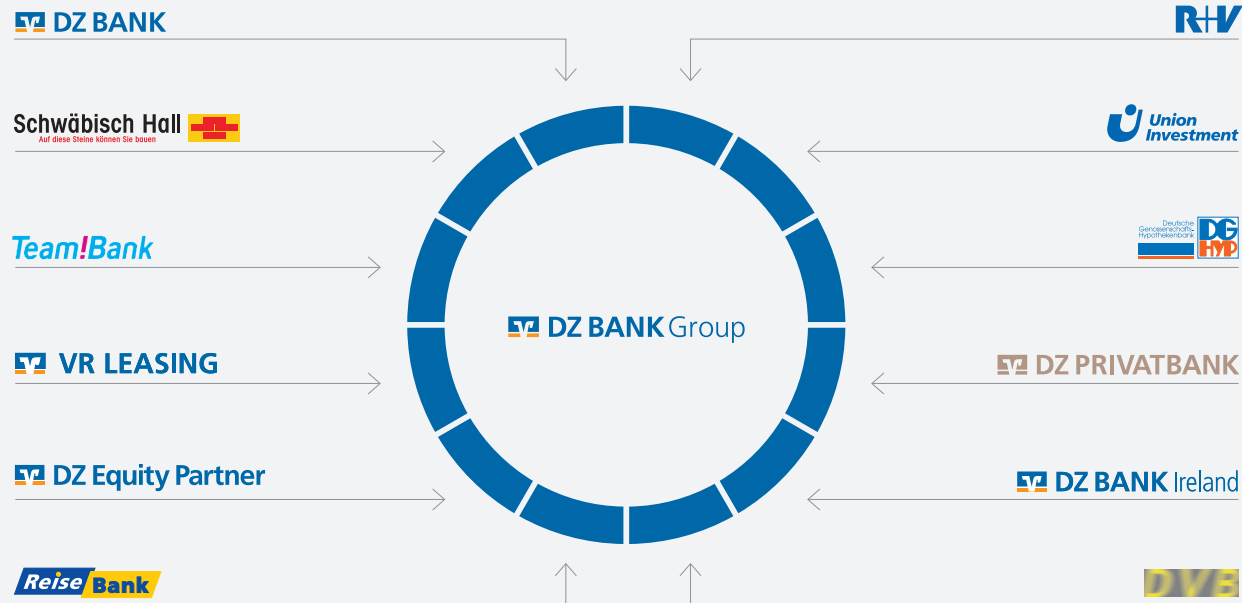




# 2010 SUSTAINABILITY REPORT

## STRONG BRANDS – STRONG PARTNERS

### BRANDS



### PRODUCT BRANDS

AKZENT Invest

e@sy  
Credit

### NOTES ON THE REPORT

The report below consists of two parts. In the first part, we cover the areas that are the focus of our activities. In the second part, we present the Performance Report for 2010 (January 1 to December 31) and provide an update of key sustainability indicators. The next report will appear in 2012.

#### BOUNDARIES AND BASIS OF THE REPORT

Unless stated otherwise, the report relates to DZ BANK AG. Information about employees covers all DZ BANK's locations, while the degree of coverage is stated for environmental data. During the reporting period, there were no material changes that would detract from a comparison of data.

The Sustainability Report is based on the current Global Reporting Initiative (GRI-G3) guidelines, including the sector supplement for financial services. The index on page 48 shows how we meet the GRI requirements. For the first time, the extent to which the GRI guidelines have been applied has been reviewed and confirmed (see page 50). The Communication on Progress (CoP) relating to the United Nations Global Compact and full GRI data can be downloaded from the internet ([www.sustainability.dzbank.com](http://www.sustainability.dzbank.com)).

#### EDITOR'S NOTE

In the interest of readability, we have omitted gender-specific duplications and refer to employees in the masculine form only, which of course refers to both our male and our female employees. For the same reason, we have not written out the legal form of DZ BANK AG. Where we have referred to the entire DZ BANK Group, we have made this clear. Information about our home country refers to all staff in Germany. References to locations in the rest of the world refer to all our sites outside Germany.

#### FURTHER INFORMATION

Further information on DZ BANK AG, the DZ BANK Group, and the cooperative financial network is available in our annual report, which can be downloaded from the internet. We also regularly post the latest news about sustainability at DZ BANK on our sustainability portal.

[www.dzbank.com](http://www.dzbank.com)  
[www.sustainability.dzbank.com](http://www.sustainability.dzbank.com)  
[www.geschaeftsbericht.dzbank.de](http://www.geschaeftsbericht.dzbank.de)

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Wolfgang Kirsch, Chief Executive Officer of DZ BANK AG



## DEAR READERS,

My fellow members of the Board of Managing Directors and I are delighted to present the third DZ Bank AG Sustainability Report.

Cooperative banks have a long tradition of social responsibility. The durability of the cooperative principle is also reflected in the fact that we have been helping people to help themselves and promoting the financial independence of small and medium-size enterprises (SMEs) for more than 150 years. This objective is as relevant today as it was when we began – and it is the philosophical basis for all the local cooperative banks as we know them today. This philosophy of meeting commercial and social challenges together is also a fundamental principle of sustainability, which is also why the concept of sustainability is such a good fit for us.

We want to focus our joint activities more strongly on the significant corporate citizenship role we play as the cooperative financial network, so – at the instigation of DZ Bank AG – the companies in the DZ BANK Group have launched a sustainability initiative in the market. Dr. Matthias Metz, Chief Executive Officer of Bausparkasse Schwäbisch Hall, has taken on sponsorship of the initiative and his presentation of the initial results can be found on page 16 of this report. The aim of our initiative is to strengthen our culture of cooperative values and to sound out the commercial opportunities for financial products with a sustainable focus.

Since our last report, we at DZ Bank AG have homed in on the issue of product responsibility and we have achieved some exceptional results. This particular area is where companies have the opportunity to succeed in delivering sustainability for society and for the environment. In our lending business, we have made great progress in the sustainability of DZ Bank by tightening up our sustainability check, creating sectoral guidelines and by expanding our sustainability research. Our recent decision to adopt the Equator Principles, the global standard for project finance, has also contributed to our sustainability. It shows our customers and society in general the strict social and environmental criteria we comply with when financing projects. Our motivation is based on risk prevention as well as social responsibility. The business we conduct on behalf of the local cooperative banks, which are our founders and owners, is primarily intended to create added value and to generate a profit, but maximum returns are not its main aim.

We are aware that society became conscious of sustainability some time ago. More and more customers of the cooperative financial network are looking for products with a sustainable focus in the area of investment as well as loan finance. In response, we added the *Anlage Zukunft* line of sustainable products to our range last year. Once more, renewable energies have proved to be a driving force for our SME loans business, making a substantial contribution to the rise of almost 50 percent in the volume of new development loans, for example.

We have also made good progress on internal issues within DZ Bank, such as our successful completion of the 'Work and family' audit. The fact that we have again been recognized as an attractive employer makes us proud, and is important for our success in the future when, more than ever, skilled young professionals and motivated staff will be required. Our first employee survey carried out in 2009 produced a wealth of suggestions for improving the way we work together in the bank, so we paid great attention to putting them into practice last year.

Back in 2008, we affirmed our social and environmental business principles by signing the United Nations Global Compact and every year we issue a Communication on Progress (CoP) regarding their implementation. This report and the sustainability program that forms part of it also discloses what we have achieved. The sustainability market initiative will enable us to meet the key targets we set last year, namely to achieve consistently good sustainability ratings and to develop innovative products together with the cooperative financial network.

I hope that you find this report a thought-provoking read. I would be delighted to hear from you if you have any comments, criticism, or suggestions for improvement.

Frankfurt am Main, August 2011

Wolfgang Kirsch





As the central institution of the cooperative financial network, DZ BANK is an important partner for the cooperative banks in Germany. Close collaboration and established values are the hallmarks of our shared success.

## STABILITY BASED ON PARTNERSHIP

DZ BANK AG, headquartered in Frankfurt am Main, is the central institution of the local cooperative banks and it is majority-owned by the cooperative banks in Germany that are affiliated with it. Its mission is to support the work of the many independent local cooperative banks and their 12,000 branches and to boost their competitiveness. In 2010, DZ BANK had branches in New York, London, Singapore, and Hong Kong, plus representative offices in five other locations. Cooperative banks hold 82 percent of our shares, other cooperative organizations and WGZ BANK AG each hold stakes of around 7 percent, while private individuals and other shareholders own about 4 percent. 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.

### FINANCIAL PERFORMANCE

DZ BANK employed an average of approximately 4,000 people in 2010, and its total assets amounted to around € 227 billion. Its business performed extremely well in 2010. As an example, lending to SMEs increased significantly, with the number of new applications for development loans rising by 17 percent and the volume of new business increasing by almost 50 percent to reach a new record level. Retail banking was also very successful and sales of investment certificates amounted to € 3.7 billion. With effect from January 1, 2011, DZ BANK and WGZ BANK amalgamated their private banking businesses, together with additional areas such as fund services and foreign currency loans to form a new entity, DZ PRIVATBANK S.A., based in Luxembourg.

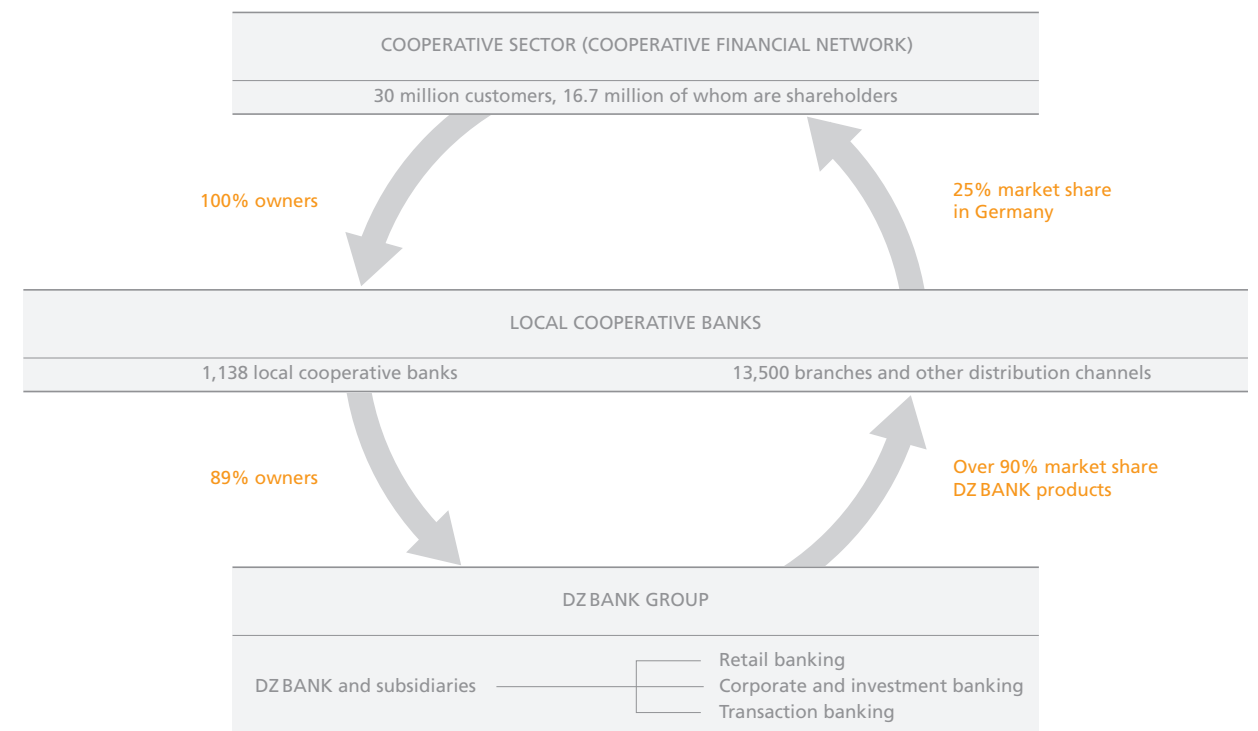
### THE DZ BANK GROUP

Besides DZ BANK, the DZ BANK Group includes numerous prominent financial service providers such as the Bausparkasse Schwäbisch Hall building society, Deutsche Genossenschafts-Hypothekenbank (DG HYP), DZ PRIVATBANK, R+V Versicherung (insurance), TeamBank, the Union Investment Group, and VR LEASING (see page 2). They operate in the banking, asset-management, real-estate finance, and insurance businesses. With their strong brands, they constitute key pillars in the range of financial products and services offered by the cooperative financial network. By working together, the companies in the DZ BANK Group are able to continuously optimize the range of products and services they offer.

### PRINCIPLE OF RESPONSIBILITY

The DZ BANK Group forms part of the cooperative financial network, which comprises over 1,100 local cooperative banks. In terms of its total assets, which amount to around € 383 billion, the DZ BANK Group is one of Germany's largest private-sector financial services organizations and a key player in the economy. Mutuality, partnership, and social responsibility, the principles upheld by our founders Hermann Schulze-Delitzsch, Friedrich-Wilhelm Raiffeisen, and Wilhelm Haas, have successfully guided us for more than 125 years and are now more relevant than ever. The cooperative financial network has more than 30 million customers, of whom over half hold shares in a cooperative bank.

### COOPERATIVE FINANCIAL NETWORK CIRCULAR MODEL



Sustainability is a challenge for politicians, business and society. DZ Bank's principles mean that it promotes sustainable future development.

## RESPONSIBILITY IS A CORPORATE OBJECTIVE

Behaving responsibly is a key corporate objective for us and it is part of our self-image as a cooperative institution. We are guided by our shared values of drive, integrity, and trust embodied in our mission statement and we are currently fleshing them out in our own code of conduct. By signing up to the United Nations Global Compact in 2008, we committed to ten universally accepted principles of responsible conduct which include respect for human rights and labor rights, commitment to environmental protection and the prevention of 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](http://www.unglobalcompact.org)). In our annual Communication on Progress (CoP) we state which systems we have established and which specific measures we have taken to comply with the UN Global Compact. The last CoP was published in May 2011 and it is available on the internet at [www.sustainability.dzbank.com](http://www.sustainability.dzbank.com)

### RESPONSIBLE CORPORATE MANAGEMENT

Living by our values and adhering to principles is as much a part of responsible management as legal compliance (see page 33) and transparent corporate management. We comply with almost all aspects of the German Corporate Governance Code. For example, members of the Board of Managing Directors of DZ BANK are not permitted to transfer directly to the Supervisory Board. Changes have been made to the remuneration systems for Board of Managing Directors and employees whose activities have a material effect on the overall profile of the bank, so that variable compensation will be made more sustainable by measuring performance over several years and monitoring risk-oriented key figures even more closely.

### SOCIAL REQUIREMENTS

The requirements for financial institutions to promote sustainable development in business and society have grown sharply in recent years. At the same time, their commercial success is often increasingly dependent on meeting these requirements. More and more of our customers are demanding sustainable products; young professionals and staff members expect a values-driven corporate culture and our partners require forward-looking, fair conduct. Rating agencies that focus on sustainability have become important intermediaries between the demands of society, particularly those of investors and savers, and the translation of sustainability into commercial behavior. Providing them with compelling evidence that we run our business responsibly requires both detailed KPIs and clear guidelines and targets. DZ Bank, which participates in various sustainability ratings, is able to furnish this evidence for all of its business segments.

In 2009, when Munich-based rating agency oekom research AG conducted its most recent industry rating on the responsibility of financial institutions, the DZ BANK Group was awarded C-. The scale runs from A to D and the best rating awarded was B-. The rating was based on a broad set of indicators, ranging from corporate governance and product responsibility to employee interests, human rights, and environmental protection. oekom research AG will again focus on the financial sector in summer 2011, when it awards its corporate responsibility ratings.

### OUR MAIN AREAS OF ACTION

In 2009, we carried out an internal materiality analysis to define the main areas of action in which we can make a particular contribution to sustainable development or in which society particularly demands sustainable development (see presentation in the 2009 DZ Bank Sustainability Report). The most important areas of action proved to be 'attractive and responsible products' and 'customer focus', which therefore also feature in this report in the section entitled 'Sustainable financial products'. As part of the group's sustainability initiative launched in 2010, the challenges faced by the companies in the DZ BANK Group and the cooperative financial network were discussed in depth and analyzed by all its members (see page 20). This analysis and the review that was carried out form the basis for setting further priorities and for other activities. For that reason, the stakeholder survey, that we had originally planned for gaining an external view of our main areas of action, was not carried out.

### RESPONSIBILITIES AND TASKS

Responsibility for sustainability matters at DZ BANK lies with the bank's Chief Executive Officer. Implementation is coordinated by a working group of representatives from virtually all business segments which meets several times a year. This working group also assists with sustainability reporting and with recording data and KPIs for ratings. The member of the Board of Managing Directors in charge of IT, organization, HR and operations/services is


also responsible for environmental topics. To integrate environmental factors in our business processes, we decided to introduce an environmental management system and to obtain ISO 14001 certification for it. Other projects have forced us to postpone these plans, but our environmental management system means that we are still able to prepare key environmental data (see page 45).

## FOCUS ON EMPLOYEES

DZ BANK has had a specific policy of responsible behavior toward its staff for many years. Our employees, more than 90 percent of whom work in Germany, are guaranteed basic state sick pay and old-age pensions which we supplement with additional voluntary contributions. We also support the principles of employee involvement, freedom of association and equality of opportunity enshrined in law, by means of numerous measures that extend far beyond statutory requirements. We are particularly committed to maintaining a balance between work and family life. In 2007, after undergoing a 'Work and Family' audit, we received a prestigious award for our family-friendly human resources policy, and this was reconfirmed in 2010. This commitment also makes a significant contribution to our status as employer of choice for young professionals. Three studies in 2010 (by CRF, Trendence and *Wirtschaftswoche* magazine) again confirmed our status as one of the top employers in Germany. We achieved first place in the Primary Benefits category of the latest Corporate Research Foundation (CRF) rating and came 13th overall out of 101 award-winning companies. The results published in March 2011 are mainly intended as guidance for college leavers.

DZ Bank has supported the Fair Company initiative for a number of years. The objectives of the initiative and of its members include fair conditions and market rates of pay for interns.

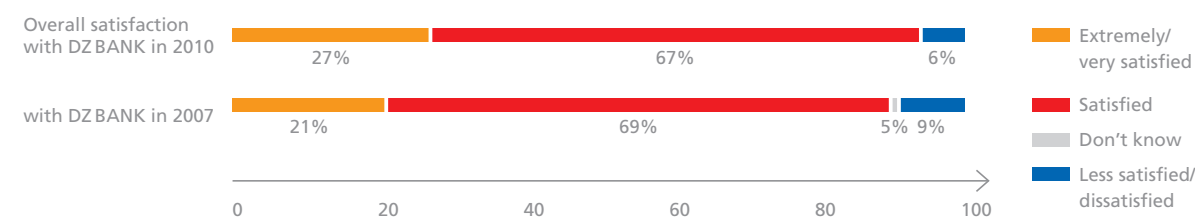
## AWARDS RECEIVED IN 2010/11

TOP EMPLOYER 2011	» 13th place overall, first place in Primary Benefits (CRF Institute)	
PERSONALWIRTSCHAFT MAGAZINE 2010 GERMAN HR PRIZE	» SECOND PLACE FOR SUCCESSFUL CHANGE MANAGEMENT (PERSONALWIRTSCHAFT magazine in conjunction with 'Zukunft Personal' trade fair)	
GERMANY'S 100 TOP EMPLOYERS 2009/10	» 'Absolventenbarometer' graduates survey (Trendence)	
UNIVERSUM TOP 100 EMPLOYERS 2010	» STUDENT SURVEY (WIRTSCHAFTSWOCHEN magazine)	
WORK AND FAMILY AUDIT	» AWARD FOR FAMILY-FRIENDLY HR POLICY (from the non-profit-making Hertie Foundation) was reconfirmed in 2010.	

## DIALOG WITH OUR CUSTOMERS AND OWNERS

Our key stakeholders include the cooperative banks, which are both our owners and our most important customers and they account for a significant proportion of our stakeholder dialog. DZ BANK's regional Banking Advisory Councils have proved their worth as a platform for this dialog. In all, four councils, each comprising around 40 board members from cooperative banks in the region concerned, provide advisory support to DZ BANK and also fulfil an important function as multipliers and disseminators. A survey in September 2010 confirmed the cooperative banks' trust in DZ Bank. Compared with 2007, there had been a further slight rise in their overall level of satisfaction with DZ BANK. 67 percent were 'satisfied', while 27 percent were 'very satisfied'.

### COOPERATIVE BANKS' SATISFACTION



Autumn conferences and the Financial Services Advisory Council are key elements in communications between DZ BANK and the management boards of the local cooperative banks. There are also regional dialog forums at which small groups of around twelve board members from cooperative banks hold discussions with the members of the Board of Managing Directors of DZ BANK. We invite the managing directors of our cooperative banks, their customers, and our colleagues from the specialized service providers in the DZ BANK Group to our annual Investment Dialog event ([www.investmentdialog.de](http://www.investmentdialog.de)). Twice a year, the business advisory council discusses suggestions and requests put forward by representatives from industry.

## DIALOG WITH SOCIETY

In June 2011, we joined the German Association for Environmental Management and Sustainability in Financial Institutions (VfU) which promotes the sharing of knowledge and experience in the sector. We also hold regular discussions with political representatives, opinion formers and non-governmental organizations. Expanding this dialog will be an important task in the future. It will enable us to find out what is required of us directly and quickly, so that we can take action. DZ BANK also conducts regular surveys of SMEs ([www.mittelstandsstudie.de](http://www.mittelstandsstudie.de)) and retail investors to find out the challenges and expectations for the financial sector. A special study prepared in 2010 as part of DZ Bank's 'Economic activity and the capital markets' series, covered the macroeconomic and social aspects of globalization.

## OUR SUSTAINABILITY PROGRAM

Objective	Action	Deadline	Status
<b>Sustainability management</b>			
Creation of framework	Draw up a code of conduct	May 2011	Code of conduct drawn up
Improvement in data collection and verification of target achievement	Install suitable software	Dec. 2010	Software installed
Intensification of stakeholder dialog	Conduct stakeholder survey to verify and update the materiality analysis	May 2011	Postponed due to parallel group initiative
Introduction of environmental management system	Implement ISO 14001 EMS for corporate headquarters in Frankfurt	Mar. 2009	Postponed due to other projects
	Certification of EMS	Mar. 2009	
<b>Product responsibility</b>			
Special review of sensitive sectors for lending business	Draw up sector-specific guidelines for ecological and/or sensitive industries	Dec. 2010	Sector guidelines introduced
	Devise sector-specific guideline for agribusiness	2013	New target
Follow accepted guidelines for project finance	Examine adoption of the Equator Principles for project finance	Dec. 2010	Decision to adopt Equator Principles; own guideline drawn up
	Set up reporting on Equator Principles	2013	New target
Increasing employees' awareness of sustainability issues	Devise staff training for sustainable credit-rating process	Apr. 2011	Training devised; three dates set for 2011
Greater proportion of sustainable products	Increase the proportion of sustainable investment certificates in total securities sales to 7-10% (base year: 2009)	2013	Continuous expansion of product range; quarterly launch of general <i>Anlage Zukunft</i> issues
	Increase market penetration of sustainable investment certificates to 50%, i.e. increase the proportion of local coop. banks taking part (base year: 2009)	2013	Gradually increasing market penetration by launching general <i>Anlage Zukunft</i> issues
Agriculture/nature/energy initiative	Increased CRM capacity and greater integration at the level of cooperative associations and trade associations	Dec. 2010	CRM capacity increased in front office; greater integration achieved
Certification of the investment certificates advisory process	Introduce an ISO 9001 certified end-to-end quality-management system in the sales process	Sep. 2011	Customer-service process prioritized; ISO 9001 certification of customer-service process obtained
Raised customer awareness	Step up dialog with cooperative banks and institutional clients by holding targeted events on sustainability (lectures, analysts' roadshows, training courses, panel discussions) with the aim of 25% increase in number of events compared to 2009 (base year: 2009)	Dec. 2010	Number of events increased by more than 50% compared with 2009 (base year)

Objective	Action	Deadline	Status
<b>Climate and environmental protection</b>			
Increase in energy efficiency	Reduce electricity consumption by 7.5% by updating building systems technology (base year: 2008)	Dec. 2012	On schedule; review target at year end
	Replace building systems technology in the course of regular maintenance	2015	Under way: refurbishment of elevators and partial modification of heating transformer to increase efficiency; new actions in the pipeline
Cut in CO <sub>2</sub> emissions	30% reduction in CO <sub>2</sub> emissions related to energy consumption by using green electricity (base year: 2008)	Dec. 2012	Switch to green electricity at Frankfurt, Stuttgart, Munich, Karlsruhe and Hannover sites completed
	Develop measures to calculate the proportion of ecological transportation used for business travel	Dec. 2012	Possible to calculate proportion for 2011
Avoidance of waste	Update the waste management concept with involvement of regions	Dec. 2012	Implementation currently under review
	Reduce commercial waste at Frankfurt site by 10% by separating out more paper and 'Green Dot' materials (base year: 2009)	Jan. 2011	Under way: central disposal and recycling of printer cartridges; sorting of glass and metal planned for Frankfurt site (reduction achieved)
<b>Responsibility for employees</b>			
Promoting a balance between career and family	Undergo a re-audit by the non-profit-making Hertie Foundation	Aug. 2010	Re-audit successful
Health management	Improve communication about existing initiatives	Ongoing	Regular communication in staff magazine, new section on website
<b>Corporate citizenship</b>			
Application of ecological and social criteria to purchasing	Draw up compulsory minimum standards for suppliers regarding environmental protection, labor and human rights	Dec. 2011	Minimum standards drawn up, requested in new contracts and compulsory for existing suppliers
Recognition of regional responsibility	Consider regional aspects when awarding contracts to service providers	Dec. 2010	Achieved on case-by-case basis
More corporate volunteering	Draw up a concept	Dec. 2010	Drawing up a concept not a priority
Make donations more targeted	Draw up a donations policy	Dec. 2010	Donations policy drawn up





In a joint initiative, the companies in the DZ BANK Group are creating common sustainability targets. The first projects are already under way.

## “SUSTAINABILITY IS IN OUR GENES.”

DR. MATTHIAS METZ, CHIEF EXECUTIVE OFFICER OF  
BAUSPARKASSE SCHWÄBISCH HALL

Sustainability is more than a trend. Matthias Metz and his colleagues on the Board of Managing Directors of the DZ BANK Group are convinced of this. In summer 2010, Metz became sponsor of the group-wide sustainability market initiative: “It was a logical step for me because we have already examined the issue in depth at Bausparkasse Schwäbisch Hall.”. Climate change in particular has become an important issue for the company in recent years, although aspects such as family-friendly policies and the advancement of women are also high priorities at Bausparkasse Schwäbisch Hall.

Metz sees great opportunities for the DZ BANK Group to make more of sustainability. “Precisely because the DZ BANK Group is decentralized and each company is a specialized institution in its own field, everything that we do is based on conviction, which is why we are able to achieve better results than others.” The first stage in the project, the strategic review, has been completed, and so have some of the measures that individual companies have identified and brought in. Even at the review stage, it emerged that numerous sustainability initiatives were already in place in the DZ BANK Group. Metz is satisfied, saying: “We have already achieved a lot together and we will continue to work on this issue because we want to be among the best.” More details are available in the interview on page 16.



# “SHOWING WHAT DIFFERENTIATES US FROM THE REST.”

INTERVIEW WITH DR. MATTHIAS METZ, CHIEF EXECUTIVE OFFICER OF BAUSPARKASSE SCHWÄBISCH HALL, A DZ BANK GROUP COMPANY

## HAS THE FINANCIAL CRISIS MADE SUSTAINABILITY and ACCOUNTABILITY INTO SUCCESS FACTORS?

In the past, the cooperative model was thought to be outdated with few prospects. However, this model has proven to be particularly sustainable. Today, customers focus on values and want to help shape them, which they are certainly able to do with us because the money deposited with us in the region is put back in the region. This regional tie gives us enormous economic leverage and creates real added value for people where they actually live.

## WHAT DO CUSTOMERS AND SOCIETY EXPECT FROM THE COOPERATIVE FINANCIAL NETWORK TODAY?

Our society is faced with huge financial challenges due to climate change and demographic trends. Let me give you two examples: the amounts needed to make our housing stock carbon neutral and age appropriate are similar to those invested in rebuilding Germany after the Second World War. At the same time, heating and power costs are making every home owner feel that they need to modernize and to use renewable energy sources. Secondly,



every German citizen now knows that the state pension is not high enough and that additional provision is needed because they can expect an ever longer retirement. We want to make a valuable contribution to these important long-term trends, and we are able to do so.

## WHY IS THE COOPERATIVE FINANCIAL NETWORK PARTICULARLY ABLE TO DEAL WITH THESE REQUIREMENTS? WHERE DOES IT NEED TO DO MORE?

Firstly, because the general public wants the values-based behavior that we demonstrate with our cooperative model. Secondly, because of the broad range of solutions we, the cooperative financial network offer. This means that our insurance policies, leasing models, home savings schemes and building loans, investments and range of loans help to mitigate the impact of climate change, demographic trends and structural change.

After all, that's our purpose. The statutes of the local cooperative banks stipulate that they must foster the well-being of their members and consequently act responsibly in their interests. This rules out focusing on excessive profits from the outset and opens up the possibility of objectives that benefit society as a whole. For instance, we feel obliged to help achieve the German government's targets for cutting CO<sub>2</sub> emissions.

What we could do better is the way we present what we offer and the strengths of the cooperative model, i.e. by further expanding and honing our product range, strengthening our identity and raising the profile of our culture, in which you might say sustainability is genetically programmed. And consequently, making the group more competitive at the same time.

## THE INITIATIVE REPRESENTS A COMMON APPROACH TO DEALING WITH OPPORTUNITIES AND RISKS. HOW DID YOU GET ON WITH IMPLEMENTING IT?

Each DZ BANK Group company taking part in this group initiative is working on the challenges and their impact on customers. From the outset, we were

guided by a shared belief and a common set of values. At first, we rather underestimated the workload. We had to cover all products and all aspects of sustainability. However, it soon became clear that the individual companies were well placed in terms of different aspects of sustainability, and many measures relating to products and services or human resources were already in place.

This strategic review has now been completed; cooperation between the companies was good and it is getting better all the time. We have also already put in place the initial measures that each company in the group initiative had identified for itself. They include R+V signing the German Insurance Association code and DZ Bank's decision to adopt the Equator Principles. Union Investment has established an environmental management system, which has been certified. In addition to these examples, all companies have also set themselves ambitious targets for the future.

## HAS THE DISCUSSION BOOSTED COOPERATION AND FLAGGED UP STARTING POINTS FOR A COMMON STRATEGY?

It was important to come to an agreement on shared values and the common theme of sustainability and it has undoubtedly given us a boost. Not least, because we are able to show what differentiates us from the rest. Now that the strategic review has been carried out, we plan to meet all requirements in stages. The huge shift in social awareness fits well with our cooperative model.

To start with, though, all the DZ BANK Group companies have to incorporate sustainability into their strategy. Sustainability is already a way of life at the companies, but it is not explicitly enshrined in their strategies. Only when it is, can overarching ground rules be set to guide staff and managers. Overall, following the experience that I personally have gained from this project, I am absolutely sure that in future we will project a very credible image with regard to sustainability, both inhouse and beyond.

The values derived from our cooperative tradition are common to all DZ BANK Group companies and they include thinking about the future, helping our customers turn their ideas into reality and contributing to a sustainable society.

## A COMMON UNDERSTANDING

The cooperative tradition is not just about the mission to contribute to the good of society: the strong regional ties of the companies and their businesses are also hallmarks of our shared guiding principle and one of our strengths that put us ahead of the rest. Wherever DZ BANK Group companies operate, they are regarded as reliable partners for retail customers, local authorities and SMEs.

Systematic application of the subsidiarity principle also makes a significant contribution to decisions being made at the level at which they are required. This makes the DZ BANK Group extremely decentralized, which continues to be one of the success factors for our business. The aim of joint initiatives is to consolidate what the companies in the group have in common, because we want to give form to our common understanding of sustainability and provide evidence that it is enshrined in our business processes.

### LAUNCH OF THE SUSTAINABILITY MARKET INITIATIVE

The basis was drawn up by senior managers during the Corporate Campus for Management and Strategy run by the DZ BANK Group's corporate university. The managers presented their concept to the managing directors of the DZ Bank Group companies in December 2010. The sustainability market initiative is intended to bundle the group's activities more tightly together than ever and to focus on the shared goal of exploiting market opportunities and avoiding risk while enhancing corporate citizenship. Following the decision to put this into practice, a project structure was established across the whole group that incorporated all companies. Dr. Matthias Metz, Chief Executive Officer of Bausparkasse Schwäbisch Hall is its sponsor. The coordination committee set up for the initiative, which meets monthly, consists of representatives from all major group companies.

### SUSTAINABILITY IS PART OF OUR VALUE SYSTEM



Henning Deneke-Jöhrens,  
Spokesman of the Board of Managing Directors  
Volksbank eG Lehrte-Springe-Pattensen-Ronnenberg

The desire to take an active part in preventing climate change is becoming increasingly important among our customers and members. So we want to provide them with solutions. DZ Bank is able to give the cooperative banks decentralized support in the form of its expertise and connections. As a cooperative banking group, we have numerous options for tapping into opportunities and actively helping to shape our environment. Our particular geographical customer base makes it possible for the cooperative banking remit to provide development finance as a central lever to support sustainable business. This should be one of our duties because sustainability, as much as solidarity and partnership, is part of the set of values upheld by the local cooperative banks and the whole cooperative financial network. In our meetings, we notice directly that the issue is becoming increasingly important and that environmental awareness is growing.

### FULL STRATEGIC REVIEW AND ANALYSIS

The sustainability market initiative started with a full strategic review of all the major companies in the DZ BANK Group, including activities as well as existing structures, principles and policies. The analysis revealed that many processes, measures and products had already been established to support sustainability in their own companies and in those of their customers. A coordinated approach was needed to refine these methods and to raise external awareness of the fact that sustainability is one of the key features of the DZ BANK Group.

### FOCUS ON SUSTAINABLE PRODUCTS

One of the areas on which the sustainability market initiative focused was shared analysis and a common understanding of sustainability. We want to grow together, to further increase the trust shown by our customers and to tap into new opportunities in the market. The DZ BANK Group has a broad foundation to build on, including the *Anlage Zukunft* product line and DZ BANK's sustainability research (see page 24). Union Investment signed the UN Principles for Responsible Investment in August 2010 and it has undertaken to incorporate social and environmental criteria into all investment research. It already manages numerous mutual and special funds in line with these aspects.

Climate change is also a major topic at Bausparkasse Schwäbisch Hall where help with renovating buildings or installing photovoltaic equipment are just two of many methods by which the building society supports its customers. VR LEASING's renewable energies equipment finance business also focuses on photovoltaics.

## BEST PRACTICE IN THE DZ BANK GROUP

The strategic review of the DZ BANK Group revealed that numerous measures to integrate sustainability into business processes have already been taken at group companies and a broad range of sustainable products and services already exists. Examples from companies in the group are shown below.

## PRODUCTS AND SERVICES

A broad range of sustainable products and services are available at all the companies in the group. There are also policies for taking sustainability into account when granting loans and making investment decisions.



Enshrining sustainability criteria in the credit assessment/ credit process is under review



Uses sustainability check list for lending business and has adopted Equator Principles

Signatory to UN Global Compact



Recognizes UN Principles for Responsible Investment



Signatory to GDV code and specific measures implemented: Code of conduct for transacting business.

## RESPONSIBILITY TOWARD CUSTOMERS AND SOCIETY

Corporate social responsibility is taken seriously in the group and there are plenty of examples as proof.



Fair marketing and sales policies; *Deutschland im Plus* foundation for the prevention of consumer over-indebtedness



Endowed academic chairs at Heilbronn University of Applied Sciences and Karlsruhe University, and 'charter' for fair treatment of customers and staff

## RESPONSIBILITY FOR EMPLOYEES

Numerous training schemes and work-life balance programs are available at all group companies



Top Employer award



Employer with resistance to demographic change due to generational management

## CORPORATE MANAGEMENT AND BUSINESS ETHICS

The DZ BANK Group makes full disclosures of current corporate management principles.



Values in the form of a specially created system of values are the basic parameters for business practice



Code of conduct incorporating a wide range of sustainability aspects for financing solutions, credit agreements and purchasing etc.

## ENVIRONMENTAL MANAGEMENT

Environmental protection is addressed in the everyday business in all group companies.



ISO 14001 certified environmental management system

## ECO-EFFICIENCY

Eco-efficiency and energy savings are top priorities in all group companies.



Internal energy report and energy-efficiency measures



Sustainability report and software to calculate key figures





Among SMEs, sustainability is upheld as a corporate principle. Family firm Hornbach is a prime example. The expanding DIY chain stocks a range of ecologically responsible products.

“WE WANT TO SELL PRODUCTS THAT ARE ENVIRONMENTALLY FRIENDLY.”

ALBRECHT HORNBACH, CHAIRMAN OF THE BOARD OF MANAGEMENT OF HORNBACH HOLDING AG

This family firm whose roots are in the Palatinate region of Germany went public in 1987 and has been listed in the SDAX ever since. DZ BANK analysts have rate its commitment to sustainability as 'exemplary': "We have switched our range entirely over to sustainably grown timber, and we are the European leader in this respect, with more than 4,500 FSC-certified wood products", says Albrecht Hornbach. In the long term, this commitment has also paid off financially. A survey carried out by the company in spring 2011 revealed that nine out of ten consumers believe that activities of this kind are important.

"For us, environmental protection is not just a hollow promise, it is part of our sense of duty, our self-image", stresses Hornbach, who has headed up HORNBACH HOLDING AG since 2001. He is a public advocate of this view, at events such as DZ BANK's Investment Dialog where he was a speaker in 2010. The company also demonstrates its responsibility toward its employees, 14,000 of whom now share in the group's profits. Its low staff turnover rate speaks for itself: Hornbach is an employer of choice.



DZ BANK has systematically focused its products and services on sustainability. By doing so, we create added value for customers, the environment and society, and we are securing our commercial success.

## INVESTING IN THE FUTURE

In recent years, DZ BANK has become a source of inspiration in terms of sustainability. As the central institution for the local cooperative banks, we have numerous opportunities to contribute to sustainable development. By developing new products and services we are responding to society's growing expectations, creating future opportunities for the cooperative banks, our partners and customers and, at the same time, expanding our commercial success.

Our range of sustainable products and services includes analysis of our research, investment products and financial products in the growing renewable energies sector. Customer demand has risen sharply in all these areas in recent years. However, sustainability is not just a goal, it is also a principle underlying everything we do – including our lending business for which we have developed a comprehensive sustainability checking process. Signing up to the Equator Principles for project finance represents another step toward the full integration of sustainability.

### SUSTAINABLE RESEARCH

DZ BANK Research analyzes companies and markets, detects market trends and helps develop new products. Now that environmental, social and corporate governance issues are increasingly coming to the fore, we have consciously expanded our sustainability-based research team. Its activities include dedicated sustainability studies, such as those published last year on subjects such as green IT, sustainable technologies and sustainable buildings. It also organizes SRI roadshows, which BASF SE was the first company to use in December 2010 to target investors with a focus on sustainability.

In order to pass on expertise to their colleagues, the sustainability team has run more than twice as many inhouse events this year as last. There was also a sharp rise in the number of speeches on sustainability given at external events – which meets one of the targets of our sustainability program. For example, our Research division sustainability team took part in 25 events, including the international Triple Bottom Line Investing conference in London and the German Foundation for the Environment's summer academy in Ostritz, Germany. The aim of these activities is to raise awareness of sustainability issues in society and among customers and investors and to highlight their significance for the lasting value of investments and for the sustainable development of the financial markets. Our annual Investment Dialog event in autumn 2010 also dealt with this subject matter.

We are also involved in the non-financials committee of the Society of Investment Professionals in Germany (DVFA), which has recently developed key performance indicators for recording corporate achievements in environmental, social and corporate management issues. The final version of the KPIs for ESG (Environment, Social, Governance) were published in Frankfurt on September 20, 2010.

### INVESTMENT DIALOG ON SUSTAINABILITY

In September 2010, as every autumn, DZ BANK invited customers and partners to an Investment Dialog event in Frankfurt am Main. Sustainability was on the agenda for the first time. It was discussed by panel members Hans Dieter Pötsch, Member of the Board of Management of Volkswagen AG, Albrecht Hornbach, Chairman of the Board of Management of Hornbach Holding AG, and

Klaus F. Lutz, Chief Executive Officer of BayWa AG, and DZ BANK analysts. Further debate was stimulated by the powerful message of former US Vice President and climate change activist Al Gore, speaking on a live link from the USA. The event raised awareness of the need for systematic prevention of global warming among over 1,100 of DZ BANK's customers and partners.



## SUSTAINABILITY RATING AND SEAL OF APPROVAL

In spring 2011, DZ BANK started its sustainable investment research, a holistic advisory and review process. Companies are rated daily according to sustainability factors, which also allows investors to restructure their portfolio at short notice. DZ BANK's sustainability ratings adopt an integrative approach in that they not only refer to comprehensive sustainability data and information, but also take into account financial performance based on fundamentals analysis carried out by DZ BANK Research's sector specialists. The outcome of our rating process consists of four dimensions: the environment, social issues, corporate governance and business, and it is divided into two classes: sustainable and non-sustainable. Companies regarded as sustainable are awarded the DZ BANK seal of approval for sustainability.



## SUSTAINABLE INVESTMENT PRODUCTS

As one of the leading issuers of investment certificates in Germany, we created the *Anlage Zukunft* product line to cope with rising demand from our customers for sustainable products. Under our 'twice the benefit – responsibly with upside potential' slogan, it combines products that take account of both sustainability standards and returns. *Anlage Zukunft* investment certificates are based on shares in companies that are socially responsible and forward-looking yet still offer good financial prospects.

We have established a process that meets ISO 9001 international quality requirements from product idea to company selection to determining customer satisfaction. In November 2009, this process was evaluated by the TÜV Süd product standards regulator for the first time and it was re-certified in 2010. Investments are protected by a scheme run by the National Association of German Cooperative Banks (BVR), of which we are a member. The scheme provides investment protection based on status, with no limit on the amount covered, and it includes investment certificates issued by DZ BANK that are held by customers.

## STRINGENT SELECTION CRITERIA

We work closely with DZ BANK Research and an external rating agency to select the companies for the *Anlage Zukunft* product line. We identify companies that already operate in markets which are likely to experience above-average growth. They include 'environment

and resources', 'infrastructure and transportation', 'healthcare, utilities and education', and 'nutrition and quality of life'. At the same time, we are careful not to choose any companies for our investment certificates that permit child labor, breach human or labor rights, experiment on animals, or violate environmental laws.

In 2010, we issued eight new *Anlage Zukunft* investment certificates to provide our customers with a broad range of investment opportunities (see page 36). The editorial team of FOCUS Money magazine voted us Certificate House of the Year in March 2011. The award was conferred for 'trust, transparency and quality'.

## SUSTAINABILITY CHECK FOR LENDING BUSINESS

Responsible lending is a key component of our systematic focus on sustainability. As early as 2008, we broadened our credit risk strategy in this respect and established a procedure for checking our customers with regard to their sustainability. Our intention is to reduce the risks that may result from failing to take sustainability issues into account. When carrying out our checks, we concentrate on criteria based on the ten principles laid down in the UN Global Compact, and on the Equator Principles.

Sustainability checks have been compulsory components of loan applications and of the credit checking process since 2009, and they are now a proven procedure. There are four main categories – social issues, the environment, anti-corruption, competition/tax – and a total of eleven subcriteria and they ensure that loan applications are subject to standard checks regarding social, environmental and ethical issues. Four ratings are awarded, from 'exemplary' (1) to 'questionable' (4). The results are added together to produce a sustainability factor. If the overall rating is a factor of 3.5 or worse, the loan will not be approved.

### CRITERIA ON THE SUSTAINABILITY CHECK LIST (SIMPLIFIED REPRESENTATION)

Category	Subcriteria
<b>1. Social rating</b>	1.1 Labor standards
	1.2 Safeguarding human rights
	1.3 Protecting heritage/culture
	1.4 Protecting neighboring residential property
<b>2. Environmental rating</b>	2.1 Environmental protection
	2.2 Risk classification
	2.3 Insurance cover for damage
	2.4 Products
	2.5 Previous use of business site
<b>3. Anti-corruption</b>	
<b>4. Competition and tax</b>	



Sustainability checks are used to set the limits for traditional loans, project finance, and trading transactions, but not for lending to our owners, the cooperative banks. Certain standardized financial products with a low risk volume undergo suitable risk analysis rather than the sustainability check. Nor do we use the check for restructuring transactions because they are aimed at turning businesses around. Since May 2011, DZ BANK has offered seminars for its divisions that are involved in lending. The seminars explain how to use the sustainability check list, put it in context and use examples to illustrate the checking process. Training is given to staff from the areas involved who then act as multipliers by helping their colleagues to use the sustainability check-list.

### FRAMEWORK OF RULES AND PRINCIPLES

The sectoral rules we devised for particularly sensitive sectors such as forestry, dam building, commodities and maritime industry were approved in June 2011 and lending staff have been given clear guidance alongside their training for the sustainability check-list. The rules will gradually be extended from now on. A sectoral rule for agribusiness is already planned. There is a special guideline for risk mitigation in project finance based on the Equator Principles, a voluntary set of rules for project finance that DZ BANK decided to officially adopt in June 2011. The Equator Principles were devised by financial institutions on the basis of the World Bank's environmental standards and the social standards set by the International Finance Corporation (IFC). As internationally accepted standards, the Principles apply to loans of US\$ 10 million and over. Our aim is to meet all Equator Principle requirements in the next few years.

### FOCUS ON SMES

One of the goals of the corporate strategy that defines our activities as the 'network-oriented central institution' is the strengthening of our close ties to small and medium-sized enterprises. We plan to bolster the advantage we have gained over many years and to increase the joint credit business we conduct with the local cooperative banks. One of the ways in which we have been able to do this successfully is the ProFi DZ BANK customer relationship management scheme which was developed back in 2009 to provide more extensive support for the cooperative banks. Our strategy has been borne out by the encouraging trend in new business with the local cooperative banks. In 2010, the number of applications for new business rose by 17 per cent and their volume was 35 per cent higher.

### RENEWABLE ENERGIES PROVIDE A DRIVING FORCE

Renewable energies again proved to be a key driver for lending in 2010 – including development loans, project finance and classic loans business. As a result, the cooperative institutions once again significantly consolidated their position in the renewable energies market compared with the previous year. The agriculture/nature/energy initiative contributed to this development. It was launched with our network partners R+V and VR LEASING in early 2009 and with it we help businesses to use wind, biomass and solar energy. As provided for in the 2010 sustainability program we have increased our customer relationship management capacities to handle the high volume of financing inquiries received in relation to this initiative. DZ BANK now has six renewable energies competence centers.

The agriculture/nature/energy initiative is complemented by DZ BANK's involvement with the Deutsche Energie-Agentur (dena) [German Energy Agency] in Berlin. Various alliances in the cooperative financial network have been launched with dena in the field of renewable energies. DZ BANK is also one of the main sponsors of the dena energy efficiency awards, conferred annually for outstanding projects that increase energy efficiency in industry and commerce.

#### FINANCING RENEWABLE ENERGIES (TOTAL LENDING VOLUME IN € '000)\*

Sector	2010	2009	2008
Wind power	489,210	377,920	362
Biogas	32,923	22,510	23,721
Biomass	16,129	10,646	13,887
Photovoltaics	297,058	95,473	54,422
Hydro	0	870	2,748

\* Because the base data has been changed, the figures for 2009 and 2010 are no longer directly comparable with those for 2008.

### SOLAR PARK IN BRANDENBURG, GERMANY

In the project finance/SFPE group in the structured finance division, a number of multi-megawatt solar arrays have already been financed. Last year, the first syndicated loan with WGZ Bank was raised for one of the ten biggest solar parks in Europe with a total capacity in excess of 26 megawatts. The total lending volume was around € 60 million. The power generated will be purchased at a guaranteed feed-in tariff under the Renewable Energy Sources Act (EEG) and fed into the regional distribution network. The solar power plant is expected to supply clean electricity for 5,000 to 7,000 households in the next 20 to 25 years.





Responsibility for its employees and equality of opportunity are key areas in which DZ BANK is acting to strengthen its reputation and to remain competitive. Its female employees send out a message themselves.

## “WE WANT TO CREATE ROLE MODELS FOR FEMALE CAREERS.”

VERA KONERMANN, HEAD OF THE CREDIT COMPETENCE CENTER

Together with her female colleagues, Vera Konermann (seated, second on the right) has established a network for the advancement of women at DZ BANK. Its stated aim is to increase the number of women in managerial positions. The proportion of women in management roles at DZ BANK is currently low, not least because traditional role models have dominated their way of thinking. “Individuals can have little effect on their own”, Ms. Konermann declared. “So, our plan is to pool our interests, bring them into the open and create awareness in the company.”

The Board of Managing Directors of DZ BANK supports this, and on two occasions in 2011 it held women-only lunch meetings. “They were good opportunities to present our proposals for actions along the entire career path.” Vera Konermann is convinced that the whole company would benefit, because “diverse teams at all managerial levels help to meet the challenges posed by demographic change, and make us more competitive.” As a result, DZ BANK has focused closely on career advancement for women in 2011.

When selecting staff in future, we would like to recruit more women and to appeal more to female trainees. Reinforcing gender expertise inhouse is another of our key concerns. As an example, there will be a workshop exclusively for female students in 2011. Special career-management programs for women are already on the agenda. We would like to use these offerings to show that DZ BANK is also an employer of choice for women. They will be supplemented by a range of measures to balance work and family life that apply equally to men and women.



# PERFORMANCE REPORT

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# GOVERNANCE AND COMPLIANCE

DZ BANK is firmly committed to sustainable corporate management that pursues long-term goals and ensures compliance with legislation and voluntary obligations as the only way to create long-term added value for our owners, customers, staff and society.

## CORPORATE GOVERNANCE

Our Board of Managing Directors, which has seven members, manages the group and is responsible for developing corporate strategy. It is monitored by the DZ BANK Supervisory Board. Nine shareholder representatives are elected by the Annual General Meeting and the National Association of German Cooperative Banks (BVR) sends one delegate. In accordance with the German Codetermination Act (MitBestG), the members of the Supervisory Board also include ten employee representatives. The regulations within DZ BANK, such as its articles of association and rules of procedure for its committees, largely comply with the provisions of the German Corporate Governance Code, even though we are not subject to this code by law. The Supervisory Board and its committees monitor and advise DZ BANK's Board of Managing Directors and cooperate closely with them. The Board of Managing Directors informs the members of the Supervisory Board of any relevant developments as soon as possible. The Supervisory Board held a total of five meetings in 2010. The work undertaken by the Board of Managing Directors focused particularly on implementing the strategic realignment of DZ BANK as a 'network-oriented central institution'.

## BOARD OF MANAGING DIRECTORS' REMUNERATION

DZ BANK adopted the principles of the Financial Stability Board (FSB) governing remuneration systems for banks in December 2009, and its strategy of sustain-

able commercial success is enshrined in its managing directors' remuneration (see page 8). In February 2010, the DZ BANK Supervisory Board resolved to make 20 percent of the Board of Managing Directors' variable pay dependent on achieving the goal of 'sustainable, attractive and secure jobs while achieving a work/family balance'.

## COMPLIANCE AND PREVENTION OF MONEY LAUNDERING & FRAUD

As a financial institution, we bear a special responsibility for our economic system. Fighting corruption and fraud and the prevention of money laundering are two of our key principles. Our Compliance Office advises and supports our business units with regard to the implementation of legal requirements and it monitors and evaluates compliance with regulations. The Compliance Office consists of the Capital Market Compliance and Money Laundering & Fraud Prevention teams. The Capital Market Compliance team is responsible for compliance with securities trading regulations, such as the ban on insider trading and the rules on private transactions by employees. The Money Laundering & Fraud Prevention team ensures that money laundering is prevented and takes action to prevent fraudulent acts at DZ BANK and in the DZ BANK Group. In each division of DZ BANK there is a permanent point of contact who liaises with the Audit division and the Compliance Office to ensure that the necessary action steps are effectively integrated into the division's processes and put into practice.

All DZ BANK employees are required to report potential incidents directly to the Compliance Office using a compliance and anti-money laundering hotline. All of our staff also attend regular compulsory compliance, anti-money laundering and fraud prevention training. In 2010, 3,620 employees received training



in compliance and 3,617 employees received anti-money laundering training, which is equivalent to coverage of almost 85 percent of the total workforce.

In 2007, DZ BANK introduced a policy to deal with potential conflicts of interest. It requires customers of the bank to be notified of any potential conflicts of interest or benefits in kind. Specific conflicts of interest, such as simultaneous purchases of banking services, are disclosed to recipients of financial analysis. The Compliance Office also instigates measures and monitors their implementation. DZ BANK's gifts policy which came into force on July 1, 2010 represents extensive guidance to prevent bribery by means of gifts, benefits in kind or other incentives.

#### WHISTLEBLOWER HOTLINE FOR STAFF

An anonymous whistleblower hotline is available to help prevent white-collar crime and to protect against undue influence. Employees can contact an internal or external ombudsman who will record their suspicions and pass them on to a whistleblower committee in accordance with data protection requirements. The committee then evaluates the suspicions and initiates the necessary action steps.

#### GERMAN GENERAL EQUAL TREATMENT ACT

Training courses on the German General Equal Treatment Act (AGG) with special versions for management are obligatory for all staff. New employees receive training when they join the bank. There are similar arrangements in place at our foreign branches in London, New York, Hong Kong, and Singapore, provided that no other local legislation applies. In 2010, no complaints about our compliance with the AGG were recorded.

#### STAKEHOLDER DIALOG

Our stakeholders include the local cooperative banks – which are both our owners and customers – as well as employees, local authorities, suppliers, politicians and society in general. We share information with the local cooperative banks on a regular basis at numerous events such as the autumn conferences and the annual Investment Dialog event. We also offer our staff the opportunity of job shadowing to enhance direct information sharing. The Financial Services Advisory Council, which was established in early 2010, is an important committee for picking up and acting on customers expectations for the DZ BANK Group and DZ BANK. Its members include representatives from the cooperative banks and the BVR. The Council continues the work of the Local Bank Advisory Councils and ensures that there is close dialog with the cooperative banks regarding the development and marketing of products.

#### LOBBYING

We represent our interests as a financial institution in our dialog with society and politicians, generally via the BVR. We also make use of our representative office in Berlin to share information with the government and society. In addition, we are members of international advocacy organizations, such as the European Association of Co-Operative Banks (EACB) and the Unico Banking Group, an association of eight major European banks with a cooperative background. We advocate and explicitly support government and regulatory plans to put the international financial system on a more stable footing, plans in which we want to play our part.

In 2010, for one year, DZ BANK chaired the *Initiative Finanzstandort Deutschland*, a collective mouthpiece for the financial sector set up in 2003. During this time, the issues of consumer protection, availability of credit and regulation were the main themes discussed with politicians, the public and social groups.

## BUSINESS

Our aim is to generate long-term, consistent earnings – in the interest of our customers, employees and society. During the financial crisis, this proved to be a success factor. We are focusing on our core activities and we are expanding our product range for the cooperative banks. Sustainable products have come to the fore.

#### BUSINESS PERFORMANCE

Under the accounting principles of the German Commercial Code (HGB), DZ BANK's profit before taxes was € 67 million in 2010. Net income was € 156 mil-

lion, while total assets amounted to € 227 billion. The tax income of € 89 million included allocations to tax groups, tax relating to prior years and deferred taxes as well as current tax payments of € 114 million. Germany accounted for around 90 percent, while the US and China each accounted for just under 5 percent.

#### PRODUCT RESPONSIBILITY

Key aspects of our product responsibility are fair treatment of our customers, an open and understandable information policy regarding investment oppor-

#### SELECTED KEY FIGURES FOR THE DZ BANK GROUP (IFRS)

€ million	2010	2009	2008
Profit/loss before taxes	1,618	836	-1,551
Income taxes	-493	-490	385
Net profit/loss	1,125	346	-1,166
Equity	10,727	10,233	8,418
Total assets	383,464	388,525	427,127

#### SELECTED KEY FIGURES FOR THE DZ BANK GROUP (HGB)

€ million	2010	2009	2008
Operating profit/loss	948	1,297	-738
Profit/loss before taxes	67	240	-482
Income taxes	89	62	541
Net income/loss for the year	156	302	59
Equity	6,436	6,319	5,675
Total assets	227,337	224,096	259,205

tunities and risks and a range of customized products and services. We focus particularly closely on the requirements of SMEs and the growing need for financing renewable energies.

## JOINT CREDIT BUSINESS AND DEVELOPMENT LENDING

Renewable energies proved to be a driver for our entire lending business in 2010 (see. page 29). There was a sharp rise in lending overall and in the SME sector the number of new applications rose by 17 percent. In development lending in particular, the new business volume achieved a record high of € 8 billion, a further rise of around 47 percent. DZ BANK brokered around 600 development lending programs for commerce, agriculture, and housebuilding on behalf of the European Investment Bank (EIB), Germany's KfW development bank, Landwirtschaftliche Rentenbank, and almost all development banks of the federal states. In 2010, the cooperative institutions achieved a total market share of 24.5 percent of the KfW development bank's environmental programs, compared with 19.2 percent the previous year.

## PROJECT FINANCE

At DZ BANK, project finance comprises infrastructure, energy and public private partnerships (PPP). The use of private capital and expertise to deliver public services in the form of infrastructure projects has become a growth market. DZ BANK is increasingly financing projects for the public good, particularly in the fields of transportation infrastructure, the construction of schools, hospitals, and administrative buildings and in the healthcare sector. In total, around 50 percent of DZ BANK's project finance portfolio is committed to

infrastructure projects and in 2010 it financed PPP projects with a volume of about € 121 million. Examples include the Bremervörde prison jointly financed with various Volksbanks and the L192 highway in Schleswig-Holstein. All financing projects were checked for compliance with sustainability criteria.

## SUSTAINABLE INVESTMENT PRODUCTS

We are gradually expanding the range of sustainable investment products in our *Anlage Zukunft* product line and we issued eight new investment certificates in 2010. Up-to-date information about our investment products is available on DZ BANK's derivatives portal at [www.eniteo.de](http://www.eniteo.de).

## CUSTOMER SATISFACTION AND COMPLAINTS MANAGEMENT

The survey on satisfaction among the cooperative banks we conducted in September 2010 showed that 67 percent of respondents were satisfied with our services and 27 percent were very satisfied (see page 11). In order to improve customer service in the Capital Markets Retail division, we have amalgamated all processes in one unit in Frankfurt. Our intention was to ensure that it can be accessed quickly, processing times are short and customers receive professional responses. In 2011, our customer service process as well as our selection process received certification. We have appointed complaints managers in all divisions that have direct or indirect contact with customers. Their job is to ensure that complaints management is handled in a customer-focused manner in line with consistent, bank-wide guidelines. All complaints, whether they are made by telephone, letter, email, or in person, are recorded centrally and dealt with promptly.

## SUSTAINABLE INVESTMENT PRODUCTS FROM DZ BANK IN 2010

Product name	Description
Equity baskets based on a selection of ethical equities (Ethik Garant Zielzins, Ethik Garant Double, LIGA Bank Ethik Garant 15.0)	The coupons achievable annually are linked to the performance of a basket of equities assembled on the basis of ethical criteria.
LIGA-Pax-Mikrofinanz-Zertifikat	This investment certificate combines social investment in the area of micro-financing with various funds that invest in equities from ethically oriented issuers.
BfOM Ethik Garant Alpha Deep	This investment certificate is based on the DZ NH BfOM Value Select index. Investors still benefit, provided the index does not underperform the DAX by more than two percentage points on one of the valuation days.
Pax-Rural-Mikrofinanzzertifikat	This investment certificate combines social investment in the area of micro-financing with other reference investments relevant to the promotion of stable, sustainable, and equitable growth in individual countries.
AKZENT Invest Lebenshilfe-Zertifikat issued by local cooperative banks	The aim of this investment certificate is for an underlying instrument to outperform its benchmark. Part of the front-end fee was donated to a charity supporting people with disabilities.
Klimaschutz Garant	The investment certificate's coupon rate is linked to the performance of the Global Clean Energy index, which covers 30 companies in the clean energy sector.
DZ BANK Pax-Mikrofinanzanleihe Serie 3	Pax-Rural-Mikrofinanzzertifikat (successor product)
Equity baskets based on a selection of sustainable equities (VarioZins Garant 6 D, VarioZins Garant XI D, Wachstumzins)	The coupon rates achievable annually are linked to the performance of a basket of equities assembled on the basis of their rating by oekom research.

## ANLAGE ZUKUNFT PRODUCT LINE

Product name	Description
AKZENT Invest EKK Nachhaltigkeitsanleihe EKK Nachhaltigkeitsanleihe II VarioZins Garant Zukunft EKK Garantleanleihe 'Nachhaltigkeit' VarioZins Garant XXXIX E.SU Zukunft VR VarioZins Garant Nachhaltigkeit 2	The coupon rates achievable annually are linked to the performance of a basket of equities assembled on the basis of their rating by oekom research.
Ökologie Aktiv Pro	This investment certificate correlates exactly with the performance of the DZ BANK ÖkologieAktiv index which comprises a maximum of 20 securities issued by companies from up to four ecological sectors.
BasketKlassik Garant Nachhaltigkeit BasketKlassik Garant II Gesundheit	At the end of its term, this investment certificate offers the opportunity to benefit from possible price rises in the underlying basket of equities up to a predetermined amount. The basket of equities consists of reference equities assembled on the basis of oekom research ratings.
DuoRendite Garant Nachhaltigkeit	This investment certificate consists of one fixed-rate and one floating-rate component. The coupon rate achievable annually by the floating-rate component is linked to the performance of a basket of equities assembled on the basis of their rating by oekom research.

## CUSTOMER INFORMATION

We support the local cooperative banks by providing them with comprehensive information about the products available. As a member of the Deutscher Derivate Verband (DDV) [German derivatives association], we have voluntarily undertaken to disclose any sales commission embedded in structured products. We offer employees in the branches special training and a telephone advice line for *Anlage Zukunft* products. Employees from our sustainability research, product development, and product management teams also help the local cooperative banks with their end-customer events by providing information material such as research studies, product information and general customer brochures. The second evaluation carried out in January 2011 on behalf of the DDV certified that DZ BANK fully complies with the Derivatives Code, which is a voluntary obligation for members of the association. Our presentation and explanation of issuer ratings and the successful adoption of the product information sheets we use for all investment products received particular praise.

## ADVERTISING

We check all statements in our advertisements in advance to ensure that they do not breach the self-monitoring criteria issued by the trade associations. The most important of these is the code of conduct of the Deutscher Werberat [German advertising standards council]. During the period under review, we did not receive any sanctions, fines, or warnings as a result of non-compliance with advertising regulations.

## DATA PROTECTION

Together with the requirement for banking secrecy applicable to all customer data, reliable data protection is the cornerstone of any customer relationship based on trust. All personal data that we receive or collect in the course of our work is handled in accordance with the applicable laws and regulations on protecting personal data. We use this data exclusively to process contracts – provided the persons concerned have instructed us to do so or have agreed to their data being processed –, to safeguard our legitimate interests or as permitted by law or as required by legislation. In its general terms and conditions, one of the undertakings DZ BANK makes to its customers is to uphold banking secrecy. We have technical and organizational security measures in place to protect against data manipulation, loss, destruction, and unauthorized access, and we have similar agreements with the service providers we use.

As required by law, DZ BANK has appointed a data protection officer. This employee is independent of any particular department, is not bound by instructions, and reports directly to the Board of Managing Directors. In accordance with section 5 of the German Data Protection Act (BDSG), our employees must maintain confidentiality and suitable action is taken to ensure that they are familiar with the provisions of the BDSG and with data protection requirements. The HR department and the data protection officer monitor the training given to employees. In addition, the data protection officer reports on data protection news via inhouse communications and organizes training courses and presentations for relevant employees and groups. The internal and external auditors carry out regular checks and audits that include compliance with banking secrecy and data protection. DZ BANK did not receive any fines in the period under review.

# RESPONSIBILITY FOR EMPLOYEES

We offer our employees a motivational working environment, and encourage them to perform well and to acquire new skills. We also want to be an employer of choice for the next generation. We face a huge challenge from demographic change associated with the rising average age of our workforce and the forecast fall in the number of qualified job applicants. For this reason, we offer our employees attractive career opportunities and CPD while we provide young people with interesting training and good prospects. Our commitment to improving the balance between work and family life is intended to further enhance our appeal as an employer. As described in the 2009 report, the financial and economic crisis prompted DZ BANK to concentrate on its core business. By the end of 2011, we will have cut 450 jobs without any compulsory redundancies, so we have extended the existing social compensation plan and offered a wide range of measures to minimize the social impact. Well over 300 jobs had been cut by the end of May 2011, but at the same time we have postponed some reduction measures for a year and selectively created new roles as a result of the sharp rise in regulatory requirements and in order to exploit specific market opportunities.

## TRAINING

At DZ BANK, school-leavers can obtain training and qualifications in banking or office communications. The latter includes a foreign language correspondence option. It is also possible for studies to be combined with training modules such as a combined vocational training course and Bachelor of Arts (BA) degree in banking at the Baden-Württemberg Cooperative State University or a Bachelor of Science (BSc) degree with integrated vocational training in business administration or business IT at the Frankfurt School of Finance & Management. Graduates can opt for our

twelve to 18-month management trainee program. 'TeamUp' is a new trainee program that has been developed for the cooperative financial network. Fifteen places are available and it starts on October 1, 2011 ([www.teamup-trainee.de](http://www.teamup-trainee.de)). Students can also join DZ BANK on an internship or take part in our program for students approaching graduation. In 2010, 53 trainees began their professional career at DZ BANK. A distinctive feature of trainee development at DZ BANK is that it encourages individual responsibility among the new staff. Besides equipping trainees with specialist knowledge, the development programs focus on expanding their methodological, social, and interpersonal skills.

## CONTINUING PROFESSIONAL DEVELOPMENT

Continuing professional development is available to all employees in Germany and elsewhere in the form of inhouse training activities, divisional training, and external training. In 2010, the program encompassed around 150 different subjects. The Navigator Program is a targeted development scheme for divisional heads and it includes tailored management programs, training courses and coaching sessions. There is also an 18-month professional development program that prepares high-potential employees and executives for taking on demanding roles with additional responsibilities. Finally, we offer a systematic two-year development program for department and group managers. In December 2009, the DZ BANK Group Corporate Campus for Management & Strategy was established as a platform for management development and strategy work aimed at the group's 180 or so senior executives. It is used for information sharing and brings together specialists from all over the DZ BANK Group to support strategic initiatives.



## KEY EMPLOYEE DATA

As at December 31, 2010	Region	2010	2009	2008
<b>Employees</b>	Total	<b>4,006</b>	4,008	4,148
	Germany	<b>3,729</b>	3,702	3,817
	Rest of world	<b>277</b>	306	316
<b>HR expenditure (€ million)</b>				
Wages and salaries	Total	<b>384</b>	388	366
Occupational pension provision and other benefits	Total	<b>53</b>	103	51
<b>Trainees (%)</b>	Germany	<b>2.8</b>	2.8	4.0
<b>Employment type (%)</b>				
Full-time	Total	<b>83.1</b>	86.5	86.2
Part-time	Total	<b>16.9</b>	13.5	13.8
<b>Women (%)</b>				
Total workforce	Total	<b>41.9</b>	37.1	40.2
Management positions	Total	<b>14.9</b>	14.3	14.3
<b>Period of service (years)</b>				
	Total	<b>12.4</b>	11.7	–
	Germany	<b>12.7</b>	12.2	11.2
	Rest of world	<b>7.7</b>	6.8	–
<b>Average age (years)</b>				
	Total	<b>41.9</b>	41.3	–
	Germany	<b>41.9</b>	41.3	40.3
	Rest of world	<b>42.0</b>	41.2	–
<b>Employees with disabilities (%)</b>				
	Germany	<b>4.6</b>	4.4	3.7
Average for the year				
<b>Staff turnover (%)</b>	Germany	<b>5.3</b>	5.1	3.7
<b>Sickness rate</b>	Germany	<b>3.1</b>	3.4	2.9
<b>Continuing professional development (days)</b>				
Employees	Germany	<b>9,125</b>	12,375	16,215
Management	Germany	<b>7,703</b>		
Per employee	Total	<b>1,422</b>		
		<b>2.5</b>	3.3	4.2

## EMPLOYEE SATISFACTION

DZ BANK conducted a staff survey in 2009 for which the response rate was 65 percent. The survey revealed that our staff are extremely committed and feel a close connection with the bank. Based on the organizational commitment index (OCI), the score for employee satisfaction was 74 points out of 100. A sounding board consisting of representative of all 23 divisions of DZ BANK and two trainees was set up in November 2009 to implement the improvements

needed. In 2010, it focused on actions in individual departments that could be regarded as best practice, as well as on coordinating the results and putting them into operation in Communications and Marketing, Central Services and Human Resources divisions. Cultural topics such as reflecting on the 'Our Values' mission statement, were also a priority. General parameters for sustainable trainee development and the establishment of cross-divisional job shadowing and job rotation were further focus areas. The next survey will be conducted in late 2011.

## COMPENSATION

Our employees' salaries consist of a fixed element and a variable element. Women and men are paid equally at DZ BANK. They are assigned to a pay category solely on the basis of the function they perform. Participating in the 'Logib-D' (fair pay in German companies) initiative run by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth has had a positive outcome for DZ BANK. Logib-D calculated the pay differential between men and women, adjusted for personal and job-related characteristics. As at December 31, 2010, DZ BANK in Germany had 2,854 employees in the non-collectively-negotiated wage sector, 1,056 in the collectively-negotiated wage sector, and 96 employees receiving training pay or other compensation. During the course of the year, 64 temporary staff were also employed across Germany.

## EQUAL OPPORTUNITIES

DZ BANK firmly opposes discriminating against people on the basis of their origin, skin color, gender, age, or physical disability. Among other things, there is a company agreement intended to help integrate people with disabilities. A representative committee for employees with severe disabilities ensures compliance with this agreement. As at December 31, 2010, 4.6 percent of the workforce had a severe disability, which was slightly below the level required by German law of 5 percent.

DZ BANK also has a policy of targeted advancement of women and it has developed a scheme with specific measures in the areas of career, communications and culture. With the support of the Board of Managing Directors, it is aimed at increasing the number of women in managerial positions. As part of the inhouse professional development program, a seminar covering this area ('Career strategies for getting to the top – a training course for women') is also available.

## BALANCE BETWEEN WORK AND FAMILY LIFE

DZ BANK places particular importance on achieving a balance between work and family life. In 2007, we received the 'Work and Family Audit' basic certificate for our initiatives and at the end of 2010 we were awarded a certificate which will be reviewed every three years. In cooperation with the families service, we offer staff all over Germany a range of benefits, such as up to ten days' free use of emergency child-care facilities for children up to age twelve. We also have specially equipped parent-and-child offices at all major sites for occasions when childcare is temporarily unavailable and we arrange places in crèches or kindergartens. There has been a welcome rise in the proportion of fathers who are taking more responsibility during parental leave: As at December 31, 2010, 133 employees were on parental leave. A total of 34 of them were fathers, of whom 25 had started their parental leave in 2010.

DZ BANK staff who care for dependants receive support in the form of a regular series of seminars providing skills training for employees acting as carers and advice on home care and elder care in cooperation with the families service. The bank's carer network offers the opportunity for staff caring for dependants to share their experiences at monthly meetings. In accordance with the German Nursing Care Leave Act (PflegeZG) we allow staff with dependent relatives special leave of up to six months, or a reduction in their working hours. If there is an unforeseen requirement for care, staff can take up to ten days' leave to organize assistance.

## WORKING-TIME MODELS

DZ BANK offers all staff the opportunity to choose their own working hours, including full-time work, part-time with hours to suit, flexitime and teleworking, annual working-time accounts, part-time phased early retirement and sabbaticals. Employees in Germany made use of DZ BANK's working-time models as follows in 2010:

## WORKING-TIME MODELS

Use of the models (%)	2010	2009	2008
Flexible working hours	100	100	100
Part-time (all models)	16.9	13.5	13.8
Virtual offices	7.8	8.4	7
Sabbatical	0.1	0.1	0.1
Preretirement part-time employment	2.8	1.8	2

## EMPLOYEE BENEFITS AND SOCIAL SECURITY

More than 90 percent of our staff are employed in Germany where they are covered by an extensive social security system that provides sick pay and retirement benefits. In addition, DZ BANK provides numerous voluntary benefits, some of which are also available to employees in our locations outside Germany (Hong Kong, London, New York, and Singapore). We offer staff in Germany many discretionary employee benefits ranging from our pension scheme to various subsidies such as travel allowance or a subsidized local travel card, a subsidy for child day-care costs, contingency benefits, group accident insurance, and financial support for surviving dependants. The table below shows some standard conditions and benefits:

## WORKING HOURS AND SOCIAL SECURITY

Proportion of all DZ BANK employees (%)	2010	2009
with regular working hours of below 40 hours per week	97	96.7
with regular working hours of max. 40 hours per week	98.3	98.6
with at least 15 days' vacation	99.7	100
with 23 or more days' vacation	94.5	94
with 30 days' vacation	93.1	92
with the option of working part-time	99.7	100
with occupational pension provision	98.3	98.7
entitled to at least one day's leave for birth of child, marriage, or death	99.7	100
represented by an employees' council	93	92

## EMPLOYEE INTERESTS

DZ BANK has always had employee representative bodies at its sites that represent the entire workforce in Germany. There are agreements between management and employees' councils about all key issues, including discretionary benefits. The employees' councils are informed about the latest developments on a regular basis. Employee meetings, which are open to all staff, are held at our offices two to three times a year as required. Local rules and standards apply to the branches in Hong Kong, London, New York, and Singapore. In accordance with German codetermination legislation, ten of the 20 members of the DZ BANK Supervisory Board are employee representatives.

## HEALTH MANAGEMENT

DZ BANK offers its employees numerous preventive healthcare measures, such as inhouse sports, free health checks, anti-stress programs and daily orthopedic back exercise classes. Thanks to various partnerships, further opportunities for preventive measures are available at some locations, including exercise and relaxation classes, nutritional advice and talks on medical matters. Last year, 20.6 percent of staff used the inhouse sports and fitness facilities on offer. There are currently 15 company sports groups at DZ BANK – ranging from soccer, track-and-field sports and cycling to tai chi and yoga.

In 2007, we launched the 'Reintegration' program to help employees who have come through a long period of sickness re-enter working life. In 2008, we recruited an independent social counselor to provide support for difficult situations at work or at home. She is available to provide advice at all of our sites in Germany. In 2010, she helped draw up the addiction policy which contains specific guidelines and instructions for dealing with recognized addictions and for offering those affected a step-by-step plan to help them.

## ENVIRONMENTAL PROTECTION

DZ BANK wants to minimize its direct impact on the environment. Facilities management in particular offers us plenty of opportunities to start cutting pollution and stop wasting resources. DZ BANK's environmental management system seizes every opportunity to do so, which also helps to cut costs. We want to show our staff, customers and other stakeholders that improvements are possible, even at grass-roots level.

## CLIMATE PROTECTION AND ENERGY CONSUMPTION

Climate change opens up numerous opportunities for DZ BANK – in the form of the growing demand for ecological investment products, for example, and the expansion of funding for renewable energies which help cut CO<sub>2</sub> emissions – which is why we are helping in our own organization to raise awareness of the importance of climate protection and to cut our CO<sub>2</sub> emissions. Our emissions mainly relate to power and heating consumption in our buildings. The targets we set ourselves in our sustainability program include reducing our electricity consumption and consequently cutting our energy-related CO<sub>2</sub> emissions. This is why we have switched the electricity supply at our biggest locations – Frankfurt, Berlin, Hannover, Karlsruhe, Stuttgart and Munich – to carbon-free electricity generated by renewable energies. As a result, we managed to cut our power supply-related CO<sub>2</sub> emissions from 257kg per employee in 2009 to 0.30kg per employee in 2010. We are taking targeted action to try to make more energy savings and to reduce our CO<sub>2</sub> emissions further.

Our business travel policy specifies that rail is the preferred means of transport. Flights are only approved if they are essential for scheduling reasons or if they are cheaper than traveling by train. However, using telephone or video conferences as an alternative to making a journey has the highest priority. DZ BANK pays a travel allowance to all staff who use public transportation to travel to work. This subsidy was increased by 25 percent in October 2010. We offer our employees a subsidized travel card for the local public transportation network at all major locations. Staff who live outside local public transportation zones can travel to work by train on an environmentally friendly basis and at reduced rates by taking advantage of an agreement we have with Deutsche Bahn AG. The 5 percent rise in air travel in 2010 is due to increased business activities outside Germany.

Organizing large conferences inevitably involves CO<sub>2</sub> emissions, even if they are beyond our direct control. Carbon offsetting schemes may be a solution in this case. We tested them for the first time at the Investment Dialog event on the theme of sustainability that was held in September 2010 (see page 25). To compensate for the 75 tonnes of CO<sub>2</sub> emitted – by delegates traveling to and from the event, for example – we purchased emissions credits whose proceeds go toward a wind power project in Turkey.

## USE OF PUBLIC TRANSPORTATION FOR TRAVEL TO WORK (EMPLOYEES IN GERMANY)

	2010	2009	2008
Number of employees who use public transportation	2,904	3,078	3,315
Proportion of employees who use public transportation (%)	79.6	81.8	88.7

## ENERGY-SAVING MEASURES AND GREEN IT

Climate change was also a priority when we refurbished the Cityhaus 1 building at our Frankfurt headquarters. The modernized façade cut the building's primary energy requirement by more than 25 percent. The building now uses district heating. In September 2010, it received the GreenBuilding award from the European Union, which has stipulated a number of binding energy-saving requirements for new and renovated commercial buildings.

We succeeded in reducing the number of lights in our building at Westend 1 and in selected areas of the Cityhaus 2 building in 2009. We are continuing to work with the facility manager to improve energy management by means such as progressively renewing the energy-related building systems technology, including the air-conditioning, as part of annual maintenance work. The new computing center in Frankfurt Bergen-Enkheim, which we moved into in 2009, is extremely energy-efficient and has a PUE (power usage effectiveness) rating of 1.5. We have also virtualized many server systems in order to boost their average capacity utilization and therefore reduce the amount of energy we use to operate and cool the servers.

## USE OF RESOURCES AND WASTE MANAGEMENT

Paper for the printers and photocopiers accounts for the largest proportion of consumables in terms of quantity. We ask all employees to use as little paper as possible. 100 percent of the paper we use is chlorine-free. We only print our brochures on paper certified by the FSC (Forest Stewardship Council), which confirms that the entire supply chain, right through to printing, is environmentally friendly. The letter paper we use has also obtained this internationally recognized certification. Our waste management policy is to separate out the main recyclable materials and it

has resulted in almost all of our waste paper (129.73 metric tons) now being recycled. In 2010, we recycled a total of 397.90 metric tons of paper waste. This quantity is higher because we separate out a greater proportion of our waste. The quantity of residual waste has therefore fallen sharply. Proper disposal of all toner waste used in Germany is carried out centrally via the Frankfurt site. In the year under review, around 5,500 toner cartridges were disposed of in an environmentally responsible manner.

## ENVIRONMENTALLY FRIENDLY PURCHASING

Whenever possible, our purchasing team procures products and services locally or in the surrounding region. We ensure that our service providers comply with environmental protection regulations and when we next update our purchasing conditions we will include a clause to that effect in our contracts. When buying for the DZ BANK vehicle fleet, we choose new, economical diesel vehicles. All vehicles that we bought in 2010 met this standard. The cafeteria at our headquarters in Frankfurt offers a daily organic menu that only uses ingredients from certified organic sources.

## ENVIRONMENTAL DATA

By including more locations, we have achieved coverage ratios of between 92 and 97 percent – based on full-time equivalents in Germany excluding temporary staff and trainees. The coverage ratio for the whole of DZ BANK AG, i.e. including offices abroad, is between 85 and 90 percent depending on the performance figure.

In the period from 2008 to 2010, we cut electricity consumption at our headquarters in Frankfurt, by far our biggest location, from 26,666,613 kilowatt hours to 25,984.360 kWh. In the same period, water consumption at the Frankfurt location fell by nearly 12,000 cubic meters.

## ENVIRONMENTAL DATA<sup>1</sup>

	Unit	2010	Coverage of FTEs for 2010	2009	2008
<b>Electricity consumption</b>					
Total electricity consumption	Kilowatt-hour (kWh)	<b>28,546,563</b>	90%	25,675,990	28,421,480
of which CO <sub>2</sub> -free	Kilowatt-hour (kWh)	<b>28,545,563</b>	90%		
Individual electricity consumption	kWh per FTE	<b>8,664</b>	90%	8,525	9,031
<b>Heating consumption</b>					
Total heating consumption	Kilowatt-hour (kWh)	<b>13,747,341</b>	86%	12,517,799	12,311,987
Individual heating consumption	kWh per TE	<b>4,394</b>	86%	4,156	3,912
<b>CO<sub>2</sub> emissions</b>					
Total CO <sub>2</sub> emissions: electricity	Kilogram (kg)	<b>98.40</b>	90%	775,000	1,572,231
Individual CO <sub>2</sub> emissions: electricity	kg per FTE	<b>0.03</b>	90%	257	500
Total CO <sub>2</sub> emissions: heating	Kilogram (kg)	<b>2,337,048</b>	86%	2,128,177	2,163,908
Individual CO <sub>2</sub> emissions: heating	kg per FTE	<b>747</b>	86%	707	688
<b>Water consumption</b>					
Total water consumption	Cubic meters (m <sup>3</sup> )	<b>82,884.50</b>	86%	78,916	89,472
Individual water consumption	m <sup>3</sup> per FTE	<b>26</b>	86%	26	28
<b>Paper consumption</b>					
Total printer and copier paper consumption	kg	<b>129,730</b>	Applies to the whole of Germany	154,677.60	189,605
Individual paper consumption	kg per FTE	<b>49</b>	Applies to the whole of Germany	54	64
Chlorine-free proportion	Percentage	<b>100</b>		98	98
<b>Waste</b>					
Total paper	kg	<b>326,455</b>	85%	356,334	326,976
Individual paper	kg per FTE	<b>104</b>	85%	118	104
Total mixed packaging	kg	<b>260,869</b>	85%	294,360	511,124
Individual mixed packaging	kg per FTE	<b>83</b>	85%	98	162
Total residual waste	kg	<b>225,089</b>	85%	97,197	139,268
Individual residual waste	kg per FTE	<b>72</b>	85%	32	44
Total commercial waste	kg	<b>122,955</b>	89%	138,190	170,160
Individual commercial waste	kg per FTE	<b>38</b>	89%	46	54
	Unit	2010	Coverage of employees' for 2010	2009	2008
<b>Business travel<sup>3</sup></b>					
Total business travel <sup>4</sup>	'000 km	<b>13,462</b>	100%	12,958	–
Individual business travel	km per employee	<b>3,610</b>	100%	3,560	–
of which by rail	Percentage	<b>43</b>	100%	46	–
of which by air	Percentage	<b>51</b>	100%	46	–
of which by car <sup>5</sup>	Percentage	<b>6</b>	100%	8	–

<sup>1</sup> Because the coverage ratio is higher, the absolute figures for 2010 are not comparable with those for 2009 (79 percent) or 2008.

<sup>2</sup> Full-time equivalents excluding temporary staff and trainees as at December 31, 2010.

<sup>3</sup> Average core staff in Germany in 2010 (excluding trainees, temporary staff, and inactive employees)

<sup>4</sup> Excluding travel by company car.

<sup>5</sup> Business travel by private car (km)



# CORPORATE CITIZENSHIP

Our underlying cooperative principles of mutuality and partnership, solidarity, and self-determination commit us to corporate citizenship. We combine commercial success with commitment to the common good and a functioning social market economy. We feel particularly responsible for the city of Frankfurt and the surrounding Rhine-Main region, because Frankfurt is the site of our headquarters. Where possible though, we also want to contribute to sustainable development.

## DONATIONS AND SPONSORSHIP

DZ BANK made donations totaling € 251,000 in 2010 (2009: € 292,000). We are committed to educational and academic support and to the common good. The focus of our corporate citizenship work lies in support for children and young people in need. Since 1997, DZ BANK and other companies in the DZ BANK Group have backed 'Aktive Bürgerschaft', an association that promotes the concept of citizens' foundations in Germany. Donations to political parties and trade unions require the consent of the entire Board of Managing Directors regardless of the amount involved. The donations policy drawn up in 2011 requires party donations to support the parliamentary system as a whole. In future, therefore, donations will be made to all national political parties that are repre-

sented in the German parliament and which uphold the constitution of the Federal Republic of Germany and the model of a social market economy.

## RECORD NUMBERS COMPETE FOR OUR CAREER PRIZE

We believe an excellent education system and constructive sharing of information between industry and academia provide the best foundations for a secure future. As an expression of our conviction, we have awarded the Career Prize every year since 2001 for an outstanding dissertation in the area of banking and finance. With a total value of € 24,000, it is the most highly endowed prize for academic dissertations awarded by a German company and 2010 was the second year in which it was jointly awarded by the DZ BANK Group. There were 170 entrants, a record number for the competition and the large number of dissertations about the cooperative model was particularly remarkable.

## OUR CULTURAL CONTRIBUTION

Because we benefit from society in a huge number of ways, we want to give something back over and above our own business activities. Our art collection

can be seen by the public at four exhibitions a year in the DZ BANK ART FOYER which opened in 2006. We also offer regular guided tours of the artworks on display at DZ BANK. In 2009, we donated 220 particularly significant photographs from our collection to the Städel art gallery in Frankfurt.

## STAFF VOLUNTEERING

DZ BANK supports its employees in their personal voluntary activities. In 2010, it took part for the fifth time in the Social Day organized by the Order of Malta association in Frankfurt. Trainees accompanied residents of the Bockenheim care home on an outing to Frankfurt zoo. Initiated by our staff back in 2000, the DZ BANK microfinance fund now manages assets of €170,000 on a voluntary basis which makes it possible for us to offer micro-credit. The projects it funds are in Algeria, Togo and Namibia. At the end of 2010, its shareholders consisted of 280 employees or former employees of DZ BANK and its group companies. We support the fund by making regular donations and issuing collateralized guarantees.

## THE SUPPLY CHAIN AND HUMAN RIGHTS

Clear obligations regarding data protection are built into DZ BANK's supply agreements. In October 2010, obligations regarding working conditions, safety at work and healthcare were also inserted into existing supply agreements. Since then, new agreements must automatically include these obligations, while they have already been added to most existing supply agreements. When they sign or accept agreements, suppliers are undertaking to comply with the minimum standards specified. This also means that they are obliged to recognize basic human rights as defined in the UN Global Compact, so we explicitly require them to acknowledge the UN Universal Declaration of Human Rights (UDHR) and the European Convention on Human Rights (ECHR).

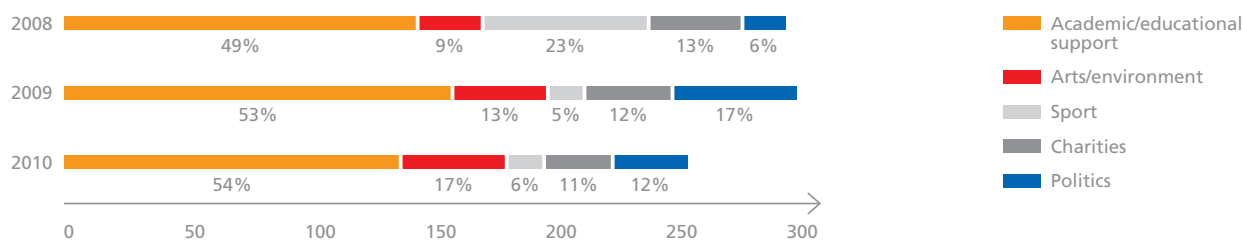
## DZ BANK FOUNDATION

The DZ BANK Foundation promotes academic work, research, teaching, and learning at universities, as well as supporting research projects and outstanding academic works that are directly linked to banking or the cooperative movement. It thereby complements DZ BANK's corporate citizenship work. In 2010, the DZ BANK Foundation, which has assets of € 16.5 million, donated a total of approximately € 400,000 to new and existing projects (2009: € 438,000).

## OUR MEMBERSHIPS

We discuss future issues and current requirements within the framework of our membership of various organizations, enabling us to share our experience and expertise with others. For example, DZ BANK is a member of the Frankfurt Main Finance initiative whose purpose is to enhance the appeal of the city as a financial center and is also in dialog with the Hesse state government. In 2010, we spent around € 1.3 million on membership of various banking organizations (2009: € 1.2 million). This also includes membership of European trade associations such as the European Association of Cooperative Banks (EACB) and the Unico Banking Group which is dedicated to disseminating and consolidating the cooperative principle in Europe and around the world. Membership of academic and other organizations accounted for a further € 590,000 (2009: € 634,000).

BREAKDOWN OF DONATIONS BY AREA (TOTAL OF € 251,000)



## SELECTION OF MAJOR ACADEMIC ORGANIZATIONS TO WHICH WE BELONG

- DEUTSCHES AKTIENINSTITUT**  
» Promotes Germany as a financial center and equity as an investment and financing tool.
- FRANKFURT INSTITUTE FOR RISK MANAGEMENT AND REGULATION**  
» Funds research and education in the above areas.
- GERMAN BENEFACTORS' ASSOCIATION FOR SCIENCE AND LEARNING**  
» Identifies structural problems in scientific research and higher education and attempts to resolve them.
- STIFTUNG MARKTWIRTSCHAFT**  
» A foundation committed to the labor market, social security and taxation.

# GRI CONTENT INDEX

The Global Reporting Initiative (GRI) has drawn up a standard for reporting on sustainability in order to enable international comparisons between companies' sustainability activities. DZ BANK's reporting is based on the updated G3 version of the GRI guidelines from 2006. The GRI content index shown here encompasses the core indicators and refers to the pages in the report where the relevant information can be found.

GRI INDICATORS	Page
<b>1. Vision and strategy</b>	
1.1 Statement from the Chief Executive Officer or Chairman of the Supervisory Board	4 et seq.
1.2 Description of key sustainability impacts, risks, and opportunities	8 et seq., 12 et seq., 24, 31, 43
<b>2. Organizational profile</b>	
2.1 Name of organization	2
2.2 Primary brands, products, and/or services	2, 6 et seq., 24 et seq., 36
2.3 Divisions and operational structure of the organization	2, 6 et seq.
2.4 Location of organization's headquarters	6
2.5 Number and name of countries where the organization has major operations	6
2.6 Ownership structure	6
2.7 Markets served	6 et seq.
2.8 Scale of the organization	6, 35
2.9 Significant changes to the organization or its ownership structure	6
2.10 Awards received	9 et seq.
<b>3. Report parameters</b>	
3.1 Reporting period	2
3.2 Publication of most recent previous report	2
3.3 Reporting cycle	2
3.4 Contact	51
3.5 Process for defining report content	2, 9
3.6 Boundary of the report	2
3.7 Any specific limitations on the scope of the report	2
3.8 Basis for reporting on joint ventures, etc.	AR 102 et seq.
3.9 Data measurement techniques and the bases of calculations	2, 44 et seq.

A detailed statement, which takes account of the sector supplement for financial service providers, is available on the DZ BANK sustainability portal at [www.sustainability.dzbank.com](http://www.sustainability.dzbank.com). Our own assessment of our application level for the G3 GRI guidelines is B. This self-assessment has been checked and verified by GRI (see page 50)

GRI INDICATORS	Page
3.10 Re-statements or changes in the presentation of information provided compared with earlier reports	2
3.11 Changes in the themes covered or the measurement methods applied	2,45
3.12 GRI index	48 et seq.
3.13 External verification of statements	None
<b>4. Governance, commitments, and engagement</b>	
4.1 Governance structure	8 et seq., 33
4.2 Independence of the Chairman of the Supervisory Board	8
4.3 Supervisory body or independent members of the organization's management body	8, 33
4.4 Mechanisms for shareholders and employees to provide recommendations to the Board of Managing Directors/Supervisory Board	11, 40
4.5 Linkage between compensation for members of senior management with attainment of sustainability objectives	8, 33
4.6 Avoidance of conflicts of interest	9, 33 et seq.
4.7 Expertise of governing bodies in the area of sustainability	9
4.8 Corporate values and codes of conduct	8
4.9 Procedures at the level of the Board of Managing Directors/Supervisory Board for monitoring environmental, economical and social risks and opportunities	8 et seq.
4.10 Processes for evaluating the performance of the Board of Managing Directors	8, 33
4.11 Approaches for preventive action	27, 33
4.12 Participation in and support for external initiatives	8, 11, 24 et seq., 27 et seq.

GRI INDICATORS	Page
4.13 Memberships in associations and interest groups	11, 34, 47
4.14 List of stakeholder groups engaged by the organization	11, 34
4.15 Identification of relevant stakeholders for the organization	11, statement 11
4.16 Approaches to stakeholder engagement	11, 25, 34, statement 11
4.17 Statement on the key concerns of stakeholders	11
<b>5. Performance indicators</b>	
<b>Economic performance – management approach</b>	6, 24, 35
EC1 Value generated and distributed	35, 40
EC2 Financial implications of climate change	43*
EC3 The organization's defined benefit plan obligations	42*
EC4 Financial assistance received from government	No information provided
EC6 Payments to locally based suppliers	44*
EC7 Hiring of senior management from the local community	No information provided
EC8 Infrastructure investments and services of primary importance for the public good	36
<b>Environment – management approach</b>	9 et seq., 13, 43 et seq.
EN1 Materials used by weight or volume	45
EN2 Percentage of materials used that are recycled input materials	44 et seq.
EN3 Direct energy consumption	No information provided
EN4 Indirect energy consumption	45*
EN8 Total water withdrawal by source	45*
EN11 Biodiversity: land use in protected areas	Not relevant
EN12 Impact on biodiversity in protected areas	Not relevant
EN16 Direct and indirect emissions of climate-relevant gases	45
EN17 Other indirect greenhouse gas emissions	43*
EN19 Emissions of ozone-depleting substances	Not relevant
EN20 NO <sub>x</sub> , SO <sub>x</sub> , and other significant emissions	Not relevant
EN21 Water discharge by type and quantity	Not relevant
EN22 Quantity of waste by type and disposal method	45
EN23 Release of contaminants	Not relevant
EN26 Environmentally friendly design of products and services	26 et seq., 36 et seq.
EN27 Percentage of products whose packaging can be recycled	Not relevant

GRI INDICATORS	Page
EN28 Fines for non-compliance with environmental laws and regulations	None
<b>Labor practices and decent work – management approach</b>	10, 13, 39, 42
LA1 Workforce by employment type/region	40*
LA2 Staff turnover	40*
LA4 Employees covered by collective bargaining agreements	41
LA5 Minimum notice periods regarding material operational changes	42*
LA7 Injuries, absenteeism, and fatalities	40
LA8 Healthcare, advisory services	42
LA10 Hours of training/continuing professional development by employee category	40*
LA13 Workforce structure / diversity of management	40 et seq.*
LA14 Compensation by gender and employee category	41
<b>Human rights – management approach</b>	8, 13, 27, 34, 47
HR1 Investment decisions that include human rights clauses or screening	27, 36*
HR2 Screening of suppliers for compliance with human rights	47*
HR4 Number of incidents of discrimination and actions taken	34
HR5 Freedom of association and freedom to undertake collective bargaining	26, 42
HR6 Child labor	27
HR7 Forced labor	27
<b>Society – management approach</b>	13, 33 et seq., 46
SO1 Limitation of the negative impact of operations on local communities	46 et seq.
SO2 Analysis of the risks of corruption	33
SO3 Training in anti-corruption	33 et seq.
SO4 Anti-corruption measures	33 et seq.
SO5 Political opinion forming and lobbying activities	34, 47
SO8 Fines/sanctions for non-compliance with laws and regulations	None
<b>Product responsibility – management approach</b>	12, 35, 38
PR1 Product safety	Not relevant
PR3 Identification of products and services	38*
PR6 Marketing communications	38
PR9 Fines for infringement of laws and regulations	AR 86

\* = information incomplete based on GRI criterion  
AR = 2010 annual financial statements and management report of DZ BANK AG

# GRI CONFIRMATION



## Statement GRI Application Level Check

GRI hereby states that **DZ BANK AG** has presented its report "Sustainability Report 2010" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 31 August 2011

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 23 August 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

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

This report is also available in German.

### FIND OUT MORE ABOUT DZ BANK

**2010 DZ BANK Group annual financial statements and 2011 management report of DZ BANK AG**  
These reports explain the strategy, activities, business development, and performance of the DZ BANK Group and DZ BANK AG.  
[www.dzbank.com](http://www.dzbank.com) > Investor Relations

**Sustainability portal**  
Our sustainability portal provides continually updated information on sustainability-related issues.  
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