then wanted the DZ BANK microfinance fund to directly invest some of its own capital. The fund decided against making an equity investment because of legal uncertainties. In 2018, we will be looking to find new microfinance institutions to work with in Africa and other regions. We want to continue the collaboration with Oikocredit International that commenced in 2016. Oikocredit is an international, socially minded fund management company based in the Netherlands 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 invested part of its fund assets in Oikocredit International. In 2018, we will continue to seek international partners for cooperation.

At the end of 2017, the DZ BANK microfinance fund had 251 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. DG HYP joined 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.

The key areas in which we donate are educational, academic, cultural, and social causes. Besides local activities in and around Frankfurt, we support projects near our other sites throughout Germany. In exceptional cases, we also make donations to international causes. DZ BANK donated €657,304 in 2017.

203-2 Significant indirect economic impacts

As the central institution for the local cooperative banks, DZ BANK has indirect economic impacts not only on the economy as a whole but also on the population in its capacity as an employer.

The volume of new business generated by DZ BANK and the cooperative banks just for development loans from Germany's KfW development bank came to €8.1 billion in 2017. With a share of 22.0 percent of all loans made by KfW, DZ BANK was the development bank's biggest single customer. Measured by volume with KfW, DZ BANK has a 16.9 percent market share of the commercial environmental sector and a 28.8 percent share of the retail sector. Above all, this performance was driven by public-sector programs for energy-efficient construction and renovation work.

Compared with the country-wide development programs run by Germany's KfW development bank, the programs of the federal states' own development banks have become less important over the past two years. These now account for only a quarter of DZ BANK's entire development lending volume. In the case of the largest state development bank, L-Bank in Baden-Württemberg, DZ BANK's market share reached 29.6 percent in 2017. In September 2017, the cooperative sector's market share at LfA Förderbank Bayern, the Bavarian development bank, stood at 30.3 percent and at NRW.Bank, the development bank for North-Rhine Westphalia, it was 24 percent.

We also make a positive contribution on economic development at micro level, through our microfinance fund which focuses on Africa.

3.3 205: Anti-corruption

103: Management Approach (including 103-1, 103-2, 103-3)

The wide-ranging remit of the Compliance division covers the following areas: anti-money laundering and fraud prevention, capital market compliance, and corporate compliance. The Compliance division also serves as a center of expertise for data protection.

The anti-money laundering and fraud prevention team develops and implements safeguards against money laundering, the financing of terrorism, and fraud. It is also responsible for implementing the Anti-Money Laundering Act and other legislation relevant to money laundering internally within DZ BANK and for formulating rules that stipulate how the bank's employees are to act and conduct themselves. In addition, the Compliance division, as the central interface for the DZ BANK Group and the foreign branches of DZ BANK, defines and monitors adherence to common standards that are designed to prevent money laundering and fraud.

The capital market compliance team is responsible for advising the departments on national and European regulatory requirements and for ensuring compliance with all securities regulations. The capital market compliance employees also carry out checks on the departments that are subject to the regulations, draw up internal policies, and train staff on the relevant national and European requirements.

The corporate compliance team formulates the compliance standards for DZ BANK AG, for the branches in Germany and other countries, and for the entities in the DZ BANK Group. It is responsible for the governance of compliance at group level. The team also advises departments, branches, and group entities with regard to the implementation of these requirements and checks whether they are being adhered to while also focusing on risk.

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.

Guaranteeing confidentiality is an extremely valuable asset and also an important basis for establishing a trust-based business relationship for all our customers. Under the principle known as informational self-determination, the German Basic Law gives all citizens the right to determine how their personal data is used and to whom it is

divulged. As well as granting every citizen this right, the legislation offers protection against the misuse of data and safeguards privacy.

205-1 Operations assessed for risks related to corruption

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Each division of DZ BANK has appointed a permanent point of contact who, in cooperation with the Audit division and the Compliance division, ensures that the necessary action steps are effectively integrated and applied to the division's processes.

DZ BANK's code of conduct, introduced in 2012, contains various measures to prevent fraud. These include guidelines for declaring gifts as well as a whistleblowing hotline and training. In 2012, we also rewrote our written procedures for fraud prevention to include guards against corruption and market price manipulation within the meaning of section 25c of the German Banking Act (KWG).

The Compliance division 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.

We include all sites in the annual risk analysis, which we are required to carry out by law. No significant risk of corruption was identified in the 2017 risk analysis.

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 too. The average rate of participation in training is 99 percent. We also offer seminars on specific topics, such as investment advice and the management of conflicts of interest. In 2012, we introduced a software program that examines all trades for market price manipulation. In addition, a multi-level process within DZ BANK ensures that employees adhere to the statutory requirements aimed at preventing insider trading.

We introduced follow-up courses on fraud prevention for employees and managers in April 2014.

205-2 Communication and training about anti-corruption policies and procedures

Compliance training

Total number of participants	2017	2016	2015
Compliance for banks (incl. follow-up courses)*		1,199	2,489
Prevention of money laundering (incl. follow-up courses)	3,206	2,130	3,175
Ban on market price manipulation (incl. follow-up courses)**	468	445	584
Fraud prevention for managers (incl. follow-up courses)***	125	512	67
Fraud prevention for employees (incl. follow-up courses)***	728	4,115	491

* The 'Compliance for banks' course was not offered in 2017.

** 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.

All employees of DZ BANK are required to use the compliance and money-laundering hotline to report any potential wrongdoing directly to the Compliance division.

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 too. The average rate of participation in training is 99 percent. We also offer seminars on specific topics, such as investment advice and the management of conflicts of interest. In 2012, we introduced a software program that examines all trades for market price manipulation.

We introduced follow-up courses on fraud prevention for employees and managers in April 2014.

205-3 Confirmed incidents of corruption and actions taken

In 2007, DZ BANK introduced a conflict of interests policy setting out how to handle potential conflicts of interest. The bank uses it to inform customers of possible conflicts of interest and inducements. Specific conflicts of interest are disclosed to recipients of financial analyses who are simultaneously making use of other banking services, for example. The Compliance division is also responsible for initiating and monitoring the action steps. DZ BANK's comprehensive gift policy came into effect on July 1, 2010 with the aim of preventing acts of bribery by means of gifts, benefits, or other inducements. To help guard against white-collar crime and protect employees from undue influence, a whistleblowing hotline is available to employees to anonymously report their suspicions to either an internal or external ombudsman. This information is passed on to a whistleblower committee in accordance with data protection requirements. The committee then evaluates the suspicions and initiates the necessary action steps.

We include all sites in the annual risk analysis, which we are required to carry out by law. No significant risk of corruption was identified in the 2017 risk analysis.

In its role as central institution, DZ BANK processes international payments for many local cooperative banks. One of the services that it offers as part of this remit is identifying and reporting any suspicious transactions that arise. The suspicious transaction reports were submitted to the relevant Landeskriminalamt (LKA) [State Office of Criminal Investigation] and the Bundeskriminalamt (BKA) [Federal Office of Criminal Investigation] or the Zentralstelle für (Geldwäsche-)Verdachtsmeldungen (FIU) [Financial Intelligence Unit].

3.4 206: Anti-competitive behavior

103: Management Approach (including 103-1, 103-2, 103-3)

No actions were brought in relation to anti-competitive behavior, anti-trust, and monopoly practices during the reporting period.

206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices

No actions were brought in relation to anti-competitive behavior, anti-trust, and monopoly practices during the reporting period.

4 300 Environmental standards

4.1 301: Materials

103: Management Approach (including 103-1, 103-2, 103-3)

We do not directly consume any materials as our bank does not manufacture any products. Our consumption is mainly restricted to printer and copier paper. To reduce the amount of paper and other resources that we use, we are putting measures in place that include efforts to implement paperless offices. And for brochures and letters, for example, we primarily use paper bearing the FSC® Mix label. See 301-1 and 301-2.

301-1 Materials used by weight or volume

Paper for the printers and photocopiers accounts for the largest proportion of consumables used at DZ BANK.

Since 2014, data for all offices and an increased number of paper types has been included in our environmental database. This broader base data means we can now report on total paper consumption. Up to 2013, only paper for printers and photocopiers was included in the total.

In 2017, the total weight of all the printer and copier paper that we used across all paper types came to 284 tonnes. Only paper that is FSC®-certified (Forest Stewardship Council) is used in photocopiers. At least 50 percent of the fiber for this paper is from responsibly managed forests.

Each FTE used an average of around 31kg of printer and copier paper in 2017, which is roughly 10kg less than in 2016.

In 2014, we also began to track consumption of other types of paper (e.g. envelopes, greeting cards, sympathy cards, toilet paper). Each FTE consumed an average of 29kg of these in the reporting year.

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.

We have been mainly using goods bearing the FSC® Mix label for brochures and office paper for a number of years now. In 2011, we also switched to FSC®-certified products for standard copier paper and now only use paper from responsibly managed sources instead of chlorine-free paper. In the same year, we began using an external service provider that keeps our printers supplied with toner and ink cartridges and disposes of the empty ones.

We do not directly consume any materials as our bank does not manufacture any products.

301-2 Recycled input materials used

Since 2011, we have exclusively been using paper bearing the FSC Mix label (100 percent) for standard photocopying. When we are purchasing office supplies, we pay special attention to environmentally friendly product features, such as products that are made from renewable resources or those that use returnable systems. We give preference to them if it is justifiable from a cost perspective.

We are unable to provide a percentage breakdown of the recycled input materials that we use as these are not separately recorded at present.

4.2 302: Energy

103: Management Approach (including 103-1, 103-2, 103-3)

Under our sustainability program, we have set ourselves the goal of reducing our electricity consumption and therefore also our CO₂ emissions related to energy use. We want to achieve this through targeted measures.

To heat its offices, DZ BANK mainly uses eco-friendly district heating instead of heating oil and gas, which means that its only direct consumption of fossil fuels is in connection with company cars. See 302-1.

DZ BANK's products do not have any direct impact on energy efficiency and energy requirements. However, DZ BANK does actively seek to provide finance to the renewable energy sector and is continually expanding its advisory work to achieve this goal. It also brokers development loans from Germany's KfW development bank, some of which are used for making properties more energy efficient.

We also have been trying to reduce CO₂ emissions through our business travel policy for a number of years. See 302-4.

302-1 Energy consumption within the organization

To heat its offices, DZ BANK mainly uses eco-friendly district heating instead of heating oil and gas, which means that its only direct consumption of fossil fuels is in connection with company cars. Last year, 59,600 liters of gasoline were used to fuel company cars (2016: 19,950 liters) along with 888,307 liters of diesel (2016: 978,056 liters). This amounted to 13,435,104 kWh in fuel consumption, equivalent to 33,584 GJ.

Since 2010, all major offices of the pre-merger DZ BANK, including Frankfurt, Berlin, Hannover, Karlsruhe, Stuttgart, and Munich – have obtained electricity generated from renewable sources. Moreover, our offices are mainly heated with district heating, which further reduces our impact on the environment and climate. We are looking to reduce our total CO₂ emissions even more in the future. Our target is to lower them by a further 15 percent by 2020 (compared with the base year 2012).

Electricity and heating consumption

Kilowatt hours (kWh)	2017	2016	2015
Electricity consumption			
Total electricity consumption	32,208,132	32,540,079	25,520,138
of which green electricity	32,036,926	26,853,320	25,460,258
Individual electricity consumption (kWh per FTE)	6,734	6,496	6,651
Heating consumption			
Total heating consumption	18,563,309	18,742,731	13,152,631
Individual heating consumption (kWh per FTE)	3,881	3,742	3,428

We use the conversion values of the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU) [German Association for Environmental Management and Sustainability in Financial Institutions] as a basis for our calculations so that we are also able to factor in upstream and downstream processes.

302-3 Energy intensity

In 2017, our total energy consumption from electricity, heat, and fuel came to 64,702,497 kWh. This resulted in an energy intensity level of 13,528 kWh or 46 GJ per FTE.

302-4 Reduction of energy consumption

Our electricity consumption for 2017 fell by 1.03 percent year on year to reach 32,208,132 kWh. Within that total, the amount of green electricity that was used compared with 2016 increased by around 19.3 percent. Electricity consumption per FTE came to 6,734 kWh.

Heating consumption was also reduced, from 18,742,731 kWh to 18,563,309 kWh.

For a number of years, we have been trying to reduce CO₂ emissions through our business travel policy, which is continuously being updated and amended, most recently in April 2018. The aim is to promote eco-friendly travel. Under this policy, business trips are only permitted if their business purpose cannot be achieved by other means, e.g. by telephone or video conference. Flights within Germany are only approved if they are essential for scheduling reasons or if they are cheaper than traveling by train. In addition, public transportation should be used in preference to the car. Besides the business travel policy, DZ BANK's company car policy is helping make business travel more environmentally friendly by stipulating that only the most modern, clean vehicles are used. 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. In 2018, we are launching an electric vehicles pilot project. During the first phase of the project, up to ten company cars will be replaced by electric-powered cars. New vehicles will be purchased for this project and charging points will be installed in the underground car park of our Westend 1 building. In addition, one vehicle from our company fleet in Düsseldorf that has reached the end of its useful life will be replaced with a purely electric-powered vehicle.

We want to encourage our employees to make greater use of low-emission public transportation for their commute to work. That is why we offer them a financial incentive in the form of a subsidized travel card or a travel subsidy, depending on regional availability.

Use of public transportation

	2017	2016	2015
Number of employees, Germany	5,298	5,549	4,249
Public transportation users, total	3,643	3,627	3,056
Travel subsidy recipients	763	471	471
Regional travel card users	2,616	2,917	2,413
Deutsche Bahn travel card users	236	239	172
Public transportation users** (%)	68.79	65.36	71.92

* DZ BANK employees in Germany, including trainees.

** Adjusted value, including retrospectively for prior years.

Business travel

'000 kilometers/%	2017	2016	2015

Total business travel ('000km)	36,644	35,757	24,094
Individual business travel ('000km per FTE)	7.7	7.1	6.3
Of which by train (%)	42	40	27
Of which by air (%)	16	14	19
Of which by private car (%)	3	3	3
Of which by company car (%)	37	40	46
Of which by rental car (%)	3	3	5

In addition, we have been reporting our indirect impacts in accordance with the Greenhouse Gas Protocol (GHG) since 2013. This allows us to also log our indirect CO₂ emissions and to work on minimizing them.

4.3 303: Water

103: Management Approach (including 103-1, 103-2, 103-3)

DZ BANK only uses drinking water provided by regional suppliers. See 303-1 to 303-3.

303-1 Water withdrawal by source

DZ BANK only uses drinking water provided by regional suppliers.

Water consumption

cubic meters (m ³)	2017	2016	2015
Total water consumption	94,022	104,938	91,109
Individual water consumption (m ³ per FTE)	20	21	24

303-2 Water sources significantly affected by withdrawal of water

Our water consumption (as described under 303-1) does not have any significant impact on water sources.

303-3 Water recycled and reused

We generally only produce waste water that is comparable with household effluents and it is not reused or recycled.

4.4 305: Emissions

103: Management Approach (including 103-1, 103-2, 103-3)

Our aim is to keep our environmental impact to a minimum. We have particularly identified opportunities to reduce it at our headquarters in Frankfurt. DZ BANK's environmental management program is making a concerted effort to realize these opportunities. In so doing, it is helping to reduce not only environmental impact, but also costs. With the environmental protection measures we are taking, we want to show our colleagues, customers, and other stakeholders just what improvements are possible.

Through our climate strategy, we are setting ourselves new targets aimed at making us more efficient. We adopted the strategy at the beginning of 2018 together with the group entities. The DZ BANK Group's climate strategy is targeting an 80 percent reduction in CO₂ emissions over the period 2009 to 2050.

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, the use of local produce in our cafeteria, and the recycling by ReFood of organic waste to generate clean energy. We are also continually working on models to reduce water consumption throughout the bank.

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 CO₂ emissions.

Where it is not possible to avoid CO₂ emissions, we want to increasingly offset them in order to minimize our environmental footprint. Since 2010, for example, we have been offsetting the CO₂ emissions produced by one of our most important major events – Investment Dialog – through emissions certificates. In 2017, a reforestation project in Bolivia was funded in this way.

We have set ourselves the target of reducing CO₂ emissions at DZ BANK AG by 15 percent by 2020 (compared with the base year 2012) and progressively making DZ BANK carbon neutral.

We have also changed how we calculate CO₂ emissions and, since 2013, for all KPIs, have used the conversion values of the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU) [German Association for Environmental Management and Sustainability in Financial Institutions]. This has enabled us to considerably improve the conversion accuracy and set a clear benchmark for ourselves. We also calculate our impact on the climate in accordance with the Greenhouse Gas Protocol (GHG), scopes 1, 2, and 3. This calculation helps us to show the volume of indirect CO₂ emissions produced by our business activities.

We have switched over the biggest offices of the pre-merger DZ BANK AG – Frankfurt, Berlin, Hannover, Stuttgart, and Munich – to electricity generated from renewable sources. For a number of years, we have been trying to reduce CO₂ emissions through our business travel policy. Our aim is to promote eco-friendly travel, for example through an electric vehicles pilot project at our Frankfurt office. During the first phase of the project, up to ten company cars will be replaced by electric-powered cars. New vehicles will be purchased for this project and charging points will be installed in the underground car park of our Westend 1 building. In addition, one vehicle from our company fleet in Düsseldorf that has reached the end of its useful life will be replaced with a purely electric-powered vehicle.

Ozone-depleting substances, NO_x, SO_x, and other air pollution emissions are not relevant for DZ BANK because we do not manufacture any products.

305-1 Direct (Scope 1) GHG emissions

DZ BANK's total volume of direct greenhouse gas emissions (GHG) came to 3,307 tCO₂e in 2017. Direct GHG emissions therefore amounted to 691kg per FTE. In our calculations, we use the conversion values of the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU) [Association for Environmental Management and Sustainability in Financial Institutions].

Since 2011, we have also been collecting data on the CO₂ emissions from our employees' business travel. Direct greenhouse gas emissions in this area include those produced by company cars, which amounted to 3,734 tonnes of CO₂ in 2017 (2016: 3,945 t).

CO₂ emissions from electricity and heating

Kilograms (kg)	2017	2016	2015
Total CO₂ emissions: electricity	418,482	6,836,379	243,444
Individual CO ₂ emissions (kg per FTE)	87	1,365	63
Total CO₂ emissions: heating	3,601,282	3,636,090	2,551,610

Individual CO ₂ emissions (kg per FTE)	753	726	665
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The CO₂ emissions generated by company cars are calculated by determining the amount of energy (fuel) that they consume. For sites where it is not possible to specify a conversion factor for certain indicators, we use the conversion values of the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU) [German Association for Environmental Management and Sustainability in Financial Institutions].

305-2 Energy indirect (Scope 2) GHG emissions

DZ BANK's total volume of indirect greenhouse gas emissions (GHG) came to 2,980 tCO₂e in 2017. Indirect GHG emissions therefore amounted to 623kg per FTE. In our calculations, we use the conversion values of the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU) [Association for Environmental Management and Sustainability in Financial Institutions].

Under our sustainability program, we have set ourselves the goal of reducing our electricity consumption and therefore also our CO₂ emissions related to energy use. All our major offices therefore obtain carbon-free electricity generated from renewable sources. Since 2013, we have recorded data for all offices of the pre-merger DZ BANK, adopting the conversion values of the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU) [Association for Environmental Management and Sustainability in Financial Institutions]. By way of explanation, the VfU conversion values also factor in the upstream and downstream processes involved in the use of green electricity.

305-3 Other indirect (Scope 3) GHG emissions

Since 2011, we have also been collecting data on the CO₂ emissions from our employees' business travel. Following the merger-related increase in 2016, employees' business travel fell to 4,262 tonnes of CO₂ in 2017 (2016: 5,279 t).

CO₂ emissions from business travel (kilograms (kg)) in 2017

Company cars	3,734,343
Rental cars/pool cars, total	719,393
Total by rail	65,449
Total by air	721,807

For a number of years, we have been trying to reduce CO₂ emissions through our business travel policy, which is continuously being updated, most recently in April 2018. The aim is to promote eco-friendly travel. Under this policy, business trips are only permitted if their business purpose cannot be achieved by other means, e.g. by telephone or video conference. Flights within Germany are only approved if they are essential for scheduling reasons or if they are cheaper than traveling by train. In addition, public transportation should be used in preference to the car. Besides the business travel policy, DZ BANK's company car policy is helping make business travel more environmentally friendly by stipulating that only the most modern, clean vehicles are used. 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. In 2018, we are launching an electric vehicles pilot project. During the first phase of the project, up to ten company cars will be replaced by electric-powered cars. New vehicles will be purchased for this project and charging points will be installed in the underground car park of our Westend 1 building. In addition, one vehicle from our company fleet in Düsseldorf that has reached the end of its useful life will be replaced with a purely electric-powered vehicle. To encourage our employees to use public transportation, we offer them a financial incentive in the form of a subsidized travel card or a travel subsidy, depending on regional availability. Employees who live too far away to take local public transportation can also travel by train at discounted prices thanks to our framework agreement with Deutsche Bahn. Around 65 percent of our employees used public transportation to get to and from work in 2017.

305-4 GHG emissions intensity

Taking into account Scope 1 to Scope 3 GHG emissions, our GHG emissions intensity stood at 2,206 tCO₂e per FTE in 2017.

305-5 Reduction of GHG emissions

The green electricity used at the sites of the former DZ BANK AG in Frankfurt, Berlin, Hannover, Stuttgart, and Munich is obtained solely from renewable sources such as hydropower, wind power, and photovoltaics. Our German sites are therefore supplied almost entirely with green electricity, allowing us to meet and go beyond our target for reducing CO₂ emissions using this method by as early as 2011. CO₂ emissions rose significantly following the merger with WGZ BANK in 2016, but then fell dramatically in 2017 (electricity, 2017: 418 t; 2016: 6,836 t; heating, 2017: 3,601 t; 2016: 3,636 t).

In 2017, not only did our electricity consumption decline overall, but the proportion of this consumption accounted for by green electricity increased substantially (from 82 percent to nearly 100 percent). However, individual electricity consumption per FTE rose from 6,496 kWh to 6,734 kWh. Overall heating consumption was reduced slightly, from 18,742 kWh to 18,563 kWh.

In order to further reduce our CO₂ emissions and our use of electricity and heating, we are focusing on the efficiency of our buildings. In 2017, the lighting in the underground parking garage at our Cityhaus II office in Frankfurt was switched to LEDs. In Cityhaus I, the cooling tower technology was replaced to improve energy efficiency, reduce the use of chemicals, and minimize water consumption. In 2018, corridor lighting at the West-end 1 building was switched to LEDs. The renovation of the staff cafeteria at Cityhaus II was completed in April 2018. The optimization and replacement of the heat recovery systems in the ventilation and air-conditioning equipment at our Hannover offices was completed in 2017. At our Düsseldorf office, ceiling lights were replaced with LEDs during the initial phase of refurbishment. LEDs are being installed on further floors in 2018.

As far as possible, we try to avoid or offset the CO₂ emissions that we can only influence indirectly.

4.5 306: Effluents and waste

103: Management Approach (including 103-1, 103-2, 103-3)

Our aim is to keep our environmental impact to a minimum. We have particularly identified opportunities to reduce it at our headquarters in Frankfurt. DZ BANK's environmental management program is making a concerted effort to realize these opportunities. In so doing, it is helping to reduce not only environmental impact, but also costs. With the environmental protection measures we are taking, we want to show our colleagues, customers, and other stakeholders just what improvements are possible.

In our updated climate strategy, we are setting ourselves new targets aimed at making us more efficient. For example, the DZ BANK Group is targeting an 80 percent reduction in CO₂ emissions over the period 2009 to 2050.

In order to facilitate recycling, in 2011 we developed a solution with which to standardize waste management throughout Germany. Since the beginning of 2012, we have been recording waste volumes at our offices in Germany – not just for paper, non-recyclable waste, and plastic but also for additional categories such as data storage media and lighting. This allows us to provide detailed information on the volume of waste we generate and to work toward gradually reducing it. See 306-2.

306-2 Waste by type and disposal method

In order to facilitate recycling, in 2011 we developed a solution with which to standardize waste management throughout Germany. Since the beginning of 2012, we have been recording waste volumes at our offices in Germany – not just for paper, non-recyclable waste, and plastic but also for additional categories such as data storage media and lighting. Since 2014, this process has included all pre-merger DZ BANK AG sites.

We collect data not only for paper but also for non-recyclable waste, commercial waste, mixed packaging, and electrical/toner/lighting. The overall volume increased compared with the prior year (from 1,088 tonnes to around 1,170 tonnes).

Volume of waste

Kilograms (kg)	2017	2016	2015
Total paper	666,774	607,818	361,262
Individual paper (kg per FTE)	139	121	94
Total electrical/toner/lighting	19,814	11,213	4,326
Individual electrical/toner/lighting (kg per FTE)	4	2	1
Total mixed packaging	75,049	56,532	45,114
Individual mixed packaging (kg per FTE)	16	11	12
Total non-recyclable	164,945	208,140	94,855
Individual non-recyclable (kg per FTE)	34	42	25
Total commercial waste	198,230	142,610	29,350
Individual commercial waste (kg per FTE)	41	28	8
Total kitchen waste	45,615	61,890	
Individual kitchen waste (kg per FTE)	10	12	
Total waste	1,170,427	1,088,203	534,907
Total individual waste (kg per FTE)	245	217	139

In 2016, data on kitchen waste was recorded for the first time at the Frankfurt office.

4.6 307: Environmental Compliance

103: Management Approach (including 103-1, 103-2, 103-3)

We comply with environmental laws and legislation as a matter of course. DZ BANK does not manufacture any products, so it is not subject to the same challenges as companies that do. No fines or sanctions were imposed on DZ BANK during the reporting period for non-compliance with environmental legislation.

307-1 Non-compliance with environmental laws and regulations

No fines or sanctions were imposed on DZ BANK during the reporting period for non-compliance with environmental legislation.

4.7 308: Supplier environmental assessment

103: Management Approach (including 103-1, 103-2, 103-3)

In 2010, DZ BANK updated the existing standards to include new minimum social and environmental standards and integrated them into its purchasing processes. These standards, which apply to all entities in the DZ BANK Group, provide a framework that specifies the financial, environmental, and social characteristics needed for a supplier relationship to be sustainable, for example with regard to human rights and working practices. 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.

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 environmental impacts, 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.

The credit risk strategy provides the framework for our lending. Analysis of economic, environmental, and social aspects already forms an integral part of this.

Since March 2009, we have been checking all lending (e.g. traditional loans, project finance, and trading limits) to ensure that it complies with sustainability criteria. This sustainability check is also based on the ten principles of the United Nations Global Compact, of which we are a signatory. Loan applications may be rejected on the basis of the results of our checks. The selection of transactions for project finance is also guided by the prevailing version of the bank's credit risk strategy. In addition to checking sustainability criteria, DZ BANK has been using a further risk mitigation policy based on the Equator Principles since September 2011. We have been applying the Equator Principles in our project finance business since January 1, 2013. Special country expertise for countries specifically subject to worldwide monitoring (for political or other reasons) is maintained by the people responsible for those countries in the bank's economics department. DZ BANK has also developed sector-specific guidelines for ecological and other sensitive industries, such as forestry and dam construction. It also applies appropriate rejection criteria when developing sustainable investment products.

Containing four main categories – social, environment, anti-corruption, and competition/tax – plus ten subcriteria and, if applicable, an additional criterion, the list ensures that all loan applications undergo a standardized check for social, ecological, and ethical aspects. Applications are given a score ranging from exemplary (1) to dubious (4). A sustainability factor is then derived from the overall results. If this factor is 3.5 or worse, the loan application is rejected. The sustainability checklist is used to set the limits for traditional loans, project finance, and trading transactions. Lending to our shareholders – the cooperative banks – is not subject to the sustainability check. Certain standardized financial products with a low risk volume undergo an appropriate risk analysis rather than the sustainability check. In addition, we do not use the sustainability check for restructuring because these cases are aimed at turnaround.

We have drawn up sectoral rules for particularly sensitive industries, such as forestry, dam construction, commodities, and maritime. They were signed off in June 2011 and provide employees involved in lending decisions with additional clear guidance alongside the sustainability checklist. DZ BANK continually reviews, adapts, and enhances its sectoral rules.

In June 2011, DZ BANK decided to officially sign up to the voluntary Equator Principles for project finance. This decision took effect on January 1, 2013. The Equator Principles were drawn up by financial institutions on the basis of the environmental guidelines of the World Bank and the social standards of the International Finance Corporation (IFC). The Principles are an internationally accepted standard and apply to lending in a volume of US\$ 10 million or more (further information: www.unglobalcompact.org, www.equator-principles.com).

308-1 New suppliers that were screened using environmental criteria

In 2010, DZ BANK updated the existing standards to include new minimum social and environmental standards and integrated them into its purchasing processes. These standards, which apply to all entities in the DZ BANK Group, provide a framework that specifies the financial, environmental, and social characteristics needed for a supplier relationship to be sustainable, for example with regard to human rights and working practices. 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.

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 environmental impacts, 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.

308-2 Negative environmental impacts in the supply chain and actions taken

In 2017, 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.

5 400 Social standards

5.1 401: Employment

103: Management Approach (including 103-1, 103-2, 103-3)

Employees are the most valuable asset of any company. That is especially true for us as a financial services provider. We show appreciation, respect, and openness in our conduct toward each other.

To live by our mission statement and its three values of drive, integrity, and trust, which we introduced in 2008, our employees have to be able to identify with them and play an active role in putting them into practice. We want to offer our employees a motivational, healthy, and secure workplace, encourage them to perform well and acquire new skills, and be an employer of choice for the next generation.

401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

We offer all our employees a wide range of benefits. As well as the basic old-age pension and sick pay enshrined in law in Germany, we provide additional voluntary benefits, some of which also apply to our locations abroad.

In addition to flexible working hours, our staff benefit from teleworking and various part-time working models. Last year, 19.2 percent of employees worked part time. Nearly 13 percent worked at least some of the time from home by way of teleworking. Internal company agreements govern other options such as semi-retirement and sabbatical leave.

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. Parent-child offices have been created at five locations. Employees also have access to a concierge service, which includes running errands and finding tradespeople.

DZ BANK employee benefits

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

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. As at the end of 2017, all 45 places were taken by children aged between eleven months and six years. The daycare center management places particular emphasis on maintaining a collaborative partnership with families and on offering children a wide range of fun physical activities.

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. Preventive courses on stress management help employees to deal with mental health problems. Employees who are faced with difficult situations at work or at home can also call on the support of an independent social counselor. A second social counselor has been covering the Düsseldorf, Koblenz, and Münster offices since May 2017. 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.

In 2012, an option to defer compensation was added to the occupational pension scheme in the form of an additional voluntary component. It allows employees to benefit from tax relief by contributing part or all of their variable compensation as a supplementary component of their pension provision in order to cover any pension shortfall.

401-3 Parental leave

During the course of 2017, a total of 295 employees (172 women and 123 men) took parental leave.

5.2 402: Labor/Management Relations

103: Management Approach (including 103-1, 103-2, 103-3)

To live by our mission statement and its three values of drive, integrity, and trust, which we introduced in 2008, our employees have to be able to identify with them and play an active role in putting them into practice. We want to offer our employees a motivational, healthy, and secure workplace, encourage them to perform well and acquire new skills, and be an employer of choice for the next generation.

402-1 Minimum notice periods regarding operational changes

We keep the employee representatives up to date with current developments at regular and timely intervals. All material issues and voluntary benefits are covered by company agreements. In addition, two or three works meetings take place annually at the individual sites. Local rules and standards apply to the branches in London, New York, Hong Kong, and Singapore.

5.3 403: Occupational health and safety

103: Management Approach (including 103-1, 103-2, 103-3)

At all its German offices, DZ BANK meets the requirements for health and safety at work prescribed by the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. It does this by implementing the provisions of the Act on Works Physicians, Safety Engineers and other Occupational Safety Specialists (ASiG) and the relevant technical standards. The health and safety officers help to improve workplace safety and prevent accidents at work by carrying out health and safety inspections at each workplace and by providing employees with relevant information. Advising our employees on ergonomics was a key focus again in 2017. Occupational health and safety experts talked to more than 750 employees either at their workstation or over the phone – and in over 75 cases, a change to the workstation was made. They also helped to assess employee workstations for health and safety risks. Work was carried out with fire prevention officers to update the fire escape, evacuation, and rescue plans for DZ BANK's offices in Frankfurt. Staff were also provided with information and instructions regarding occupational health and safety at DZ BANK AG.

The former WGZ BANK's mandatory e-learning course on occupational health and safety was updated and employed successfully at the branches in Düsseldorf, Münster, and Koblenz, and also for the first time at the branches in Hannover and Munich.

403-1 Workers representation in formal joint management-worker health and safety committees

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 a whole on the official employer-employee committee for health and safety at work. The departmental managers also participate in this committee. DZ BANK also appoints company doctors and health and safety officers as required by the German Health & Safety at Work Act. 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 2017. Occupational health and safety experts talked to more than 750 employees either at their workstation or over the phone – and in over 75 cases, a change to the workstation was made.

403-2 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender

No one who works at DZ BANK has a job that puts them at higher risk of illness or accident. In 2017, the accident at work rate was 0.9 percent. There were no work-related deaths in 2017 and no known breaches of health and safety regulations.

403-3 Workers with high incidence or high risk of diseases related to their occupation

The risk to health is low for all employees because they work in an office environment.

Alongside the preventive measures, DZ BANK's reintegration program, introduced in 2007, helps employees who have come through a long period of sickness to re-enter working life. Mental health is also covered on some training courses for managers.

Preventive courses on stress management help employees to deal with mental health problems.

Since 2008, an independent social counselor has offered support for our employees who are faced with difficult situations at work or at home. A second social counselor has been covering the Düsseldorf, Koblenz, and Münster offices since May 2017. A psychologist and psychotherapist, she advises them on how to cope with challenges and problems and provides information about preventive measures. She is also the point of contact for burnout issues and, if necessary, can quickly arrange an appointment with a specialist. In addition to counseling employees in person, she gives talks at our offices all over Germany on topics such as mental agility and addiction. DZ BANK also has an anti-addiction policy, a joint project between the social counselor and the health management team that provides professional advice and support to employees and managers who are dealing with addiction.

The health and safety officers help to improve workplace safety and prevent accidents at work by carrying out health and safety inspections at each workplace and by providing employees with relevant information.

As part of our health management system, we offer our employees in Germany all kinds of attractive sports activities, ranging from badminton to volleyball. Staff can also attend preventive classes, such as orthopedic back exercise, meditation, yoga, and autogenic training as well as special courses on healthy eating.

5.4 404: Training and education

103: Management Approach (including 103-1, 103-2, 103-3)

Demographic change will represent a huge challenge in the years to come: The average age of our workforce will rise, and we expect the number of qualified job applicants to decline. That is why we offer interesting training and career opportunities for young people. Going forward, we will be stepping up our efforts in the three areas of staff recruitment, staff retention, and staff motivation so that we can position the DZ BANK Group as an employer of choice in a changing labor market.

404-1 Average hours of training per year per employee

In 2017, our employees attended a total of 15,646 training days (2016: 12,754.5 days). This is equivalent to 125,168 hours based on an eight-hour day. The average number of professional development days per employee in Germany was 2.9 days (23.2 hours) (2016: 2.7 days).

The average number of hours per employee and employee type for 2017 can be broken down as follows: employees 104,316 hours (2016: 88,448 hours), management (excluding Board of Managing Directors and Heads of Division) 20,860 hours (2016: 13,588 hours), total 125,168 hours (2016: 102,036 hours).

Professional development days and costs (as at December 31)

Days	2017	2016	2015
Germany	15,646.0	12,754.5	14,010.0
By gender and level			
Female	6,741.0	5,213.5	5,180.5
Of which: managers	563.5	395.5	413.5
Male	8,906.0	7,541.0	8,829.5
Of which: managers	2,044.0	1,303.0	1,521.0
Per employee	2.9	2.7	3.4
By gender and level			
Female	2.9	2.6	3.0

Of which: managers	5.3	4.3	5.1
Male	2.8	2.7	3.7
Of which: managers	4.0	2.9	3.9
Professional development costs per employee (€)	1,274	1,265	1,426

404-2 Programs for upgrading employee skills and transition assistance programs

Continuing professional development is available to all employees in Germany and other countries in the form of inhouse training activities, divisional training, and external training.

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 continuing professional development (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 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.

An area of focus for CPD in 2017 was the planning and running of migration training courses in connection with the migration project. A learning platform, 'Meine Trainings' (my training courses), was also introduced. Incorporating a variety of functions, the platform integrates all seminar-related processes. There was strong demand for specialist training on topics such as banking regulation and for short-format events in the Knowledge Forum series. Eight events were offered. One of these was 'Get in contact', the DZ BANK Group's innovation day. On average, the Knowledge Forum events were attended by up to 100 employees. The events in the Management for Managers Forum series concentrated on management in the future. Of these events, the 'Management in the Future – DZ BANK Internal' workshop, in which members of the Board of Managing Directors participated, received excellent feedback. Executive management development activities focused on providing support for the integration. As a result of the merger, the number of participants tripled compared with 2016 on the programs 'Startklar' (for new managers) and 'Spurwechsel' (for managers switching to a new role). The bank's CPD program also includes division-specific training courses. In 2017, the emphasis was on continuation of the customer focus project, including the strategic CPD courses introduced in 2015, such as 'value-adding advisory excellence' and 'sales training'.

Since 2014, our staff have also been able to obtain certification from the Frankfurt School of Finance and Management for the two training series Basic Personal and Communication Skills and Advanced Personal and Communication Skills. In 2014, new training courses for project managers were added to the range of targeted CPD activities for our employees. These courses are geared to the complex requirements of project management at the bank and are based on international project management standards. Participants who complete the course receive a certificate from Deggendorf Institute of Technology.

Back in 2012, we introduced the groupwide Insights Discovery personal and organizational development system covering the fields of methodology, communications, and personal skills. It is used in management development, for example, and in a number of training courses for employees. In 2011, we introduced courses for managers and other staff called 'Success strategies for women' and '40 plus – new prospects for mid-life'. One of the ways in which we determine our employees' requirements for professional development is by holding regular meetings with the divisions. Through the Navigator Programs, we offer divisional managers a targeted development scheme featuring tailored management programs as well as training and coaching.

There is also an 18-month professional development program that prepares high-potential employees and executives for taking on demanding roles with additional responsibilities. In addition, we offer a systematic two-year development program for department and group managers.

In 2010, the DZ BANK Group launched the Corporate Campus for Management & Strategy, a platform for managerial development and strategy work that is aimed at the group's approximately 180 executive managers.

Internal employee-to-employee training is also important to us: 2017 saw the launch of reverse mentoring, in which 17 heads of department paired up with a trainee. In contrast to a traditional mentoring program, the young employees are the mentors in reverse mentoring and share their experience in using social media and technology with the managers, who benefit by strengthening their digital skills.

Our CPD program also includes Management Forum and Knowledge Forum events, which consist of a brief speech followed by a discussion. All kinds of topics are covered, such as banking matters, management issues, the latest economic trends, CPD news, and health.

Employees also have the opportunity to take sabbaticals.

404-3 Percentage of employees receiving regular performance and career development reviews

All employees and managers, irrespective of their gender or employee category, have a basic entitlement (as specified in a company agreement) to an annual appraisal meeting with their direct line managers. 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.

5.5 405: Diversity and Equal Opportunity

103: Management Approach (including 103-1, 103-2, 103-3)

We signed the diversity charter presented by the German government and German industry in November 2011. In 2017, we continued to provide new staff members and managers with training on the German General Equal Treatment Act (AGG) and we complied with our internal company agreement on the integration of people with disabilities. We signed a letter of intent in 2011 acknowledging our obligation to actively support women, to give them the same pay and conditions as men in comparable positions, and to treat them equally when selecting managers. In 2012, to achieve this goal, we launched the Vielfalt@DZ BANK (Diversity@DZ BANK) project under the patronage of Thomas Ullrich, member of the Board of Managing Directors with responsibility for Human Resources. We began by conducting an extensive analysis of the prevailing situation, and then used results of this analysis to derive further measures to promote the advancement of women. The first measures, initiated in 2012, included a dialog format for female decision-makers. Since 2013, diversity targets have also been included in managers' target agreements in order to promote the advancement of women. Currently, four of the 20 members of the DZ BANK Supervisory Board are female; 26 of the 170 Heads of Department are female, as are 98 of the 458 Heads of Group.

DZ BANK has set itself the target of further increasing the proportion of women in managerial roles. An increase in the proportion of managerial positions held by women from 15.6 percent to 19.1 percent between 2011 and 2017 is an example of its achievements so far. As one of the 380 original signatories to the 'Joint declaration on the family as a success factor' in May 2008, we are firmly committed to a family-friendly HR policy. Back in 2007, the non-profit-making Hertie Foundation awarded us the 'berufundfamilie' work and family certificate, for which we have regularly been reaudited.

405-1 Diversity of governance bodies and employees

No member of the DZ BANK Supervisory Board is younger than 30; two members are between 30 and 50 years old, and 18 are older than 50. One of the five female members of the Supervisory Board is between 30 and 50 years old; the other four are older than 50 (as at December 31, 2017).

DZ BANK firmly believes in not discriminating against people on the basis of their origin, skin color, gender, age, or physical disability. Training courses on the German General Equal Treatment Act (AGG) are obligatory for all employees and, in particular, for managers.

General demographic changes are also reflected in DZ BANK's annual employee data, which showed that the average age of our employees rose again slightly in 2017 to 45 years from 44.7 years in 2016. The proportion of employees over 50 was 38.5 percent, while 8.7 percent were under 30.

DZ BANK employed 157 trainees as at December 31, 2017. The overall ratio of trainees to employees was 2.8 percent. DZ BANK hired 95 percent of the trainees at the end of their training.

The percentage of women in the total workforce edged up from 41.9 percent in 2016 to 42 percent in 2017. The proportion of women in managerial positions stood at 19.1 percent (2016: 18.2 per cent). In 2017, the proportion of our workforce with a severe disability was 5.07 percent, which met the minimum level required by German law.

Number of employees by gender and age (as at December 31)

	2017	2016	2015
Total	5,542	5,792	4,489
Of which: male	3,214	3,367	2,608
Of which: female	2,328	2,425	1,881
By age and gender			
Under 30	483	515	433
Of which: male	233	236	204
Of which: female	250	279	229
30 to 49	2,926	3,165	2,568
Of which: male	1,657	1,819	1,488
Of which: female	1,269	1,346	1,080
50+	2,133	2,112	1,488
Of which: male	1,324	1,312	916
Of which: female	809	800	572

No member of the DZ BANK Supervisory Board is younger than 30; two members are between 30 and 50 years old, and 18 are older than 50. One of the five female members of the Supervisory Board is between 30 and 50 years old; the other four are older than 50 (as at December 31, 2017).

405-2 Ratio of basic salary and remuneration of women to men

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. Remuneration consists of a fixed element and a variable element. The variable components reward the performance of motivated staff.

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 and allow them to share in the bank's success. The remuneration system of the former WGZ BANK will be continued temporarily and will operate in parallel to the remuneration system of DZ BANK. A common and standardized remuneration system is scheduled to be progressively introduced from 2018.

In 2014, DZ BANK and the entities in the DZ BANK Group approved a common remuneration strategy for the DZ BANK Group that is updated annually. This enables us to meet the regulatory requirements and also to achieve the planned level of transparency regarding the remuneration systems within the group entities. The entities that are subject to reporting requirements under the German Remuneration Transparency Act meet these requirements and, for the first time, have published a report on equality and equal pay.

5.6 406: Non-discrimination

103: Management Approach (including 103-1, 103-2, 103-3)

Equality of opportunity is one of DZ BANK's core principles, which we also acknowledged publicly when we signed the diversity charter in November 2011. For us, equality of opportunity means treating and advancing all employees in the same way, regardless of their origin, skin color, gender, age, or physical ability. In 2017, we continued to provide new staff members and managers with training on the German General Equal Treatment Act (AGG) and we complied with our company agreement on the integration of people with disabilities. Last year, the proportion of the workforce with a severe disability was 5.07 percent, which was above the statutory minimum threshold.

406-1 Incidents of discrimination and corrective actions taken

In 2017, no complaints about our compliance with the AGG were recorded.

5.7 412: Human Rights Assessment

103: Management Approach (including 103-1, 103-2, 103-3)

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 business: mutuality, partnership, and social responsibility.

As the 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 made a fundamental commitment to ten universally accepted principles of responsible conduct, which include respecting human rights and employee rights, protecting the environment, and preventing bribery and corruption. These principles are an important guide for our behavior. We support them and apply them to all areas of our business (www.unglobalcompact.org).

DZ BANK's sustainable procurement operations are based on proactive supplier management. The minimum social and environmental standards that we expect our suppliers to comply with were developed in 2010. We integrated them into our procurement processes in 2011 and started to harmonize procurement standards across the group in 2012. A working group has developed a framework for the entities in the DZ BANK Group

that is based on the existing standards at DZ BANK and lays down the financial, environmental, and social standards needed for a supplier relationship to be sustainable.

We now use a sustainability agreement requiring both new and existing 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. 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. This includes certification and schemes for minimizing environmental impact. We base any further action to be taken on the data we collect. Since 2013, our suppliers' sustainability performance data has been recorded in a new database.

412-2 Employee training on human rights policies or procedures

The code of conduct has applied to the entire DZ BANK Group since 2014. 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.

This code of conduct formulates our philosophy of integrity and an ethics-based corporate culture. It combines internal principles with external market standards and reinforces our commitment to sustainability. To ensure our employees can work well together, it provides guidance not only on how to deal with customers and business partners but also on good corporate governance. The code thus makes an important contribution to the sustainable development of DZ BANK and helps our employees to navigate their way through the increasing array of rules and regulations.

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.

By training all employees and managers on the German General Equal Treatment Act (AGG), we fulfill our statutory duty to provide information.

In addition, we have developed an online training course on sustainability in the lending process. Launched in 2017, it is mandatory for all employees who handle financing inquiries. 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.

It is not currently possible to provide information on the exact number of training hours. We keep a record of the training courses attended but not the number of hours spent on human rights or employee rights training. The measurement method used by DZ BANK AG therefore differs from the reporting requirement.

412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

As a signatory to the Equator Principles, DZ BANK is obliged to check projects with a total lending volume of more than US\$ 10 million. The check assesses social and environmental relevance and classifies social and environmental impact as 'high', 'moderate' or 'low' risk. This classification takes place as part of the standard lending process. DZ BANK introduced appropriate provisions in the loan agreements for the affected financing as part of its implementation of the Equator Principles. Since the 2013 reporting year, we have published details in our Sustainability Report of how we apply the Equator Principles in real-world situations.

Since signing up to the Equator Principles, DZ BANK has provided appropriate training to its employees working in project finance. They also have access to handbooks, questionnaires, and other internal documentation on how to apply the Equator Principles in project finance business. The departments involved also look at the ongoing development of the principles, which are voluntary.

5.8 413: Local Communities

103: Management Approach (including 103-1, 103-2, 103-3)

Our basic cooperative principles of mutuality and partnership, solidarity, and self-determination fundamentally require us to be a good corporate citizen.

DZ BANK is firmly committed to sustainable corporate governance that pursues long-term objectives and makes sure that it complies with the law and voluntary undertakings. Only in this way can we create added value for our owners, customers, employees, and society on a permanent basis.

Our market activities are also guided by the basic cooperative principles.

We combine commercial success with commitment to the common good and a functioning social market economy. Because we are headquartered in Frankfurt and feel closely associated with it, we have a particular responsibility toward the city and the surrounding Rhine-Main region. However, we also want to contribute to sustainable development wherever it is possible to do so.

413-1 Operations with local community engagement, impact assessments, and development programs

We combine commercial success with commitment to the common good and a functioning social market economy. Because we are headquartered in Frankfurt and feel closely associated with it, we have a particular responsibility toward the city and the surrounding Rhine-Main region. However, we also want to contribute to sustainable development wherever it is possible to do so.

DZ BANK has a beneficial impact on the local community, not only as an employer but also by donating to good causes (see 203-2). In 2017, DZ BANK's donations totaled €657,304 (2016: €693,736). Our corporate citizenship activities are focused on education, academic research, and social causes, with support for children and young people in need being the primary focus. Since 1997, DZ BANK and other entities in the DZ BANK Group have backed 'Aktive Bürgerschaft', a foundation that promotes the concept of citizens' foundations in Germany.

Since April 2013, we have also 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's activities as a financial services provider do not have any adverse effects on community life, as would potentially be the case if it had manufacturing operations, for example. Consequently, there are no programs for evaluating such effects.

413-2 Operations with significant actual and potential negative impacts on local communities

DZ BANK's activities as a financial services provider do not have any adverse effects on community life, as would potentially be the case if it had manufacturing operations, for example. Consequently, there are no programs for evaluating such effects.

5.9 414: Supplier Social Assessment

103: Management Approach (including 103-1, 103-2, 103-3)

In 2010, DZ BANK updated the existing standards to include new minimum social and environmental standards and integrated them into its purchasing processes. These standards, which apply to all entities in the DZ BANK Group, provide a framework that specifies the financial, environmental, and social characteristics needed for a supplier relationship to be sustainable, for example with regard to human rights and working practices. 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.

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 environmental impacts, 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.

The credit risk strategy provides the framework for our lending. Analysis of economic, environmental, and social aspects already forms an integral part of this.

Since March 2009, we have been checking all lending (e.g. traditional loans, project finance, and trading limits) to ensure that it complies with sustainability criteria. This sustainability check is also based on the ten principles of the United Nations Global Compact, of which we are a signatory. Loan applications may be rejected on the basis of the results of our checks. The selection of transactions for project finance is also guided by the prevailing version of the bank's credit risk strategy. In addition to checking sustainability criteria, DZ BANK has been using a further risk mitigation policy based on the Equator Principles since September 2011. We have been applying the Equator Principles in our project finance business since January 1, 2013. Special country expertise for countries specifically subject to worldwide monitoring (for political or other reasons) is maintained by the people responsible for those countries in the bank's economics department. DZ BANK has also developed sector-specific guidelines for ecological and other sensitive industries, such as forestry and dam construction. It also applies appropriate rejection criteria when developing sustainable investment products.

Containing four main categories – social, environment, anti-corruption, and competition/tax – plus ten subcriteria and, if applicable, an additional criterion, the list ensures that all loan applications undergo a standardized check for social, ecological, and ethical aspects. Applications are given a score ranging from exemplary (1) to dubious (4). A sustainability factor is then derived from the overall results. If this factor is 3.5 or worse, the loan application is rejected. The sustainability checklist is used to set the limits for traditional loans, project finance, and trading transactions. Lending to our shareholders – the cooperative banks – is not subject to the sustainability check. Certain standardized financial products with a low risk volume undergo an appropriate risk analysis rather than the sustainability check. In addition, we do not use the sustainability check for restructuring because these cases are aimed at turnaround.

We have drawn up sectoral rules for particularly sensitive industries, such as forestry, dam construction, commodities, and maritime. They were signed off in June 2011 and provide employees involved in lending decisions with additional clear guidance alongside the sustainability checklist. DZ BANK continually reviews, adapts, and enhances its sectoral rules.

In June 2011, DZ BANK decided to officially sign up to the voluntary Equator Principles for project finance. This decision took effect on January 1, 2013. The Equator Principles were drawn up by financial institutions on the basis of the environmental guidelines of the World Bank and the social standards of the International Finance Corporation (IFC). The Principles are an internationally accepted standard and apply to lending in a volume of US\$ 10 million or more. We aim to achieve compliance with all requirements of the Equator Principles in the next few years (further information: www.unglobalcompact.org, www.equator-principles.com).

414-1 New suppliers that were screened using social criteria

In 2010, DZ BANK updated the existing standards to include new minimum social and environmental standards and integrated them into its purchasing processes. These standards, which apply to all entities in the DZ BANK Group, provide a framework that specifies the financial, environmental, and social characteristics needed for a supplier relationship to be sustainable, for example with regard to human rights and working practices. 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.

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 environmental impacts, 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.

414-2 Negative social impacts in the supply chain and actions taken

In 2017, 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 in the supply chain.

5.10 415: Public Policy

103: Management Approach (including 103-1, 103-2, 103-3)

DZ BANK would like to use its cooperative approach, knowledge, and experience to help stabilize the banking sector across Europe. It seeks dialog with politicians in order to do so.

415-1 Political contributions

Our donations policy, drawn up in 2010, specifies that donations to political parties should support the parliamentary system as a whole. In the future, donations will be made to all parties that are active throughout Germany, are represented in the German Bundestag, and are committed to the Basic Law of the Federal Republic of Germany and to the model of a social market economy.

In 2017, political donations accounted for 6.3 percent (€41,500) of our total donations (2016: 4.3 percent).

As Germany is the main location for DZ BANK's business activities, the data relates only to the German-speaking countries.

5.11 417: Marketing and Labeling

103: Management Approach (including 103-1, 103-2, 103-3)

Overall, the compliance function in banks has been strengthened by legislation. The legal basis is provided by the German Securities Trading Act (WpHG), the rules of which have been set out in more detail by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) [German Federal Financial Supervisory Authority] in the Minimum Requirements for the Compliance Function and Additional Requirements Governing Rules of Conduct, Organization and Transparency (MaComp). Under these rules, the compliance function must be involved in any new product

launch or publication from an early stage and must assess, among other considerations, whether customers' interests are sufficiently protected.

In the revised Minimum Requirements for Risk Management (MaRisk) dated December 14, 2012, BaFin also explicitly assigns the compliance function a process-support and prevention role. To uphold customers' interests, DZ BANK has signed up to the fairness code of the Deutscher Derivate Verband (DDV) [German Derivatives Association], which was introduced in 2013. The DDV actively works to promote greater transparency in the retail banking market. Its fairness code is aimed at improving the transparency of products and costs for retail investors. This new fairness code contains much stricter guidance for structured securities than the previous derivatives code. Through our engagement in this area, we want to make our products and customer communications more transparent.

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.

417-1 Requirements for product and service information and labeling

As DZ BANK is a financial services provider, it does not offer any products or services with risks for health and safety. This indicator is therefore not relevant.

417-2 Incidents of non-compliance concerning product and service information and labeling

See 417-1.

If such incidents occur, we report on them in our Annual Financial Statements and Management Report and in our Annual Report.

5.12 418: Customer Privacy

103: Management Approach (including 103-1, 103-2, 103-3)

Our staff adhere to all statutory data protection requirements relevant to their work, and we regularly update them on current data protection law. We protect our customers' data and only pass it on to third parties with the customer's consent or if we are legally permitted or required to do so. Our data protection officer is responsible for ensuring conformity with the law and is the primary contact for our customers, business partners, and staff.

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

DZ BANK has introduced suitable precautions to ensure that it complies with data protection provisions. This has involved, in particular, creating the function of data protection officer and issuing standard data protection principles.

Our staff adhere to all statutory data protection requirements relevant to their work, and we regularly update them on current data protection law. We protect our customers' data and only pass it on to third parties with the customer's consent or if we are legally permitted or required to do so. Our data protection officer is responsible for ensuring conformity with the law and is the primary contact for our customers, business partners, and staff.

5.13 419: Socioeconomic Compliance

103: Management Approach (including 103-1, 103-2, 103-3)

As the central institution of the cooperative financial network, DZ BANK bears particular responsibility for guaranteeing good business practices in its own operations. The bank's centralized Compliance division acts as an interface to the other banking functions. It reports directly to the Board of Managing Directors and advises managerial staff and business units on the implementation and monitoring of legal requirements. The Compliance division also checks adherence to the provisions of the German Securities Trading Act (WpHG), the ban on insider trading, and the rules on employee transactions.

419-1 Non-compliance with laws and regulations in the social and economic area

If such incidents occur, we report on them in our Annual Financial Statements and Management Report and in our Annual Report.

6 Financial services sector disclosures

6.1 Product Portfolio

103: Management Approach (including 103-1, 103-2, 103-3)

The credit risk strategy provides the framework for our lending. Analysis of economic, environmental, and social aspects already forms an integral part of this.

Since March 2009, we have been checking all lending (e.g. traditional loans, project finance, and trading limits) to ensure that it complies with sustainability criteria. This sustainability check is also based on the ten principles of the United Nations Global Compact, of which we are a signatory. Loan applications may be rejected on the basis of the results of our checks. The selection of transactions for project finance is also guided by the prevailing version of the bank's credit risk strategy. In addition to checking sustainability criteria, DZ BANK has been using a further risk mitigation policy based on the Equator Principles since September 2011. The Equator Principles were drawn up by financial institutions on the basis of the environmental guidelines of the World Bank and the social standards of the International Finance Corporation (IFC). The Principles are an internationally accepted standard and apply to lending in a volume of US\$ 10 million or more. We aim to achieve compliance with all requirements of the Equator Principles in the next few years (further information: www.unglobalcompact.org, www.equator-principles.com).

We have been applying the Equator Principles in our project finance business since January 1, 2013. Special country expertise for countries specifically subject to worldwide monitoring (for political or other reasons) is maintained by the people responsible for those countries in the bank's economics department. DZ BANK has also developed sector-specific guidelines for ecological and other sensitive industries, such as forestry and dam construction. It also applies appropriate rejection criteria when developing sustainable investment products.

Containing four main categories – social, environment, anti-corruption, and competition/tax – plus ten subcriteria and, if applicable, an additional criterion, the list ensures that all loan applications undergo a standardized check for social, ecological, and ethical aspects. Applications are given a score ranging from exemplary (1) to dubious (4). A sustainability factor is then derived from the overall results. If this factor is 3.5 or worse, the loan application is rejected. The sustainability checklist is used to set the limits for traditional loans, project finance, and trading transactions. Lending to our shareholders – the cooperative banks – is not subject to the sustainability check. Certain standardized financial products with a low risk volume undergo an appropriate risk analysis rather than the sustainability check. In addition, we do not use the sustainability check for restructuring because these cases are aimed at turnaround.

We have drawn up sectoral rules for particularly sensitive industries, such as forestry, dam construction, commodities, and maritime. They were signed off in June 2011 and provide employees involved in lending decisions

with additional clear guidance alongside the sustainability checklist. DZ BANK continually reviews, adapts, and enhances its sectoral rules.

Since 2011, DZ BANK Research has been providing a specific type of sustainability research that subjects traded equities to systematic analysis and makes appropriate investment recommendations. Sustainability research today forms an important part of DZ BANK's research spectrum. The analysis is used by institutional investors in Germany and abroad, local cooperative banks, and DZ PRIVATBANK. At the start of 2017, we also introduced sustainability screening for the own-account investing activities of companies within the cooperative financial network. This screening service enables the cooperative banks to make their own-account investments more sustainable.

The individual processes are the responsibility of the specific departments. Overarching responsibility lies with the Chief Executive Officer of DZ BANK.

FS6 Percentage of the portfolio for business lines by specific region, size and by sector

We report on our business model and business lines in our 2017 Annual Financial Statements and Management Report (p. 6 et seq.).

Lending volume by energy type

€ million	2017	2016	2015
Wind power	3,683.3	3,072.8	1,697.8
Biogas	82.6	80.5	72.0
Biomass	12.9	51.6	52.6
Photovoltaics	1,004.1	1,108.8	941.6
Other renewable energy sources / hydropower*	8.8	364.3	434.8
Total	4,791.7	4,677.9	3,201.8

* No comparability with prior years due to adjustments to the recording of data. Since 2017, we have only been capturing data for hydropower.

Development lending

€ billion	2017	2016	2015
New business volume	11.1	10.9	6.5
Of which: KfW new business volume	8.1	7.9	4.3

With a share of 22 percent of all loans made by KfW, DZ BANK was again the development bank's biggest single customer in 2017.

FS7 Monetary value of products and services designed to deliver a specific social benefit

The reason for purchase often determines the benefits of a product or service, and it is difficult to distinguish those delivering a specific social benefit from other products and services.

Moreover, DZ BANK does not have contact with retail customers because it is the central institution for the cooperative banks.

Examples of products that we consider to have a clear social benefit are KfW development loans and infrastructure projects that benefit the public at large.

DZ BANK's development lending amounted to €11.1 billion in 2017, which was slightly above the level of €10.9 billion in 2016. The volume of new business generated by DZ BANK and the cooperative banks just for development loans from Germany's KfW development bank came to €8.1 billion in 2017. With a share of 22.0 percent of all loans made by KfW, DZ BANK was the development bank's biggest single customer. Measured by volume with KfW, DZ BANK has a 16.9 percent market share of the commercial environmental sector and a 28.8 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.

Compared with the country-wide development programs run by Germany's KfW development bank, the programs of the federal states' own development banks have become less important over the past two years. These now account for only a quarter of DZ BANK's entire development lending volume. In the case of the largest state development bank, L-Bank in Baden-Württemberg, DZ BANK's market share reached 29.6 percent in 2017. In September 2017, the cooperative sector's market share at LfA Förderbank Bayern, the Bavarian development bank, stood at 30.3 percent and at NRW.Bank, the development bank for North-Rhine Westphalia, it was 24 percent.

More detailed information in respect of this indicator cannot be provided at the moment.

FS8 Monetary value of products and services designed to deliver a specific environmental benefit

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. DZ BANK's project finance business focuses on energy generation and distribution, including renewable energies, and infrastructure/public-private partnerships (PPPs). At the end of 2017, the volume of project finance credit limits approved by DZ BANK for wind, solar, and biogas/biomass came to around €4.8 billion. Wind power continues to be the biggest renewable energy source and had a volume of approximately €3.7 billion at the end of 2017.

Lending volume by energy type

€ million	2017	2016	2015
Wind power	3,683.3	3,072.8	1,697.8
Biogas	82.6	80.5	72.0
Biomass	12.9	51.6	52.6
Photovoltaics	1,004.1	1,108.8	941.6
Other renewable energy sources / hydropower*	8.8	364.3	434.8
Total	4,791.7	4,677.9	3,201.8

* No comparability with prior years due to adjustments to the recording of data. Since 2017, we have only been capturing data for hydropower.

We mainly offer products and services designed to deliver an environmental benefit in our Corporate Banking business line. However, it is not always possible to clearly distinguish them from other transactions.

6.2 Audit

Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures

We – and the DZ BANK Group – adopt the principle that risk should be incurred only to the extent required to achieve strategic goals, provided the risk appears manageable. To incorporate future developments in our strategic planning, we operate an opportunity and risk management system that applies to the whole DZ BANK Group. The system is continually monitored by our risk control and internal audit departments, and also reviewed by the Supervisory Board.

Risk management in the banking industry is different from risk management in other sectors. The main activities are the control and monitoring of trading risk, issuer risk, country risk, and credit risk. DZ BANK – and the DZ BANK Group as a whole – adopts the principle that risk should be incurred only to the extent required to achieve strategic goals, provided the risk appears manageable.

Responsible lending is an integral element of DZ BANK's business model. All relevant sustainability aspects are addressed systematically as these may be subject to high risks. Since as long ago as March 2009, we have been checking all lending (e.g. traditional loans, project finance, and trading limits) to ensure that it complies with sustainability criteria. We use our own sustainability checklist for this. Loans to cooperative banks and to entities in the DZ BANK Group are exempt from the checks, as are exposures that are being restructured. Further exemptions apply to certain product types in the joint credit business with the cooperative banks, to loans under blanket approval agreements, and to exposures that are below the rating threshold.

6.3 Active Ownership

Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting (formerly FS12)

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.

FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues

In June 2011, DZ BANK Research launched its own sustainability rating system on the market. It enables institutional investors, asset managers, and cooperative banks to balance expected returns with sustainability aspects when making investment decisions. The rating system is used for DZ BANK's entire investment universe. DZ BANK Research is also proactive in approaching potential investors.

In 2017, we examined 1,450 loan applications in respect of environmental and social criteria.

We maintain an ongoing dialog with the cooperative banks – our main customer group – and with our corporate customers through various committees and events as well as through direct contact. This provides an opportunity to discuss the latest topics and developments, including sustainability matters. Nonetheless, we do not currently have any reliable data in this area. We plan to start collecting such data within the next two to three years.

FS11 Percentage of assets subject to positive and negative environmental or social screening

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 a sustainability rating for SSAs (supranationals, subsovereigns, agencies) and extended the corporate rating to include companies that only issue bonds. The experts therefore successfully implemented the plans to factor in sustainability aspects in the fixed-income asset class.

They also work 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 ratings are based on an integrated EESG analysis approach (economic, environmental, social, governance) and enable institutional investors, asset 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 seal of approval for sustainability and are identified as such in research publications. The seal of approval is also mentioned in what is known as the master list, which the Volksbanken Raiffeisenbanken, the local cooperative banks, use as an advisory tool. In addition to the equity and bond universe of DZ BANK, which includes around 150 bond issuers and 300 stocks, the sustainability research database comprises another 2,000 or so issuers. Around 20 percent of these securities have been classified as sustainable by the sustainability research team. After evaluating countries' sustainability, the experts categorize them as 'non-sustainable countries', 'transformation countries', or 'sustainable countries'.

The analysts also work with fundamental analysts and other departments to generate investment ideas from sustainability trends. At the 67th Frankfurt International Motor Show (IAA), for example, they launched a publication entitled '10 sustainability-related key insights from the IAA'. This publication presents promising future trends to investors from an investment-focused point of view. At the start of 2017, we also introduced sustainability screening for the own-account investing activities of companies within the cooperative financial network. This screening service enables the cooperative banks to make their own-account investments more sustainable.

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